

The Republic of Madagascar

Country Programme Evaluation

Executive Summary

1. This country programme evaluation is the first carried out in Madagascar. The analysis focuses on the 2000 and 2006 COSOPs, six loans (Upper Mandrare Basin Development Project, Phase II - PHBM II, Rural Income Promotion Programme - PPRR, Project to Support Development in the Menabe and Melaky Regions - AD2M, Support Programme for the Rural Microenterprise Poles and Regional Economies - PROSPERER, Support to Farmers' Professional Organizations and Agricultural Services Project - AROPA, Vocational Training and Agricultural Productivity Improvement Programme - FORMAPROD) and seven grants. In addition to analysis of portfolio activities, this evaluation assesses non-lending activities (knowledge management, policy dialogue, partnership development) and the relevance and effectiveness of the strategy of collaboration between the Government and IFAD.
2. Since it began operations in Madagascar in 1979, IFAD has financed 14 projects (4 of which active at the time of the evaluation) for a total cost of US\$515 million, of which US\$175 million (34 per cent) were IFAD highly concessional loans, US\$91 million (18 per cent) were contributions from the Malagasy State, and US\$203 million (46 per cent) came from cofinancing. IFAD approved its first strategy (COSOP) in 2000, and its second in 2006. In addition, the portfolio has benefited from a financial contribution of €12.5 million from the European Union (Programme to Support Resilience to Food Crises in Madagascar or PARECAM), intended to respond to the increase in food prices. IFAD opened a country office in Madagascar in 2011.
3. **National context.** Madagascar has undergone four socio-political crises since independence: in 1972, 1991, 2002 and 2009. Following the 2009 crisis, the President, Marc Ravalomanana, handed over power to the armed forces and Andry Rajoelina became President of the High Transitional Authority until new elections, slated for July 2013. After an interruption, multilateral donors resumed their development activities in 2012. IFAD never suspended project implementation during this period and became the main donor in the agricultural sector.
4. From the 1970s to the mid-1990s, the annual growth in GDP averaged only 0.5 per cent, below the rate of population growth. There was strong growth in GDP starting at the end of the 1990s, thanks to the improved performance of the agricultural sector, tourism and new investments in the mining sector and oil exploration. With the crisis, GDP fell by 3.7 per cent in 2009. Growth should reach 4.5 per cent in 2013.
5. In 1993, the incidence of poverty in Madagascar was estimated at 70 per cent; and 17 years later, according to a regular household survey in 2010, it had increased to 76.5 per cent, with 82.2 per cent in rural areas. The incidence of chronic malnutrition among children of under-five is very high: 49.9 per cent in rural zones (2008–2009), although decreasing.
6. Madagascar has the advantage of major natural capital (including 10 million hectares of arable land that are not yet under cultivation). Agricultural value chains, especially those of cash crops, offer considerable opportunities. The country is one of the world's main producers of vanilla, cloves, pepper and lychees, and there is considerable fish production. In 2010, Madagascar was listed among the top ten aquaculture producers, with an annual production of 6,886 tonnes. The following constraints may be particularly noted: natural resource degradation (land, forests, rangelands, water) and land tenure insecurity (with the risk of land-

grabbing). In 2005, a land reform introduced the certification of rights of use, but the 2009 political crisis resulted in a massive reduction in funding for this reform.

Portfolio of projects

7. The relevance of projects has been moderately satisfactory. The objectives of projects are well in line with the Government's and IFAD's strategies and with beneficiaries' needs. In agricultural development interventions, the appropriate proportion of hydroagricultural schemes and activities to increase land tenure security is noted (PPRR, AD2M). PARECAM's financial contribution has allowed the promotion of highly relevant activities supporting food security by expanding irrigation and increasing access to improved agricultural techniques.
8. In the sphere of support to rural enterprises (PROSPERER), support for the basic training of entrepreneurs, product development and marketing has been generally well designed. Value chain studies have allowed better identification of opportunities and inhibiting factors in market access. The partnership established with the network of chambers of commerce and industry has proved timely and could in the long term lead to the institutionalization of service provision to rural enterprises. On the other hand, the approach to marketing through "market access centres" (PPRR) has not proved appropriate due to poor knowledge of value chains, combined with insufficient funding, while other approaches (for example a form of contract-farming) could have been explored.
9. The two most recent projects (AROPA, FORMAPROD) have relevant objectives. However, their design is very complicated and there are risks with regard to their institutional set-up. AROPA is focused on professionalizing small farmers' organizations and boosting their involvement in policy dialogue, especially regarding the preparation and implementation of the Agricultural Sector Programme. Two constraints are noted: the institutional weaknesses of the regional network of chambers of agriculture (the main partner in the project) and its difficult relations with the support operators chosen to coordinate activities at the regional level (NGOs, consulting firms), which have very different intervention approaches. FORMAPROD is aimed at supporting the national strategy on agricultural and rural training, a recognized need in the country. Its design entails risks, because of the great multiplicity of its components, the lack of clarity in the principles for evaluating agricultural training needs and the absence of a solid coordinating team at the national level. The responsibility for its implementation is entrusted to the regional units of other IFAD projects in Madagascar that are not specialized in agricultural training.
10. The **effectiveness** of the portfolio is moderately satisfactory. The most convincing results include irrigation schemes (PHBM II, AD2M) and the introduction of improved cropping techniques through the farmer field school approach. Yields of the main crops (rice, beans, lentils, groundnuts and onions) have exceeded their targets, especially in the case of rice through the diffusion of intensive rice systems and improved seed, which have led to a doubling or tripling of yields.
11. In the sphere of marketing and rural enterprises, support to microenterprises (PROSPERER) has also been satisfactory, not only because of the large number of enterprises supported (about 12,300), but especially because of results in terms of increases in the income of enterprises. On the other hand, market access centres (PPRR) have shown a very modest increase in the volume of sales and almost all are running at a loss. PPRR's most promising initiatives have been outside the market access centres approach: the project has established partnerships with private enterprises exporting niche products (for example sugar and organic turmeric).
12. With regard to support to grass-roots associations, PPRR has boosted 634 farmers' organizations and helped to establish 39 unions of associations, as well as regional federations, already involved in monitoring and supporting marketing activities. In

the case of AROPA, regional operators have undertaken training initiatives for producers' associations but with little guidance and strategic prioritization by the project.

13. **Efficiency** has been moderately satisfactory. In the case of an already closed project (PHBM II), the estimated internal rate of economic return was higher than expected (27 as against 14 per cent), thanks to the low unit cost of irrigation schemes. Although full information is not available for on-going projects, available data suggest favourable ratios between costs and benefits in the case of two projects (AD2M and PROSPERER) and more modest results for two other projects because of the poor economic viability of the "market access centres" (PPRR) or a complicated set-up (AROPA).
14. **Impact on rural poverty.** Available data indicate that the income of the rural poor has increased considerably, even if the changes observed cannot be attributed exclusively to the activities of the projects. In the case of PHBM II, the average net monetary income per person grew by an average of 74 per cent. In the case of PROSPERER, between 2010 and 2011 the average income of rural enterprises grew by between 7 and 60 per cent, depending on region.
15. The projects have contributed to increases in agricultural production and yields. According to the 2008 evaluation of PHBM II, rice and cassava production saw increases of 92 and 118 per cent respectively between 2001 and 2007. In the case of PPRR, the increase in rice yields (from 500 kilograms to 3 tonnes per hectare in some cases) thanks to the adoption of intensive rice systems should be noted. In the AD2M zone, rice yields have increased threefold, while yields of beans, groundnuts and lentils have doubled.
16. On the other hand, projects have paid little attention to natural resource and environmental management or climate change adaptation. They lack strategies for watershed protection and management (even at meso and micro level) and there have been few concrete measures to counter the reduction in soil fertility.
17. Prospects for the **sustainability** of individual projects are moderately satisfactory. Agricultural production components have modest operating and maintenance costs (for example in rice growing) and partnerships were forged with private entrepreneurs. AD2M has taken steps to boost the prospects of sustainability by focusing support on value chains and production poles, connecting producers with markets and seeking to professionalize producers in the organizational, technical and marketing spheres; and PPRR has helped establish partnerships with cash crop exporters. However, risks exist: in the case of PPRR, the vast majority of the market access centres are operating at a loss; and in the case of AD2M, it will not be easy to soften the blow of closure of the project's local structures (some 100 staff in the project management unit and field NGOs).
18. PROSPERER offers good prospects of institutional sustainability, thanks to its collaboration with chambers of commerce and industry and with other regional and local institutions. However, the local project structures, multiservice one-stop shops for enterprises, have little chance of achieving a sufficient level of self-financing by the time the project closes. For a long time to come, their activities will take the form of a public service.
19. Some projects have started a reflection on sustainability through consultation workshops with their partners. A new phase of selective investment and support to consolidate and ensure permanence seems necessary for projects that are shortly to close. However, neither IFAD nor its partners has yet anticipated this.
20. The capacity for **innovation and scaling up** has been moderately satisfactory. The most notable innovations include: (i) improved cropping techniques (intensive rice systems, grafting, rapid multiplication of tuber crop plants); (ii) support for agricultural value chains and production poles; (iii) support for land tenure security

through the certification of rights of use; and (iv) establishment of district-level multiservice one-stop shops to support microenterprises.

21. An important issue concerns the capacity, including that of the Malagasy Government, to replicate and up-scale innovations. The situation of isolation from international aid following the 2009 political crisis has limited opportunities for a multiplier effect through cofinancing from other donors. On the other hand, collaboration with national and international private enterprises is a source of support for innovations and their replication that has not yet been fully exploited.
22. The promotion of **gender equality and women's empowerment** has been satisfactory. All the projects have tried hard to increase the visibility of gender-related aspects. Women are more fully involved in the new dynamic of social and economic development and constitute more than 40 per cent of the members of grass-roots organizations and 60 per cent, or more, of microcredit beneficiaries.

Non-lending activities

23. **Partnership development.** IFAD and Malagasy State institutions have established partnerships at national, regional and local levels. The value of these partnerships was demonstrated during the recent crisis period when they helped to avoid the collapse of the agricultural sector. IFAD's main partner has been the Ministry of Agriculture with its general directorates and regional services. Some project components have enabled partnerships to be established with other ministries (for example those responsible for livestock, trade and industry) and with the vice-president's office responsible for development and land-use planning, and thus to support land tenure reform. No partnership has yet been established with the ministry responsible for the environment and forests, despite the urgent need to protect natural resources.
24. IFAD has played an active role in the United Nations Development Assistance Framework and in the multi-donor coordination body for the agricultural sector, a group of 13 donors that it chaired between 2010 and 2011. There have been frequent exchanges and discussions with multilateral financial institutions (the World Bank, the African Development Bank). However, despite the official figures given in the documents, there has not yet been any real cofinancing or coordinated intervention.
25. With regard to public-private partnerships, collaboration with the Federation of Chambers of Commerce for implementation of PROSPERER is an appropriate strategic choice: the federation is a network of chambers with organizational and management skills at its disposal. However, the partnership with the Chamber of Agriculture for execution of AROPA has contributed less organizational and operational support: the chamber does not yet have legal status as a professional organization. At individual project level (for example PPRR, PROSPERER), collaboration has been established with private entrepreneurs (regarding such export products as lychees, vanilla, cloves, pepper, sugar apples and pink peppercorns) through contractual agriculture approaches, bringing growers together with downstream value chain operators (exporters, processors or distributors).
26. With regard to **knowledge management**, the evaluation notes an improvement in the monitoring and evaluation system, including at the country programme level. This has been achieved in particular through the creation in 2007 of the Improvement in the Monitoring-and-Evaluation and Knowledge Management System platform (known by the acronym SEGS, from its French title Amélioration du système de suivi-évaluation et de gestion des savoirs), and also by the name ZARAFIDA (from the Malagasy word zara, meaning "shared" + FIDA or IFAD), which has created a link between the indicators in the COSOP logical framework and those of individual projects, thus facilitating monitoring and evaluation, the flow of information and data analysis. IFAD and its partners have undertaken

initiatives to capitalize on, scale up and communicate the experience of projects by preparing brochures and DVD video documentaries, publishing two books and creating websites. Moreover, the monitoring and evaluation unit of each project runs a communication component targeting farmers through various media (rural radio, a quarterly magazine).

27. With regard to **policy dialogue**, the crisis situation since 2009 has led to a reduction in official consultations between donors and their national counterpart. At the "macro" level, the main activity has been IFAD's participation in preparing the Agricultural Sector Programme in collaboration with FAO and the World Bank. IFAD advocates the participation of representatives of farmers' organizations in this process. The shortcoming is that IFAD's contribution to these processes is not based on prior analyses or background fact sheets. The preparation of such papers on specific issues would allow the experience of projects or data from studies and surveys to make a more effective contribution.
28. Major efforts have been made to extract projects' field experience in land tenure securization, so as to contribute to the dialogue on national policies. Such support has concerned a contribution to the running of the National Land Tenure Observatory, the formulation of the logical framework for interventions under the National Land Tenure Programme, and the identification of methodological tools for monitoring and evaluating the results and impact of land tenure reform.
29. PROSPERER is working with the Ministry of Agriculture on the development of a national strategy for agricultural financing, and with the ministry in charge of the economy on the development of a policy to support enterprises.
30. **IFAD has devoted resources to non-lending activities and management of the COSOP in Madagascar.** In agreement with IFAD, starting at the end of the 1990s the Ministry of Agriculture created the IFAD Programme Support Unit (CAPFIDA) within its own structure. Set up to carry out administrative tasks, this unit today supports not only the portfolio of projects but also monitoring of the COSOP, partnership development and policy dialogue. Each quarter, one of the four active projects is responsible for the CAPFIDA budget, using IFAD loans' funds; this represents an example of investment in strategic support and non-lending activities. Since the country office was opened in 2011, the question of the division of work between this office and CAPFIDA will require attention from IFAD and the Government.

Performance of the COSOP

31. **Relevance.** Between 2000 and 2012, there was a shift in IFAD's intervention strategy. In 2000, interventions consisted of projects with a limited geographical scope, many components and "technical" contents. During the 2000 and 2006 COSOP periods, there has been a shift toward interventions with a broader geographical scope (covering several regions) and more sub-sector specific. Increasing attention is also being paid to supporting capacity-building for public and semi-public institutions, whereas previous projects intervened only at household and community level.
32. There have been changes in institutional set-up: earlier projects (PHBMI II, PPRR, AD2M) were entrusted to ad hoc management structures. By contrast, the management of PROSPERER was entrusted to the Federation of Chambers of Commerce and Industry, supported by a technical unit. This arrangement laid a solid basis for the diversification of initiatives toward non-agricultural spheres. AROPA pursued decentralization with regional chambers of agriculture. In the country programme, the concept of decentralization has not yet been carried through to its conclusion with the development of partnerships with local communes, enabling the latter to assume responsibility for local development.

33. The 2006 COSOP highlighted the important subject of collaboration with private enterprises in the development of agricultural value chains (processing, marketing) in order to increase the value of production. IFAD-financed operations have responded well to these challenges with openness and capacity for adaptation to collaboration with private actors.
34. The two most recent interventions (AROPA, FORMAPROD) are marked by the great complexity of their institutional set-up. Although IFAD's internal quality control mechanisms had detected weaknesses in conception, these two projects continued on their way to presentation to the Executive Board without significant changes.
35. In its appraisal of environmental issues, the 2006 COSOP underlined the seriousness of environmental degradation in Madagascar, exacerbated by major vulnerability to climatic fluctuations. Despite this good diagnosis, the COSOP did not provide guidelines for taking account of the environment, sustainable natural resource management and climatic fluctuations as cross-cutting issues at project formulation.
36. **Effectiveness.** A rare case, indeed a unique one for IFAD, is the existence in the Madagascar programme of monitoring at the COSOP level, supported by an information and data processing system (SEGS/ZARAFIDA) that allows a correlation between the indicators of projects and those established in the COSOP. Until now, monitoring of the COSOP has concentrated on the various aspects of the portfolio and not yet on non-lending activities, although the latter aspect deserves to be incorporated. In any case, this experience shows that monitoring at COSOP level is feasible and other IFAD-supported country programmes could benefit from this example.
37. With regard to the first objective of the COSOP ("Improved risk management and reduced vulnerability through enhanced access of the rural poor to services and assets"), significant progress has been achieved in reducing production risks and increasing yields (for example from 1–1.5 to 4–5 tonnes per hectare for rice). With regard to reducing risks associated with insecurity of land tenure, although the results are still modest in quantitative terms (the number of certificates registered), the programme has still made a contribution to the reflection on national policies regarding security of land tenure, not forgetting that since the 2009 crisis, very few international organizations apart from IFAD have funded this type of intervention.
38. With regard to the second objective ("Increased incomes for the rural poor through diversification of farming activities and promotion of rural entrepreneurship"), very convincing results have been achieved in the promotion of rural enterprises, the improvement in small farmers' access to markets and professional training. The programme benefits about 14,000 microenterprises in five regions. The promotion effort stresses training in order to build capacity and skills, access to microfinance and follow-up support.
39. With regard to the third objective ("Increased engagement of small-scale producers and their organizations in economic and policy development through their professionalization"), the programme has been successful when it has provided technical support to grass-roots farmers' organizations, for example to improve the management of family farms or increase agricultural productivity. However, the objective of professionalizing farmers' organizations has been diluted by the parallel objective of strengthening the chamber of agriculture through NGOs and consulting firms. With regard to the facilitation of dialogue between farmers' organizations and the Government within the main national and regional consultative structures, the chambers of agriculture are represented in consultations on policies and strategies that concern their members. A limitation noted is that there has been little support for farmers' associations to help them

focus their advocacy on more concrete topics inspired by the field experience of projects.

Evaluation of the Government-IFAD partnership

	<i>Ratings^a</i>
Performance of the portfolio	4
Non-lending activities	5
Performance of the COSOP	5
Overall IFAD partnership	5

^a Ratings: 6 = highly satisfactory; 5 = satisfactory; 4 = moderately satisfactory; 3 = moderately unsatisfactory; 2 = unsatisfactory; 1 = highly unsatisfactory

Conclusions

40. In a country that had experienced 40 years' stagnation of agricultural productivity and has been affected by a political crisis since 2009, IFAD's contribution has been relevant and highly effective in terms of support to agricultural productivity. Despite the political crisis, there has been no fall-off in the performance of IFAD's portfolio, thanks to the autonomy enjoyed by project management teams in relation to political processes. Investment in the development of rural enterprises focuses on diversifying rural households' sources of income. The programme has shown promising results in developing agricultural value chains and partnerships between the public sector and private entrepreneurs. However, the issue of consolidation of project results after closure has not yet received enough attention at the strategic level.
41. Starting with the 2006 COSOP, the evaluation noted growing attention to support for institutions and national policies, and a steady devolution of project management to regional institutions but there was little focus on supporting communes to develop local development planning capacity.
42. The aspect of environmental protection has not yet been properly incorporated into the design of projects, which have paid little attention to measures for erosion control, soil fertility conservation and reforestation. With regard to irrigation, there have been protective interventions at the individual farm level, but not at the level of the micro watershed. Planning at the meso or micro watershed level is needed with a view to the long-term sustainability of investments in valley bottoms by ensuring sustainable soil and water management.
43. Dedicated resources have been made available in Madagascar for non-lending activities. The main instruments have been CAPFIDA and, since 2011, IFAD's country office (the country programme manager will be out-posted in 2014). CAPFIDA's experience deserves special attention for IFAD.

Recommendations

A. Continuation and fine-tuning of three strategic thrusts: (i) support for devolution and decentralization; (ii) dissemination of agricultural techniques; and (iii) value chain approaches

44. In terms of institutional priorities, the new COSOP should continue to support devolution and decentralization. This entails continued support for the regional structures established by the Agricultural Sector Programme (regional agricultural development funds, agricultural service centres), the progressive regionalization of project management structures, and State technical services. However, it will be equally important to stress the development of partnerships with rural communes and support capacity-building for local development planning.
45. It will be important to continue support for the diffusion of improved agricultural techniques (especially intensive and improved rice systems), which is a national

priority in view of the low productivity of Malagasy agriculture. The promising results of certain grants and supplementary funds (for example SCAMPIS, INBAR) suggest that grant activities should be better integrated into the country programme, by mobilizing a package of specific grants to the country.

46. The evaluation recommends continuing agricultural value chain approaches, avoiding less effective mechanisms (for example market access centres), laying more stress on contract-farming and involving traders and private entrepreneurs from the start (i.e. during the project formulation phase), so as to boost synergy among agricultural production, processing and marketing.

B. Environmental protection and adaptation to climate change as cross-cutting activities in the strategy and in operations

47. In order to take the cross-cutting issue of the environment into fuller consideration, it will be important to follow IFAD's relevant corporate strategy and forge partnerships, particularly by (i) establishing a strategic partnership with the ministry responsible for the environment and (ii) stepping up coordination and the sharing of experience with the main donors involved in watershed management (for example the World Bank, the African Development Bank, the French Development Agency) in order to incorporate this approach into IFAD-supported interventions. Planning at the watershed is not feasible with IFAD's financial resources alone, but could be possible through partnerships with other donors.
48. Greater collaboration between grants and loans would also support (i) soil and water conservation measures and (ii) sustainable development of non-wood products (for example bamboo and rattan) for craftwork and building, drawing for example on lessons from the INBAR grant and the grant approved for the Indian Ocean Commission.

C. Setting the long-term sustainability of benefits at the heart of the programme

49. The innovative character of IFAD projects and their focus on remote zones and on the poorest and most vulnerable groups means that they have tended to take off slowly and then speed up during the final two or three implementation years. This does not always allow the consolidation of project results. It is vital in the next COSOP to envisage a consolidation strategy (for example in the case of PPRR and AD2M) through selective support (i.e. financing follow-up only for components that show good results) and a more realistic timeframe for new projects (for example ten rather than six years, in view of the difficulties of getting under way). This concerns rice growing and small-scale irrigation, but also cash crop value chains and multiservice one-stop shops to support enterprises.

D. Better definition of the respective roles of CAPFIDA and the IFAD office in Madagascar in supporting the portfolio, non-lending activities and monitoring of the COSOP

50. It will be important to better define the respective roles of CAPFIDA and the IFAD country office in an on-going process. It will be best not to overburden the IFAD office with administrative duties, but to focus its role of strategic guidance in non-lending activities and involvement in subregional activities in order to obtain a better understanding of experiences and disseminate information on them (regional grants, sharing of experience among countries). It is recommended that the experience of CAPFIDA and its financing should be shared and discussed within IFAD's Financial Operations Department as an example of an instrument to support implementation of the country programme and non-lending activities. IFAD will also have to prepare for the out-posting of the country programme manager.

51. In this context, it is also desirable to incorporate the monitoring of non-lending activities and grants into the monitoring activities of the COSOP and the SEGS/ZARAFIDA system.

E. In the short and medium term, special attention to two operations (AROPA, FORMAPROD)

52. These two operations entail certain risks that should be dealt with as soon as possible through a review of their implementation, or indeed their design. In the case of AROPA, it could prove necessary to reconsider the project's approach through a clearer definition of the various objectives and support mechanisms for: (i) farmers' organizations and their umbrella organizations in the poorest communities; (ii) the chamber of agriculture; and (iii) the institutions established by the Agricultural Sector Programme (regional agricultural development funds and agricultural service centres).
53. In the case of FORMAPROD, it will be necessary to support preparation for implementation and establish a solid management team at the central level (rather than delegating management to other project teams that are not involved with agricultural training). It will be important to continue and step up collaboration with partners with proven technical experience in agricultural training (for example the French Development Agency, the Island of Reunion and other partners yet to be identified), carry out a study of successful initiatives in the same sphere in sub-Saharan Africa or elsewhere, and organize exchange visits.