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Enabling the rural poor
to overcome poverty

Republic of Madagascar

Country strategic opportunities programme

Executive Board — Eighty-ninth Session
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For: **Review**

Note to Executive Board Directors

This document is submitted for review by the Executive Board.

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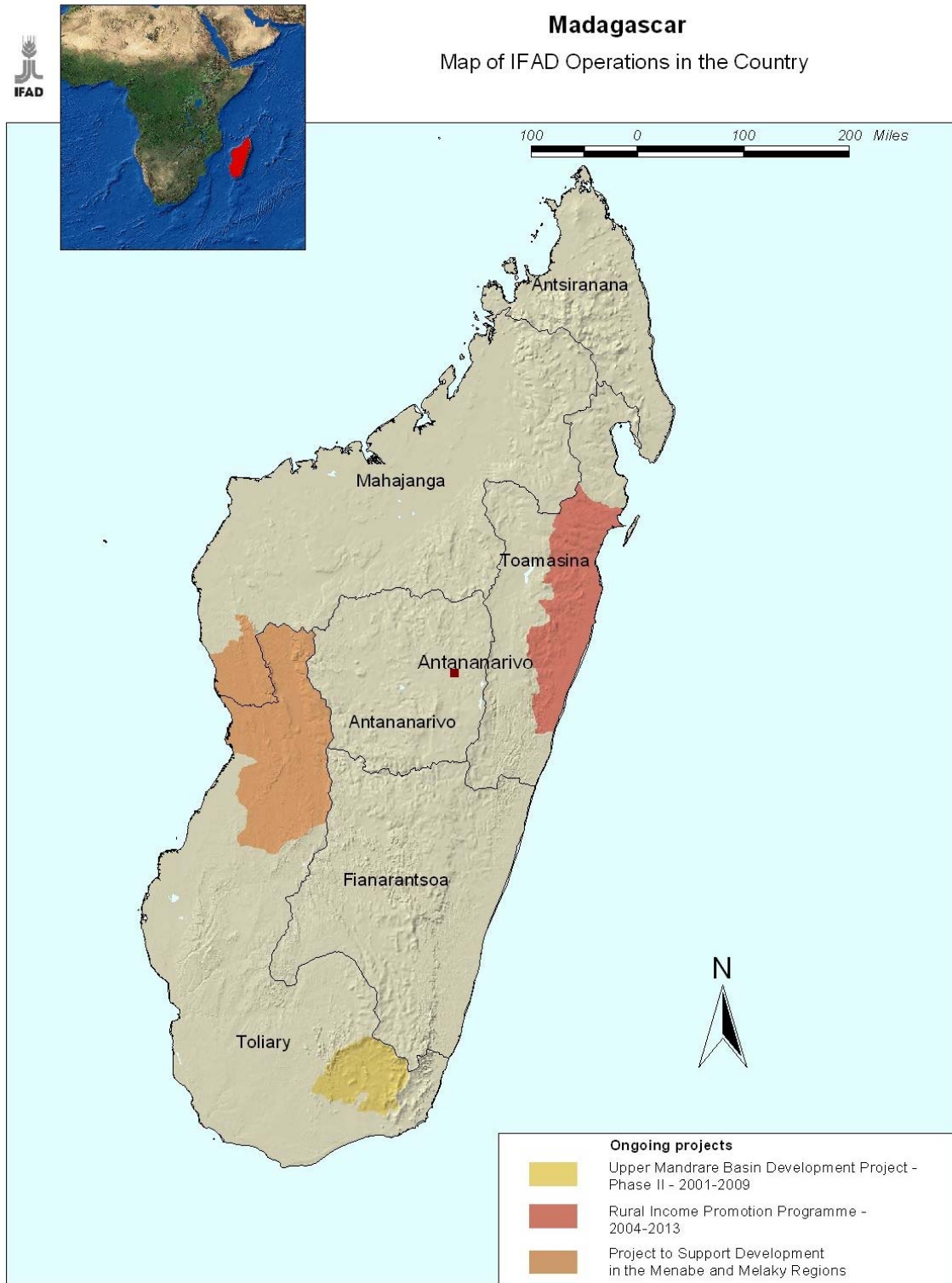
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Abbreviations and acronyms

AD2M	Support Project to the Development of Menabe and Melaky regions
ASCs	agricultural service centres
COSOP	country strategic opportunities programme
ICFG	IFAD COSOP focal group
MFI	microfinance institutions
NRDP	National Rural Development Programme
PAR	projects at risk
PBAS	performance-based allocation system
PHBM	Upper Mandrare Basin Development Project – Phase II
PPRR	Rural Income Promotion Programme
PRSP	poverty reduction strategy paper
SME	small- and medium-sized enterprise

Map of IFAD operations in the country



Source: IFAD

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Summary of the country strategy

1. In 2005, Madagascar ranked 146th among the 177 countries included in the United Nations Development Programme's human development index (GDP per capita: US\$285). The country has seen living conditions for its people collapse by 40 per cent over the past 25 years, while the population doubled, reaching 17.9 million in 2004. A full 71.3 per cent of the island's inhabitants live below the poverty line, 85 per cent of them in rural areas. Endowed with abundant and diverse natural resources, Madagascar holds exceptional potential for agricultural development. The country strategic opportunities programme (COSOP) presented here reflects the Government's position vis-à-vis the IFAD programme in Madagascar. It is the result of a participatory process that involved extensive consultation with development partners (local governments, farmer organizations, donors and NGOs) – comprising the COSOP Preparation Committee – over the period February to July 2006, as well as poverty surveys in 11 regions and 24 communities.

2. **The strategic goal of IFAD and the Government in Madagascar will be to promote pro-poor regional development using inclusive approaches so that more vulnerable households can benefit from rural economic growth and achieve better livelihoods.** New regions of intervention will be selected jointly with the Government, based on poverty and vulnerability criteria but also considering other factors such as demographic density and agroecological potential. In line with the country's National Rural Development Programme, IFAD will assist regional governments and rural stakeholders in developing strategies aimed at tapping the potential of vulnerable zones in a sustainable way and at the same time integrating them with adjacent growth poles and the regional economy. Specific targeting mechanisms will ensure that project interventions respond to the needs of specific socio-economic groups, particularly the poorer ones, with a view to expanding their economic opportunities by integrating them into regional growth. In this context, IFAD assistance will focus on three strategic objectives:
 - **Improved risk management and reduced vulnerability through enhanced access of the rural poor to services and assets.** To reduce the vulnerability of the rural poor, IFAD will promote mechanisms for risk management. **More specifically**, it will help to **reduce production risks** by facilitating access by small-scale producers to sustainable and appropriate support services so that they can build up resistance to natural shocks. Additionally, better access to financial services will increase the capacity of the rural poor to generate productive investments. IFAD will also help to **curtail risks linked to land tenure insecurity** through continued support for land tenure reform.
 - **Higher incomes for the rural poor through diversification of farming activities and promotion of rural entrepreneurship.** IFAD will promote the **development of rural small and microenterprises** along value chains that reflect regional comparative advantages and market opportunities, and that integrate on- and off-farm activities. It will improve market **access for small-scale producers** by supporting the development and cohesion of regional value chains, promoting marketing and processing companies, and ensuring a more equitable distribution of margins. IFAD will also support the Government's efforts to promote **vocational training** with a view to developing employment

for youth and fostering a professional, intensive and market-oriented agricultural sector.

- **Increased engagement of small-scale producers and their organizations in economic and policy development through professionalization.** IFAD will encourage the organization of small-scale producers, focusing on three areas. It will assist small-scale producer organizations in providing cost-effective **services to their members**, and developing equitable partnerships with the private sector. It will promote **farmers' organizations as part of value chains** and will build their skills so that they can formulate common strategies to increase productivity. Finally, it will **facilitate dialogue between small-scale producers' organizations and the Government** in key national and regional consultative structures involved in policy and programme development.
3. Under IFAD's performance-based allocation system, the annual allocation for Madagascar in 2006 is around US\$10.7 million per year, or US\$64.2 million over the period covered by this COSOP (2007-2012).

Republic of Madagascar

Country strategic opportunities programme

I. Introduction¹

1. This country strategic opportunities programme (COSOP) sets out a strategic framework for partnership between IFAD and the Government of Madagascar over the six-year period 2007-2012. It is the result of a participatory process that involved extensive consultation with the Government and other development partners, including local government, professional organizations, the private sector, donors and NGOs. A group composed of representatives of IFAD partners in Madagascar – the COSOP Preparation Committee – was set up to orient the formulation process. The Government, through the Ministry of Agriculture, Livestock and Fisheries, conducted a review of ongoing projects, which identified strengths and weaknesses and pinpointed lessons learned (April 2006). Participatory poverty analyses using the sustainable livelihoods approach were conducted (April-May 2006) in 12 regions selected according to their level of poverty and population density, i.e. all the current regions of IFAD intervention (Anosy, Atsinanana and Sava) plus an additional 9 (Analamanga, Alaotra Mangoro, Betsiboka, Bongolava, Ihorombe, Itasy, Haute Matsiatra, Sofia and Vatovavy Fitovinany). This served to identify not only key issues that should be addressed by the COSOP, but also target groups and their assets and opportunities upon which to base responsive strategies, with a view to including the poor in the economic development process and reducing rural inequalities. A one-day workshop, gathering a wide range of development partners, was organized in May 2006 to discuss the portfolio review, the conclusions of the surveys and a first draft of the COSOP, and to provide strategic recommendations for the final version.
2. The COSOP defines IFAD's contribution to the achievement of the Millennium Development Goals and to the implementation of the Madagascar Action Plan, which embodies the country's new poverty reduction strategy. It is based on the Government's "Madagascar Naturellement" vision statement as well as on national policies and strategies, especially the National Rural Development Programme. The COSOP constitutes a coherent set of financial and non-financial instruments – including loan- and grant-based projects, policy dialogue and knowledge management – that reflects IFAD's strategies and priorities both globally and regionally and is coherent with IFAD's performance-based allocation system (PBAS). The period covered by this COSOP corresponds to two PBAS funding cycles: 2007-2009 and 2010-2012.

II. Country context

A. Economic, agricultural and rural poverty context

(i) Country economic background

Agroecological diversity and disparities in potential

3. Madagascar is the fourth largest island in the world, covering a total area of 587,041 square kilometres. The country is endowed with abundant but fragile natural resources (80 per cent endemic), fertile soils and ample rainfall. But

¹ See appendix II for additional information.

productive potential, land availability and ease of access vary greatly across the country, with a resulting significant impact on levels of development. The central highlands rise 900 to 1,800 metres above sea level and enjoy a mountain tropical climate favourable for a large range of food crops, including rice which is the country's most important food staple. The mountainous terrain limits interregional exchanges and makes infrastructure investments expensive. The eastern coastal areas benefit from a humid tropical climate and grow cash crops, but are regularly hit by cyclones. The western plains – covered with savannah and dry forests – have a dry tropical climate and are more suited for extensive livestock-breeding and, in some areas irrigated rice production. The south, with a semi-arid climate, low rainfall and recurrent drought, has specialized more in peas and cassava. The geographical characteristics of the country have been a determining factor in the Government's development approach, which aims at promoting regional development through the concept of "growth poles".

Growing population

4. Madagascar's population has doubled over the past 25 years and, in 2004, was estimated at 17.9 million, of whom about 85 per cent lived in rural areas, with population density varying from 100 people per km² (central plateaux and east coast) to 10 per km² (western and southern regions). With an annual growth rate of 2.8 per cent, the population is expected to double again within the next quarter of a century. Fast population growth is increasing land pressure and restricting access to land for the younger generations. At the same time, migration to less populated areas in the central and western parts of the country remains limited because of low investment capacity, lack of support services and social infrastructure, and insecurity related to cattle thieves. However, the rural-to-urban population ratio is decreasing, as a combined effect of the lower growth rate in rural areas (2.3 per cent) and the rapid development of secondary urban centres. The balance between rural and urban population should reach parity around 2030. Rural areas therefore face a double challenge: sustain urban population growth through a significant increase in agricultural production while reorienting part of the rural work force to other, non-farm sectors.

Inequitable distribution of growth benefits

5. Between 1997 and 2001, the restoration of macroeconomic balance, market liberalization, increased foreign investment and rising industrial exports led to annual economic growth of 4.5 per cent, with the result that the poverty level fell to below 70 per cent. In the absence of redistribution measures however, economic progress – driven by textile production and export-processing zones – essentially benefited urban areas. In contrast, poor agricultural performance, low prices and a lack of appropriate support policies led to further impoverishment of Madagascar's rural areas, which saw a 5 per cent drop in spending power in 1997-1999. The 2002 post-electoral crisis, marked by insecurity and the collapse of the transport sector, reversed the gains of the 1990s and ended in negative growth of minus 12.7 per cent and a surge in the poverty level to 80 per cent. Recovery was fast and economic growth stabilized at about 5 per cent in 2004. Yet GDP per capita remained at a low US\$285 in 2005. To stimulate broad-based growth that will also improve living standards in rural areas, the Government's strategy aims at economic diversification, increased foreign direct investment, strengthened integration with the markets of neighbouring countries and internationally, and continued economic reforms; public expenditure management will be improved and fiscal revenues are expected to increase. Foreign aid remains significant, accounting for about 40 per cent of public expenditure in 2006. Madagascar reached the completion point under the Debt Initiative for Heavily Indebted Poor Countries in October 2004, which should lead to the writing off of 75 per cent of its external debt and allow resources thus freed to be allocated to financing Madagascar's poverty reduction strategy.

Human development

6. The combined effect of progress in education and economic growth has reflected positively on Madagascar's ranking in the United Nations Development Programme's human development index (HDI), which rose from 0.454 in 1998 to 0.499 in 2005, when the country was ranked 146th out of 177. The introduction of free primary education and an increase in education's share of public expenditure brought gross primary enrolment to 97 per cent in 2004 (up from 72 per cent in 1998), while the primary school completion rate increased from 33 per cent to 47 per cent over the same period. Even so, 26 per cent of men and 39 per cent of women are still illiterate. Life expectancy is estimated at 55 years (2004); infant mortality decreased from 97 per thousand in 1997 to 84 per thousand in 2002. Only 44 per cent of households use medical facilities, due to their low income levels and the long distances involved. HIV/AIDS prevalence stood at a low 0.3 per cent in 2001. Gender-based discrimination with regard to the HDI was minor: the 2002 gender-related development index rating of 0.477 was considered positive.

(ii) Agriculture and rural poverty

Declining agriculture

7. Agriculture employs 80 per cent of Malagasy families and accounts for 30 per cent of the GDP. Despite the sector's clear potential, underperformance is a major cause of rural poverty. Between 1985 and 1999, agricultural production grew by an annual average of 1 per cent, far behind demographic growth. The production of rice, which represents 70 per cent of total agricultural output, fell from 284 to 161 kg per person per year between 1970 and 2003. The non-farm sector is a possible alternative source of income that could absorb the growing rural population. The generally low level of development in some regions has however limited the emergence of rural small and microenterprises, which account for less than 10 per cent of rural income and have remained largely undeveloped.

Rural livelihoods

8. In 2004, 74 per cent of the total population lived below the poverty line, but national averages hide important disparities between geographical areas or, within a single area, between different social groups. In 2001, average agricultural income (including self-consumption) varied from US\$81 for the poorest quintile to US\$217 for the richest one, owing to differences in education levels, cultivated areas, access to roads and crop storage capacity (allowing sales when prices are higher). The majority of the rural poor practise subsistence agriculture. Rice is the most important crop: it is cultivated by 86 per cent of households over 40 per cent of the total cultivated area, and accounts for 37 per cent of agricultural cash income. Other cash crops vary according to agro-ecological conditions and market opportunities; they include milk, poultry, fruit and vegetables for the domestic market in the central highlands, and vanilla, other spices and litchis for export in the north and eastern regions. About 75 per cent of family production is self-consumed. Rural households have high rates of illiteracy (61 per cent compared with 26 per cent and 39 per cent for men and women nationally) and are less educated (only 12 per cent of rural children complete primary school). They have less access to health services and live in less accessible districts, needing eight hours on average to reach the closest daily market.

Regional differences in poverty

9. In some regions (Betsiboka, Haute Matsiatra, Vatovavy Fitovinany), vulnerable and growth areas are clearly differentiated and depend on geographic criteria, such as access to water, natural resources endowment, vulnerability to natural shocks, population density, security, and access to infrastructure and roads. In other

regions (Analamanga and Itasy), where poorer and wealthier communities coexist in common areas, poverty is associated with access to land and land tenure security, household size, level of education of the family head, and access to health services. Other important factors in social inequality include (i) social traditions and organization that impose heavy sacrifices on poor families yet also maintain a social security net; (ii) social relationships that tend to concentrate production factors and decision-making power in the hands of local male elites; and (iii) political decisions over which the poor have absolutely no influence. Inequalities affect women more. Rural women work 15 per cent longer than men, devoting 75 per cent of their time to non-commercial and domestic activities. Yet female-headed households (17 per cent of rural households) are as productive as male-headed households. Surprisingly, they have greater access to inputs and extension services (14 per cent) than male-headed households (9 per cent). Even so, credit remains almost inaccessible to women, who also own less land than men and hire less labour.

Risk vulnerability and food insecurity

10. Malagasy smallholders face unusually high risks. Climatic hazards (cyclones, drought, flooding, hail storms) are frequent: every region is hit at least once every third year. Pests and plant diseases are also common, with 60 to 75 per cent of all communes registering some impact between 1998 and 2001. Farmers have to compete with imported products in their local markets and lack crop storage capacity, which would protect them from price fluctuations. The lean season lasts on average four months a year, during which time poor households that are not able to store sufficient food production need to purchase food staples at high prices. Survival strategies to secure sufficient food supply and minimize risk include (i) diversification of agricultural activities by clearing marginal land, renting land or developing off-farm activities; (ii) seasonal or permanent migration; (iii) community mobilization for social objectives (e.g. building schools, paying teachers' salaries, health insurance schemes) and for economic activities (e.g. self-help, community organizations and collective cultivation); and (iv) wage labour. Institutional mechanisms that could mitigate production risks remain limited.

Land and environment

11. Land tenure constitutes one of the main constraints to agricultural productivity for 67 per cent of households (2001). Although only 30 per cent of Madagascar's total arable land is cultivated, farms do not exceed 1.3 hectares on average and are fragmented, which hampers mechanization and the efficient use of factors of production. Land registration procedures are heavily centralized, time-consuming and costly, favouring the development of an informal registration system. The new Land Tenure Policy (2005) aims at securing land tenure by creating a more efficient institutional and legislative environment and by setting up a decentralized land management system. The environment and natural resource protection are crucial issues in rural areas and have been severely affected by population growth during the last century. Deforestation (dry forest on the west coast and wet forest on the east coast) and land degradation (especially erosion in the highlands) are major concerns.

Access to non-financial services in rural areas

12. The dismantling of public agricultural support services, which were largely inefficient, has not put alternatives in place. Technical advice is available to less than 20 per cent of farmers. Similarly, smallholders have little access to agricultural inputs and equipment, because of distance (in 2001 the average distance to the closest input retailer was 64 km), lack of information and high prices. Other support services such as veterinary pharmacies, marketing,

packaging, distribution and transport are also insufficient. Weak farmer organizations also restrict access to agricultural support services.

Access to financial services

13. Commercial banks are practically inaccessible to the rural population, leaving traditional lenders as the main source of credit. However, the rural financial sector is showing encouraging trends. Rural microfinance institutions (MFIs) have increased their rate of penetration from 0.5 per cent to 5 per cent in 15 years and have extended their range of products from solely seasonal loans to rural inventory credit, lease-purchase arrangements and emergency loans. MFI development is supported by a positive institutional environment and strong commitment from the donor community. Even so, MFIs are still concentrated mainly in the productive areas and remain fragile structures faced with constraints such as the shortage of qualified staff, weak internal control and poor portfolio management. The Government has approved the National Strategy for Microfinance (2004-2009) and new legislation on microfinance was recently adopted.

Access to markets

14. Lack of market access is another major constraint to smallholder incomes. Only 21 per cent of households market their production. Weak farmers' associations lack information on market opportunities. Transaction costs are high because of bad roads, insufficient storage capacity and inefficient crop collection. Value chains are poorly organized. This unfavourable environment tends to benefit middlemen, agribusiness and export companies, with a shrinking share of value accruing to smallholders. Promising market linkages are emerging, however. Domestic markets hold significant prospects for import substitution, particularly for rice, and urban demographic growth will boost demand for agricultural products. Contract agribusiness is expanding and will facilitate smallholder access to international markets and to technologies, inputs and credit. But export development is constrained by harsh international competition, increasingly demanding quality norms, low and volatile international prices and, internally, high transaction costs for reasons already mentioned. Poor roads directly affect poverty levels, which reach 85 per cent in isolated areas as compared with 54 per cent in less-isolated rural areas. The Government, supported by donors (including IFAD), is implementing a major programme for road rehabilitation.

B. Policy, strategy and institutional context

(i) National institutional context

Ministry of Agriculture, Livestock and Fisheries

15. Reforms have focused the Ministry's functions on the design, coordination and monitoring of national policies, sector regulation, and the provision of technical support to regions and communes for the implementation of national agriculture policies. The Ministry has withdrawn from direct production support but has been unable yet to fully adapt to its new functions. In the longer term, ongoing reform should streamline the central structure, strengthen regional directorates and increase overall staff capacity.

Regions and communes

16. The former 6 provinces and 1,346 communes have been replaced by a new local government structure made up of 22 regions, and the Government's priority is to base development plans on these regions. The efficiency of local government at both the regional and commune level is hampered by a shortage of technical expertise, inefficient tax collection and insufficient financial resources. The Policy Letter for Decentralization and Deconcentration, approved in 2005, aims at improving local governance and strengthening local government capacity. One of

the priority actions is to set up a local development fund that will provide communes with the resources they need to implement their development plans.

Private sector

17. As mentioned earlier, the dismantling of public agricultural support services has left a vacuum due to the limited presence of private service providers. New services are however emerging, through (i) farmer associations offering inputs and services to their members; (ii) input retailers (a few); (iii) agribusiness companies providing technical assistance and credit to contracted farmers; (iv) professional organizations linked to specific value chains (such as rice and milk); and (v) service providers hired by development projects. These promising initiatives are unevenly distributed across the country, mostly benefiting more productive regions, and they often depend on project financing. To further improve farmers' access to support services, the Government plans to set up agricultural service centres at the district level in an effort to match farmers' demand to available technical and financial services, including research.

Professional organizations

18. About 20 per cent of Madagascar's farmers are members of an organization. Mostly created with the support of outsiders (churches, projects, NGOs), farmer associations are heavily dependent on external financing and often lack technical and management skills or the ability to respond to members' needs, which discourages private operators. The Government has shown a keen interest in including the five apex farmer organizations in policy development by creating consultative mechanisms at the local and national levels. But weak management and vision mean that farmer organizations are also weak at the negotiating table. In the manufacturing sector, craftworkers are grouped into national and regional organizations that are structured along value chains but have limited representation.

(ii) National rural poverty reduction strategy

Poverty reduction strategies

19. The poverty reduction strategy paper (PRSP) approved in June 2003 sets ambitious objectives: the target is that by 2015 only 40 per cent of the population should be living in poverty, which will require economic growth of at least 8 per cent (it is currently at 5 per cent) and an investment rate of 21 per cent of gross national product. One of the Government's objectives is to promote broad economic growth based on the country's potential, particularly in the primary sector, and on developing exports. The PRSP was updated in June 2005 to reflect the "Madagascar Naturellement" vision statement, which aims at transforming the subsistence economy into a market economy by developing agro-based industry and services, increasing exports and developing value chains. The Madagascar Action Plan (MAP), still under preparation, embodies the Government's new strategy for developing economic growth, reducing poverty and achieving the Millennium Development Goals. The main pillars of the PSRP and the MAP are the following: (i) restore the rule of law and a well-governed society; (ii) foster economic growth on a much broader basis; and (iii) promote systems to ensure human and material security and broader social protection.

National and regional strategies for rural development

20. Approved in December 2005, the National Rural Development Programme, with its regional focus, defines the Government's approaches to promoting growth in the rural economy. The overall goal is to promote partnerships among public institutions, farmers and the private sector with a view to increasing rural production, developing and protecting natural resources, and developing markets and creating cohesion in value chains. The Government is focused on the

integration of rural production into the market economy, the development of growth poles that top regional comparative advantages, and the promotion of value chains based on export opportunities. Such an approach that is anchored in development poles seeks to integrate disadvantaged regions into the national market.

Private sector

21. The Ministry of Industrialization, Commerce and Private-Sector Development approved the National Private Sector Support Programme in 2005 with an eye to creating a favourable environment for business. The priorities include policies to improve investment; the development of agro-industry, tourism and crafts; the promotion of small and medium-sized enterprises (SMEs) and microenterprises; public-private partnerships and dialogue between the State and the private sector; the consolidation of professional organizations; and the development of service providers.

(iii) National ownership, harmonization and alignment

22. The Government and its development partners are working together closely. IFAD is a member of the Rural Development, Food Security and Environment Donor Group, a gathering of donors and international NGOs engaged in policy dialogue with the Government and supporting harmonization and coordination between donors. IFAD contributes to the financing of the group's executive arm, the Multi-Donor Secretariat (MDS), which facilitates the exchange of information among donors and assists in forging common positions. The MDS is organized into subgroups on rural development issues, two of which are important for IFAD. The first supports the agricultural service centres, to be financed by the future National Agricultural Development Fund. IFAD will join other donors (including the European Union, the Food and Agriculture Organization of the United Nations [FAO] and Swiss Cooperation) in financing this facility, enhancing local ownership of the mechanism and improving donor coordination. The second is the expansion of rural financial services. IFAD is part of an agreement with donors involved in the subsector (including Agence Française de Développement, Swiss Cooperation, the United Nations Development Programme/United Nations Capital Development Fund, and the United States Agency for International Development [USAID] and the World Bank to exchange experiences, harmonize approaches and develop policy dialogue with the Government. In addition, as a signatory of the 2005 Paris Declaration on Aid Effectiveness, IFAD will continue to seek closer alignment with the Government, in keeping with the upcoming guidelines that the Presidency of the Republic is preparing jointly with the MDS to orient donors' action, and in accordance with the mandates received from the IFAD Executive Board.

III. Lessons from IFAD's experience in the country

A. Past results, impact and performance

23. Since 1979, IFAD has supported ten development projects in Madagascar, with a contribution totalling US\$106 million. The first generation of projects, in the early 1980s, focused on food security and irrigated rice production, mostly in the south-western part of the country. Second-generation projects, up to the late 1990s, were rural integrated development projects focusing on economic infrastructure investment, first in the central highlands and then in less populated coastal areas. The third generation of projects focuses on subsectoral issues such as market access, land tenure and institution-building (water users' associations, microfinance institutions and producers' associations as part of value chains).

24. The performance of IFAD projects was quite weak in the 1980s, as reflected by the low disbursement rates in their closing stages. This led to a decision to outsource project management to service providers, and a clear improvement was observed as from the mid-1990s. In terms of results and impact, IFAD investments to date have benefited 362,000 households (2 million rural poor people) across the country. The impact of the most recent project – the Midwest Development Support Project (PDMO) in Bongolava – is reflected in infrastructure. This region was selected by the Government to receive migration flows from the highlands. The project established a wide network of roads and bridges linking the various areas and linking markets with production. In the north-east, the North-East Agricultural Improvement and Development Project (PADANE) boosted the revenues of small-scale vanilla growers through technical extension. This extra revenue was largely saved in a new credit scheme (OTIV SAVA) that now manages 18 branches and has US\$10 million in savings, one of the most profitable such schemes in the country. In the south, the Upper Mandrare Basin Development Project (PHBM) created 6,000 hectares of small and medium-sized rice schemes that are now exporting 25,000 tonnes annually to the whole region of Anosy, thus protecting it from recurrent famine.

B. Lessons learned

25. The current country programme totals US\$42 million and comprises three projects: (i) the Upper Mandrare Basin Development Project (PHBM) – Phase II in the dry south is still an integrated rural development project but has a strong accent on farmers' organizations and market linkages; (ii) the Rural Income Promotion Programme (PPRR) on the eastern coast focuses on market access; and (iii) the Project to Support Development in the Menabe and Melaky Regions (AD2M) in the west promotes land access and management, and includes policy development support. In March-April 2006, the Government reviewed IFAD's portfolio to identify lessons for COSOP preparation. Additional lessons were drawn from the 2000 interphase evaluation of the PHBM project and from recent project experience (completion report, mid-term review, supervision reports). The main findings and recommendations of these exercises are as follows:
- **The regional focus** of IFAD projects must be kept, as it is one of the most positive features and is in line with new local government structures. However, to strengthen project sustainability and impact, implementation structures should build on local initiatives and existing institutions by providing necessary assistance to strengthen their effectiveness, rather than bypassing them (as occurs with commune authorities during village planning), undermining them (as occurs with MFIs that provide grant funding for profitable activities) or creating project-specific mechanisms. Sustainability should drive project strategy, design and implementation as from the first day, not just in the last year.
 - **Social inclusion:** unless specific strategies are devised to ensure that poorer groups benefit from project actions, those groups are unlikely to feel any impact, and benefits will accrue to slightly wealthier (but still poor) categories of households. **Project approaches** must be based on prior identification of vulnerable groups and their constraints, with measures to ensure inclusion that should be monitored during implementation. Such monitoring should be participatory, a basic principle of the IFAD Results and Impact Management System (RIMS).
 - **Multidisciplinary development approaches that reflect local conditions** are needed for isolated poor areas. They can contribute to

catalysing the local economy and to preparing the ground for more sectoral interventions.

- While **village-level consultations** allow better understanding of the livelihoods and strategies of poor people, the village should not be the planning unit. In Madagascar, the commune is the basic administrative level for planning and resource allocation. A village focus generates imbalances in investments across the commune and does not strengthen capacity at the communal level. Rather, linkages between the commune and village must be developed so that commune-level planning can address villagers' expressed needs.
- To adapt to changing events, **project design should be flexible** rather than impose predetermined activities. Farmers and local stakeholders, including poorer groups, should be involved in project formulation so as to match project design to their needs and potential.
- There is a tendency to reduce the size of project management units and to outsource implementation to Malagasy contractors. **Outsourcing** favours more flexible management and better adaptation to local conditions and it helps to strengthen the competencies of local contractors. However, qualified contractors may be difficult to find, especially for innovative activities. Technical assistance must be designed to guarantee capacity-building and transfer of competencies to local stakeholders.
- **Monitoring and evaluation (M&E)** needs to be strengthened in all projects. Appraisal reports should approach M&E as a management tool and allocate the necessary human and financial resources. M&E systems should be set up at project inception and connected to relevant national and regional M&E systems. Information should be supplied to national and regional decision-makers with a view to discussing project achievements and making mutual decisions to improve project performance.

IV. IFAD country strategic framework

A. IFAD's comparative advantage at the country level

26. IFAD's comparative advantage stems from two complementary features of its country programme. First, all IFAD interventions support the development of productive activities in vulnerable areas with vulnerable groups, a concern that is shared by no other medium-sized donor in Madagascar. In particular, IFAD has gained experience in supporting marginalized rural areas through rural integrated development projects, such as the PHBM project in the arid south and the PDMO project in the west. Second, IFAD-financed projects have a regional focus, which the Government views as one of the most positive features of the programme. This enables IFAD to develop strong ties between the grass roots and the regional/provincial level, thereby facilitating inclusion of isolated areas. Within this framework, the promotion of market linkages between small-scale producers and private markets constitutes a major theme of IFAD interventions and particularly of the PPRR programme, whose results will inform future programme design.

B. Strategic objectives

Strategic goal

27. The Government's priority is to reduce poverty in rural areas by developing regional growth poles, that will pull regional economic development around strategic value chains, based on regional advantages and the development of public-private partnerships. **IFAD's strategic goal therefore will be to promote**

pro-poor regional development, using inclusive approaches, to ensure that the more vulnerable producers can benefit from rural economic growth and achieve better livelihoods. IFAD will support the Government's plans for regional development by facilitating the transformation of the traditional, isolated rural sector into a professional, competitive and market-integrated productive sector. In accordance with its mandate, IFAD will place the empowerment of the rural poor and the improvement of their livelihoods at the heart of its strategy.

Geographic focus

28. In line with the role assigned to regional governments, IFAD will maintain the regional orientation of its country programme. Interventions will reflect regional characteristics and support regional development priorities. New regions for intervention will be selected jointly with the Government, based on poverty and vulnerability criteria but also on demographic density and agro-ecological potential. Within a region, IFAD will identify, around the growth poles, those areas that are more vulnerable and that combine natural and structural constraints (e.g. isolation, poor access to land, and longer lean period). In line with the National Rural Development Programme, IFAD will assist regional governments and rural stakeholders in devising strategies aimed at developing the natural potential of these vulnerable zones and connecting them to adjacent growth poles and to the regional and national economies, or to exports.

National and IFAD priorities

29. IFAD's strategic orientation is to support the National Rural Development Programme and other sector strategies that underpin rural development, including the Land Tenure Policy, the National Private Sector Support Programme, the Policy Letter for Decentralization and Deconcentration, and the National Strategy for Microfinance. These are all aligned with the priorities of IFAD's regional strategy, specifically with regard to the promotion of equitable market linkages, rural financial systems, and access to information and technology. Regional grants will be tapped to complement national initiatives, especially in the area of microfinance, monitoring and evaluation, and capacity-building of farmers' organizations.

Objective 1: Improved risk management and reduced vulnerability through enhanced access of the rural poor to services and assets

30. Because of their high-risk environment, poor rural producers invest little and concentrate, rather, on food crop production for family consumption and on low-cost, low-technology off-farm production. IFAD will promote sustainable mechanisms to enable them to mitigate risks while enhancing productivity, focusing on two areas. First, it will help to **reduce production risk** by facilitating the **access of small-scale producers to support services**, thus increasing both productivity and resistance to natural shocks through better use of inputs, improved equipment and technologies, and increased irrigation. IFAD will support service providers to enable them to respond to the demands of small-scale producers, including the poorer ones. It will promote partnerships among farmers' organizations, private operators and public services by supporting the creation of agricultural service centres and by contributing to the financing of the Agricultural Development Fund. This will be complemented by improving **sustainable access to financial services by small-scale producers**, so that they can invest productively. With a microfinance component in every project, IFAD will strengthen existing rural MFIs, support the expansion of microfinance networks and assist them in better addressing the needs of poor households. Second, IFAD will contribute to **reducing risks linked to land tenure insecurity**. IFAD has already provided a grant for preparation of the National Land Tenure Programme. It will continue to support land tenure reform including the establishment of land

management offices at the commune level and the preparation of participatory land use maps in the areas covered by the AD2M project.

Objective 2: Increased incomes for the rural poor through diversification of farming activities and promotion of rural entrepreneurship

31. IFAD will support the integration of small-scale producers in the market economy so that they can increase their incomes and develop their assets. To this end, it will promote the **development of micro-, small and medium-sized rural enterprises** as part of value chains that reflect regional productive advantages and market opportunities, and that integrate on- and off-farm services and activities. In the agricultural sector, IFAD will promote the intensification and diversification of higher value and competitive production, based on the development of regional comparative advantage. In the off-farm sector, it will support labour-intensive small-scale businesses that provide goods and services to agriculture, including agro-processing. In both sectors, IFAD will improve **access of small-scale producers to markets** by strengthening regional value chains, facilitating the integration of family farms into these chains, promoting marketing and processing enterprises, and promoting a more equitable distribution of margins. To facilitate the marketing of production and reduce transaction costs, IFAD will complement other donors' efforts to rehabilitate market access roads. IFAD will also support the Government's efforts to promote **vocational training**, create jobs for young people and promote professional, intensive and market-oriented agriculture. In line with the PRSP and the Government's forthcoming policy on vocational training, support will focus on rural training institutions for rural youth with primary education and for young adults already engaged in agricultural activities. IFAD will also support the private sector, MFIs, farmers' organizations and local authorities in assisting young trainees to gain access to land and to financial and technical services to set up profitable rural businesses.

Objective 3: Increased engagement of small-scale producers and their organizations in economic and policy development through their professionalization

32. IFAD will support farmers' organizations to develop their technical skills, to facilitate their integration in the economic environment, and to better respond to climatic and economic risks. More specifically, IFAD will focus on three areas. First, it will support small-scale producers' associations and their apex organizations to deliver **services to members** where they have a comparative advantage, or to develop equitable partnerships with the private sector. Second, IFAD will help them grow by increasing their responsiveness to members and by assisting them in becoming more representative, more inclusive and more accountable. Third, IFAD will support the integration of **farmers' organizations within value chains** and will build their skills so that they can develop common strategies to increase productivity and raise their margins. Functional literacy and numeracy will be included in all development strategies. In parallel, IFAD will support the development of consultative structures by bringing together the various actors of a value chain and strengthening farmer associations' capacities to defend farmers' interests. IFAD will also **facilitate dialogue between small-scale producers' organizations and the Government** in national and regional consultative structures that participate in policy and programme development, such as the working groups on regional rural development and the regional and commune development committees. This will involve training and improved access to information on rural development issues and national policies (such as creating cohesion in value chains, international trade, land tenure, rural finance and the

legislative environment), as well as facilitating the exchange of experiences between organizations.

C. Opportunities for innovation

33. In line with the COSOP's strategic objectives, IFAD will support innovation linked to farmers' support services, including rural finance, and off-farm employment.

Develop agricultural support services

34. IFAD will support the professionalization of farmers' associations and their apex organizations in order to collectively access support services, interact with markets and influence policy. The growth and strengthening of farmers' organizations will be supported by the agricultural service centres (ASCs), which will help match farmers' demand to available technical and financial services, and by the Agricultural Development Fund, which will pool donors' funds to pay for those services. IFAD will support ASCs – which will reflect local characteristics and experience – to facilitate the development of sustainable services by a large range of service providers (e.g. private businesses, farmers' apex organizations, consulting firms and local NGOs). It will also support direct involvement of farmers' organizations in the management of ASCs. IFAD will contribute to the Agricultural Development Fund and test mechanisms to ensure that poorer farmers have equitable access to services.

Off-farm employment and business development services

35. IFAD will support off-farm small-scale enterprises to create alternative sources of income and jobs in densely populated areas, opening new marketing outlets and expanding the provision of goods and services that support agricultural development. In this new area, IFAD would promote policy changes, technical assistance and financing mechanisms to facilitate business creation, including a conducive policy and legal environment; business development services to build up technical, marketing and business management capacities; and access to investment and working capital.

Strengthening of rural finance

36. IFAD will support rural financial services adapted to the needs of small-scale producers and poor households with two complementary instruments: (i) microfinance components incorporated into broader projects, which will support existing microfinance networks in expanding their outreach to small producers and disadvantaged groups, in strengthening their management and governance capacities, in developing their linkages to commercial banks and in diversifying their products to better match demand; and (ii) a major rural finance component, which will be built into the upcoming project in support of rural entrepreneurs. This component will define a **common rural finance strategy** for IFAD's programme in Madagascar with a view to unifying project approaches. The strategy will focus on the role of rural credit in (project-supported) value chains, strengthening them upstream and downstream of agricultural production, and developing sustainable markets for smallholders. This component will also **test innovative products or markets**, which could include (i) products based on partnerships between financial and other service providers, or associating small-scale loans with credit, education and technical training; (ii) the extension of the current inventory credit scheme to other actors (private sector or smallholder-owned companies), coupled with insurance and title delivery; (iii) the provision of financial packages for SMEs creating rural employment or new market outlets; (iv) experimentation with insurance schemes to reduce the vulnerability of the rural poor, such as emergency funds or death benefit funds.

D. Targeting strategy

37. In line with its targeting policy (2006), IFAD will design project strategies that will facilitate the inclusion of poorer households in the development process, in accordance with regional characteristics. Geographical targeting will focus on poverty, population density and agricultural potential. IFAD will assist regional/local authorities and rural stakeholders in identifying vulnerable areas and groups, in analysing vulnerability and the causes of poverty, and, based on regional potential, in devising measures to correct geographical imbalances (by expanding infrastructure and the network of support services) and to facilitate the integration of poorer groups. The sustainable livelihoods approach (SLA) exercise identified the following categories of rural poor: (i) the very poor landless; (ii) the poor with a small plot of land for rice; and (iii) the less poor with land and animals.

Inclusion

38. In supporting regional economic growth, projects will target the characteristics of the various socio-economic groups, including the poorer ones, expanding their economic opportunities tailored to regional growth opportunities. Specific mechanisms to reach poorer groups could include (i) support for viable activities with growth potential and that are of interest to the most vulnerable groups (such as food crops, small livestock breeding, forest-based production or handicrafts); (ii) assistance to small and medium-sized companies that can employ the poorest; (iii) the development of financial and other support services that are accessible to the poorest; (iv) assistance to poorer groups so that they can participate in social and economic decision-making processes (e.g. regional and commune-based consultative structures, management of collective infrastructure, farmers' organizations, supply chain organizations, and management boards of service organizations); (v) strengthening of farmers' organizations to better represent poorer farmers and to facilitate their access to services and markets; and (vi) improving the access of the poorest to land. Where necessary, IFAD may also cofinance the provision of basic social services (such as access to water or health services) to create minimal conditions to sustain the participation of poorer groups/areas in regional development.

Gender

39. Inclusive strategies will also favour gender balance, by focusing on value chains where women are more present or have comparative advantages, and by facilitating women's access to services, information, networking and decision-making. Regional and local authorities, farmers' and women's organizations, representatives of more vulnerable groups and other rural stakeholders will participate in developing these strategies and in monitoring their implementation and impact. All these will be built into the design of new projects. A special effort will be required from ongoing projects to adjust to these orientations, including the recruitment of technical assistance for the provision of methodological support.

E. Policy linkages

40. The following priorities to be addressed in policy dialogue are those identified in the rural sector performance assessment (see table 1 in section E), scoring less than 4 (moderately satisfactory) and relevant to the country programme.

Equitable development

41. In line with the COSOP's objectives, IFAD will promote inclusive strategies and new mechanisms to facilitate more equitable distribution of growth benefits and better integration of poorer areas and more vulnerable groups in the development process. Policy dialogue on these issues will be pursued in three settings. At the **local and regional levels**, projects will assist commune and regional

administrations in promoting strategies that connect poorer groups and areas to growth factors. At the **national level**, IFAD will support policy development as part of project implementation. All new loan projects will combine policy and institutional support to assist the Government in developing pro-poor policy frameworks, together with initiatives in the field that can feed into national policymaking and institutional development. Grant-funded projects will bring further innovative policy lessons, and the new programme M&E system will facilitate the identification and dissemination of best practices. Within the Multi-Donor Secretariat, IFAD will contribute to developing common donor positions to reflect inclusive approaches and equity concerns in national policies for rural development.

Pro-poor small, medium and microenterprise policy

42. IFAD will promote the formulation of a policy and legislative framework for the development of rural small, medium and microenterprises and will assist the Ministry of Industrialization, Commerce and Private-Sector Development in setting up a platform where the Ministry, professional organizations and other stakeholders will develop sector policy and strategies, and will monitor their implementation.

Farmers' organizations

43. IFAD will support farmers' organizations so that they can participate in policymaking at the regional and national levels. More specifically, the new project targeting farmers' organizations will aim to strengthen their capacities to influence policy change and to negotiate with the Government. Within the framework of the IFAD Farmers' Forum, IFAD will also promote the participation of farmers' organizations in consultative forums and will advocate the creation of a permanent consultative platform between farmers' organizations and the Government for the implementation of the National Rural Development Programme. Finally, IFAD will assist the development of policies and legislation to improve the effectiveness of farmers' organizations and/or the organization of rural vocational training.

V. Programme management

A. COSOP management

Country programme M&E

44. To ensure stronger programme coherence and to measure its performance, IFAD will develop a programme M&E system that will (i) integrate with national M&E systems, especially that of the PRSP; (ii) measure IFAD programme and project achievements and assess their impact; (iii) exchange information with public and private rural development stakeholders to ensure coordination and better match project activities with the evolution of events; (iv) test mechanisms and tools that can support dialogue between rural development stakeholders, with a view to enhancing programme/project performance and increasing the response of public interventions to the expressed needs of the rural poor; and (v) introduce a participatory M&E methodology in line with the RIMS. Methodological support will be made available to project teams in order to strengthen their capacities and harmonize project M&E approaches and tools, and to set up the programme M&E system. Programme and project M&E systems will be linked.

COSOP reviews

45. Annual reviews will be conducted by the Government, for which IFAD will provide methodological and financial assistance if needed. Annual COSOP implementation workshops will gather project staff and key IFAD partners. IFAD will review COSOP implementation before the end of 2009. As for COSOP formulation, the mid-term

review will gather IFAD partners and stakeholders at the national, regional and commune levels, with the poor and vulnerable at the centre of the process.

B. Country programme management

Flexibility and institution-building

46. In accordance with the COSOP's objectives, new projects will be more flexible, based on demand-driven processes matched by unallocated resources, with a view to better adapting interventions to a constantly evolving environment. They will be better integrated in the existing institutional framework and will require (i) working more closely with regional governments to ensure that projects support regional development priorities; (ii) involving commune authorities in local planning; (iii) supporting MFIs and helping them to devise products adapted to more vulnerable groups; (iv) supporting the ASCs when they are created; and (v) contributing to multi-donor funds to improve harmonization and alignment on national policies.

Methodological support

47. IFAD projects seek to bring new approaches and instruments to alleviate rural poverty and integrate the rural poor in the development process. Faced with complex problems, project design often includes complex approaches, which, by definition, are new to implementation teams. To expedite project implementation, IFAD will ensure that project teams have methodological support, particularly in the early stages, from formulation teams at project inception, supervision missions, and national and international technical assistance. The programme will also link IFAD-financed projects to national and international development networks.

Field presence and the country programme management team

48. A field liaison officer was recruited in 2003 to support programme implementation and to facilitate relationships with the Government and donors. This arrangement will be continued, as it has provided IFAD with better visibility, a faster ability to react and to adapt to policy changes, and broader and sharper information about the country's development. In addition, the Programme Support Office within the Ministry of Agriculture, Livestock and Fisheries will continue to provide assistance to project teams to speed up administrative issues at the central level. The country programme management team will be strengthened and capacity for M&E will be implemented from 2007. Supervision modalities will evolve in line with IFAD's new operating model, and the country programme will achieve a better balance between cooperating institutions and direct supervision. The country programme management team will increase its role in order to retrofit new COSOP strategic objectives into existing projects (especially transversal objective 1).

Portfolio performance rating

49. IFAD's financial allocation to Madagascar is calculated by the performance-based allocation system (PBAS), which takes account of macroeconomic performance, rural policies and institutions, and portfolio performance measured by the number of projects at risk (PAR). The PAR figure is updated every year based on a project status report that is established by the IFAD country programme manager and quantifies project performance. Madagascar has no projects at risk and, to keep this good rating, continuous support from the country programme management team and cooperating institutions will be strengthened.

C. Partnerships

Institutional partnerships

50. To increase the sustainability of project-funded interventions as well as regional ownership, projects will be, more than in the past, tightly integrated within the

regional institutional framework. They will develop a close relationship with regional governments and strengthen their capacities in regional development. In addition, IFAD will multiply the impact of its interventions by contributing to institutional and policy changes and by joining up with other donors.

Partnerships with civil society organizations

51. **National NGOs** are already widely used as service providers for technical support, advisory services to producers, and literacy and capacity-building-related activities. **International NGOs** bring in specific expertise with regard to methodologies and innovative approaches. Partnerships will be developed and strengthened with them where appropriate.

Partnerships with the private sector

52. IFAD is committed to the development of partnerships between the private sector and small-scale producers. First, IFAD will prepare a new project to support **rural small and microenterprises**. Second, it will promote, through the PPRR programme, a **new type of partnership between smallholder and agribusiness companies**, with IFAD supporting both smallholders and agribusiness operators in exchange for a more balanced distribution of margins. Third, IFAD will contribute to developing a varied offer of **support services, particularly input supply and marketing that are adapted to the needs of rural producers** through the creation of ASCs.

Partnerships with donors

53. Donors from the rural development sector participated in the COSOP Preparation Committee. In addition, IFAD has aligned the COSOP preparation timeframe with that of the European Union and the World Bank, with a view to improving coordination among the three programmes. IFAD has developed partnerships with other donors, including the Millennium Challenge Account, which contributes to the financing of the AD2M project, and the Organization of the Petroleum Exporting Countries (OPEC Fund), which is cofinancing the PPRR programme. As part of this effort, IFAD will join forces with INTERCOOP, which represents Swiss Cooperation, to put these issues to the Multi-Donor Group.

D. Knowledge management and communication

54. IFAD will promote knowledge-sharing through information systems connecting projects, local/national authorities and professional organizations. To this end, IFAD will strengthen project M&E systems so that they not only measure project performance and outcomes but also track lessons learned. The country programme M&E system will be supported by a communication strategy with a view to disseminating project results, lessons learned and best practices to IFAD partners at the local, regional and national levels and to contribute to policy dialogue. Knowledge management activities will focus especially on the development of inclusive approaches and income-generating activities.
55. The knowledge management strategy will identify key stakeholders and appropriate communication channels as follows: (i) technical contributions to international networks and forums will be based on actual field experience, such as the Mandrare irrigation experience which was disseminated through the Programme for Improved Management of Agricultural Water in Eastern and Southern Africa (IMAWESA), or land reform experience through the International Land Coalition; (ii) on the model of the PADANE project, each project will develop its institutional memory through an electronic library disseminated on CD-ROMs and on the Internet; (iii) exchanges of experience between projects will be developed and major lessons learned through IFAD activities in Madagascar will be disseminated throughout the organization; each project in the country programme

will develop a website linked to the Government's site, on the model of the PPRR programme; and (iv) as part of this effort, information will be disseminated regularly to the national and international media with press articles. Good links with the national media have already been established and IFAD projects will continue to benefit from favourable national press coverage. A further objective will be to promote Madagascar's experience in the international press; to this end, each project will deliver one article per year at the level of international standards.

56. In parallel, IFAD will **strengthen the access of the rural poor to information and knowledge** to help them make their own informed decisions. Information and communication strategies will be developed in collaboration with the rural poor and their organizations. Key priorities will be the promotion of rural radio stations owned and managed by farmers and their organizations, building on the successful PHBM experience; the promotion of consultative platforms gathering small producers' organizations and other stakeholders to facilitate the exchange of information, especially for key value chains; the strengthening of farmers' organizations' capacities to disseminate information to their members; and the diversification of communication support and its adaptation to illiterate audiences.

E. PBAS financing framework

57. The PBAS allocation is reviewed every year in the light of the country's and IFAD's performance in the rural sector. As an illustration, the 2005 PBAS assessment resulted in a global rating for Madagascar of 3.94 (on a scale of 5) and an indicative commitment of around US\$10.7 million per year, or US\$64.2 million for the COSOP period (2007-2012).

Table 1
PBAS calculation for year 1

	<i>Indicator</i>	<i>COSOP year 1</i>
	<i>Rural sector scores</i>	
A(i)	Policy and legal framework for rural organizations	4
A(ii)	Dialogue between government and rural organizations	3.5
B(i)	Access to land	3
B(ii)	Access to water for agriculture	4
B(iii)	Access to agricultural research and extension services	3.5
C(i)	Enabling conditions for rural financial services development	5
C(ii)	Investment climate for rural businesses	4.25
C(iii)	Access to agricultural input and produce markets	4.25
D(i)	Access to education in rural areas	4.33
D(ii)	Representation	3.75
E(i)	Allocation and management of public resources for rural development	4.17
E(ii)	Accountability, transparency and corruption in rural areas	3.56
	Sum of combined scores	47.31
	Average of combined scores	3.94
	PAR ratings	6
	CPIA ratings	3.63
	Country score	1 351 157
	Annual allocation in US\$	10 681 167

Table 2
Illustration of relationship between performance indicators and country score

<i>Financing scenario</i>	<i>PAR rating (+/- 1)</i>	<i>Rural sector performance score (+/- 1)</i>	<i>% change in PBAS country score from base scenario</i>
Hypothetical low case	5	3	-28%
Base case	6	3.94	0%
Hypothetical high case	6	5	+30%

Base-case scenario

58. Under the **base-case scenario**, the Government maintains current performance; project management continues to be satisfactory (as indicated by the optimum PAR rating score of 6); and the Government maintains a suitable macroeconomic framework and proceeds with satisfactory implementation of the PRSP. The country allocation of approximately US\$64.2 million would finance three new projects over the coming six years. The **first project** would target rural SMEs and would aim at developing sustainable sources of rural employment, particularly for rural youth. It would be prepared in 2007 for start-up in early 2008. The **second project** would be planned for start-up in 2008/09 and would aim at strengthening local and regional farmers' organizations, improving farmers' access to financial and other services, and developing vocational training in vulnerable areas. It would be prepared jointly with farmers' organizations, and the preparation process would benefit from a grant financed by Farmers' Africa, an IFAD programme supported by the Italian Government to build the capacities of farmers' organizations. A **third project** would be envisaged towards 2010/11, to be identified in the course of the COSOP mid-term review. IFAD would strive to complement its own funds with cofinancing, which, on the basis of current ratios, would result in a total programme amount of US\$93.1 million.

High-case scenario

59. Under the **high-case scenario**, the Government carries out pro-poor policy reforms through major improvements of rural policies and institutions, particularly in the area of land tenure (as planned by the National Land Programme), dialogue between the Government and rural institutions (for example, through the creation of permanent consulting platforms) and access to services (notably with the creation of agricultural service centres). Improvements in these areas and the maintenance of good project management performance might bring the PBAS score up to 5, which would open a total allocation of US\$70.2 million – or additional resources in the amount of about US\$6 million – to be used to expand project areas or activities.

Low-case scenario

60. Under the **low-case scenario**, economic growth slows and the Government fails to implement poverty reduction policies, leading to a less favourable environment for programme development. A low PBAS score of 3 would reduce the new financial allocation to US\$42 million, bringing the number of new projects to only two and compromising cofinancing mobilization. Minimal conditions to start the formulation of new projects would be defined and project development would be withheld until they are met.

F. Risks and risk management

61. The risks presented below were identified during the COSOP formulation exercise as well as in the PBAS assessment above.

Inequitable growth

62. A risk affecting the whole programme is that policy measures and development plans designed to promote economic growth do not include specific actions to ensure that poorer groups can also benefit from economic development. To mitigate this risk, IFAD has placed a strong focus, throughout the COSOP, on the need to enable poorer groups to take advantage of regional potential and growth poles. This will be built into all projects, including ongoing ones, which will receive methodological support in order to adapt accordingly. IFAD will also build up the capacities of regional stakeholders (e.g. public authorities, professional organizations, the private sector) to design, implement and monitor pro-poor development strategies to ensure ownership and sustainability.

Agricultural service centres (ASCs)

63. There is a risk that the ASCs – rather than being a consultative platform for farmers and service providers to better match services with demand – will become a top-down and bureaucratic structure. IFAD will contribute to the financing of ASCs only if they avoid this and if farmers' associations are directly involved in ASC management. In addition, IFAD will complement its financing through the Agricultural Development Fund under a separate pilot component, which will test mechanisms to ensure that ASCs address the demands of poorer farmer groups.

Access to markets

64. Agribusiness and exporting companies may not wish to associate with poorly organized, poorly performing smallholders. IFAD will mediate between the two, using project finance to strengthen the capacities of smallholders and assisting them in complying with market requirements, but also to provide adequate incentives (such as market information, business advice and adaptive research) to attract private companies into this new kind of arrangement.

Farmers' organizations

65. Development projects have spawned too many farmers' organizations too quickly to be fully sustainable. The recent creation of the chamber of agriculture has further blurred the picture. IFAD will provide methodological and technical assistance to support them in clarifying their objectives and to strengthen their position through grant and loan support.

COSOP consultation process

Developing the COSOP in Madagascar

I. Objective

1. This note outlines the various steps of the elaboration of the Madagascar COSOP from February 2006 to its presentation to the 2006 December Board. The COSOP should reflect the views of stakeholders in the rural sector and associate them in the preparation process.
2. A forceful participation of farmer organizations in the process was deemed essential. The first IFAD national consultation of farmer organizations was organized in connection with COSOP preparation, to bring these organizations on board and ensure that they can provide their contribution into the process.
3. COSOP preparation was also a pilot for using poverty analysis tools (Sustainable Livelihoods Approach), with PT support and financing. These tools have been conceived mostly in view to support project formulation. They were adapted so that they can provide useful information on and interaction with rural poor communities and other rural actors in the context of COSOP preparation.

II. Institutional setting

4. The process was driven by the CPM, with support provided from the Field Liaison Officer. An IFAD COSOP focal group (ICFG) was constituted to provide contributions in the preparation process. This group is composed of representatives from: (i) government institutions involved in the implementation of IFAD activities in Madagascar; (ii) farmer/civil society organizations; (iii) donors; (iv) development NGOs and (v) IFAD project managers. They were selected among the following:

<i>1. Government</i>	<i>Farmer/civil society organizations/private sector</i>	<i>2. Development NGOs</i>	<i>3. Donors</i>	<i>4. IFAD project managers</i>
MAEP Min. Finances Min. Travaux publics Min. Entreprises Min. Education	Fekritama Fifata	DID CARE FERT GRET CRS AHM INTERCOOP AFDI	World Bank European Union French Embassy MCA USAid Swiss	PADANE PPRR PHBM II

5. The total number of participants was 25 people.

III. January 2006: poverty analysis desk review

6. **Objectives.** According to the general methodology outlined by PT, the desk review aimed at examining available secondary data (including poverty-related studies, PRSP, statistics, anthropological and sociological studies) with a view to: (i) identify some of the key areas that the analysis should cover; (ii) make a preliminary identification of poor areas and communities; (iii) identify accepted terminologies and definitions of poverty. In addition, the desk review should: (i) adapt the poverty analysis methodology to the needs of COSOP formulation; (ii) propose a plan for implementing poverty analysis.

7. **Output.** The output of the desk review is a report providing:
- a synthesis of existing relevant information on rural poverty and a presentation of key areas to be covered by the poverty analysis, also explaining expected added value and how it is relevant for COSOP preparation;
 - a methodology for conducting the poverty study, which would be adapted from PT main methodology, taking into account the specificities of a COSOP formulation. This included the preparation of a national synthesis and of regional reports;
 - a pre-selection of the areas where the poverty analysis should be conducted and related justifications. This pre-selection took into account the following criteria: poverty and demographic density (IFAD wants to shift to more populous areas). The desk review also recommended areas that could be visited by the first mission in February-March;
 - an implementation plan defining the modalities of implementation and calendar of the poverty analysis.

IV. February 2006: first mission to Madagascar

Consultations with the government and other IFAD stakeholders

8. **Objectives.** The CPM and the COSOP consultant went to Madagascar with the following objectives:
- to hold the first ICFG meeting (see below), with a view to: (i) devise a participatory approach whereby the COSOP would be developed through a dialogue with IFAD stakeholders at the provincial and national level; (ii) provide orientations for selecting future intervention areas; (iii) identify main issues to be reviewed and addressed in the COSOP; (iv) agree on the COSOP preparation process and related calendar;
 - to participate in the first national farmer organization consultation (see below);
 - to visit selected current/potential intervention areas;
 - to consult with government institutions on PRSP implementation as well as on policies and institutions dealing with rural poverty;
 - to meet with other relevant institutions in Madagascar, (i.e. farmer organizations, donors, academics, NGOs etc), with a view to gather background information on the rural sector and rural poverty and to identify main opportunities and constraints that should be considered by IFAD.
9. **Outputs.** In addition to specific outputs to be provided by the ICFG meeting and the farmer organizations consultation, which are exposed below, the mission provided the following outputs:
- an interim COSOP draft, composed of the chapters on "Economic, Sectoral and Rural Poverty Context" and "Lessons from IFAD's Experience in the Country" part, and an outline of "Strategic Framework for IFAD", plus a first list of items likely to be addressed under "Strategic Framework for IFAD";
 - a note proposing orientations for the poverty analysis, to be used in the preparation of terms of reference by PT and outlining: (i) criteria for

selecting the geographical areas where it should be conducted;
 (ii) specific issues to be focused on; (iii) outputs expected from the desk review to be conducted in preparation to field work.

National consultation of farmer organizations

10. **Objectives.** The forum gathered major farmer organizations, either national or regional, project managers, the CPM and a staff from Policy Division. The general objective was to initiate a fruitful relationship between IFAD and farmer organizations in Madagascar, whereby farmer organizations can voice their concerns and priorities to IFAD and IFAD can address them in its programme. More specifically, this first meeting aimed at: (i) improving mutual knowledge about mandates, activities and prospects; (ii) discuss the COSOP preparation process and define modalities for a strong participation of farmer organizations; (iii) define main orientations and modalities of a participatory diagnosis of farmer organizations to be conducted as part of COSOP preparation; (iv) discuss ways to secure regular communication between IFAD and farmer organizations.
11. **Outputs.** The national consultation provided the following outputs:
 - orientations/a plan ensuring active participation of farmer organizations in the COSOP preparation process and in future endeavours;
 - draft terms of reference for a participatory diagnosis of farmer organizations in Madagascar and a review of their achievements, opportunities and constraints with regard to the inclusion of poor farmers and responding to their needs;
12. **Organization.** The forum took place at the beginning of the mission, so farmer organizations were prepared to participate in the ICFG meeting. The relationship between the two events and the importance of their participating in the ICFG meeting was outlined when inviting them to the national consultation.

V. First ICFG meeting

13. **Objectives.** The ICFG met on 6 February 2006 with the following objectives:
 - to devise a participatory approach whereby the COSOP will be developed through a dialogue with IFAD stakeholders at the provincial and national level;
 - to define orientations for the poverty analysis, so that it does not replicate existing studies, and that it provides useful inputs for the design of a pro-poor COSOP.
14. **Outputs.** This one-day meeting provided two outputs, fed into the COSOP preparation process:
 - an action plan for COSOP preparation, outlining the different steps, expected outputs, and calendar;
 - a preliminary outline for organizing provincial consultations, indicating expected outputs, agenda and topics to discuss, participants and modalities of organization. This outline would be complemented as needed to incorporate results from the poverty analysis as appropriate;
 - a note on ICFG orientations for the poverty analysis.
15. **Organization.** The meeting took place right after the farmer organizations consultation. The ICFG provided orientations with regard to its work programme. Mission terms of reference and a brief on COSOP presentation were sent to all

participants two weeks in advance. The format meeting (presentations, plenary sessions, working groups and topics of discussion) was prepared ahead of time.

VI. April 2006: poverty analysis

16. **Objective.** The poverty analysis aimed at providing a basis for identifying areas, sets of issues and a broad definition of potential target groups that could be incorporated into IFAD's country strategy (as per PT methodology).
17. **Outputs.** The poverty analysis provided the following outputs:
 - a regional report for every region visited, providing background information on rural poverty in the region as well as a synthesis of findings for the communities visited in the region;
 - a national synthesis of findings, highlighting: (i) key issues that should be addressed by the COSOP and assets/opportunities on which a responsive strategy could be based; (ii) recommended areas of intervention for the new programme; (iii) potential target groups and elements for an inclusive targeting approach;
 - report on the process undertaken for the analysis.
18. **Organization.** The poverty analysis was organized by PT, in collaboration with the CPM. The mission presented its main findings to the ICFG before leaving the country.

VII. March 2006: second ICFG meeting

19. **Objectives.** The second ICFG meeting aimed at:
 - informing all ICFG members about preliminary findings of the poverty analysis;
 - based on recommendations from the poverty analysis team, to pre-select the provinces that should host provincial consultations;
 - propose amendments to the preliminary outline for organizing provincial consultations (agreed upon in the first ICFG meeting), so as to take into accounts preliminary findings of the poverty analysis.
20. **Outputs.** The second ICFG meeting had two outputs:
 - a note on the pre-selection of regions, which will be drafted by the Field Liaison Officer;
 - an amended outline for organizing regional consultations.
21. **Organization.** The meeting was organized by the Field Liaison Officer, in coordination with the poverty analysis team.

VIII. April 2006: communal/regional consultations

22. **Provincial workshops.** The purpose, outputs and organization was defined in the first ICFG meeting, reviewed in the second ICFG meeting and endorsed by the CPM. What was envisaged at this stage (and will be proposed to ICFG) was that:
 - each workshop would have a one-day duration and would convene representatives of the whole range of stakeholders: farmers, microentrepreneurs, local authorities, private sector, NGOs

- each workshop would have a general discussion on IFAD's future orientations, and would also be assigned a specific topic, yet to be determined. Topics would be selected so as to favour a review of different interconnected facets of rural poverty around them (for example a commodity chain, or an agro-ecological zone, or a specific social group)
23. **Organization.** The regional consultations were organized according to ICFG decisions. They were attended by poverty analysis team. A synthesis of the results of this exercise was prepared to be used in the preparation of the draft COSOP.

IX. Third ICFG meeting

24. **Objectives.** The third ICFG turned out to be mostly email exchanges and had the following objectives: (i) to inform members about the outcome of communal/regional consultations; (ii) based on this information, to make recommendations for orientations to be reflected in the COSOP; (iii) to discuss the broad features of a programme monitoring and evaluation system,
25. **Outputs.** The meeting provided the following outputs, which were reflected in the COSOP:
- an outline of the COSOP Preparation Workshop that was held in Antananarivo on 3 May to reach an agreement on the draft COSOP (long version);
 - a note outlining the main features of a programme monitoring and evaluation system, to be discussed at the May workshop.

X. 3 May 2006: COSOP workshop

26. **COSOP Workshop.** The purpose, outputs and organization was defined in the ICFG February meeting. What was envisaged at this stage was as follows. The CPW lasted one day. It was opened with a presentation of: (i) results of the poverty analysis; (ii) the results of the provincial consultations; (iii) the Ministry portfolio review, (iv) the draft COSOP;. A general discussion followed and then participants were split into working groups, asked to discuss and amend specific parts of the draft COSOP. Working groups then made presentations to the plenary. Recommendations/amendments to be incorporated in the COSOP text were agreed on the spot. And presented to the Ministry of Agriculture, the ministry of Finance and the Prime Minister office at the end of the mission.

XI. July/October 2006: finalization

27. Based on the workshop's recommendations, a final draft version of the COSOP was prepared in July, and submitted to IFAD's PDT early July and PDMT on 19 July.
28. Based on PDMT comments, a new version was published and shared with the Government in August. Comments of the Government were incorporated and a new version was submitted to the OSC meeting of 21 September 2006.

The COSOP was finalized end September and proceeded to the Executive board of December 2006.

Country economic background

Republic of Madagascar

Land area (km² thousand) 2004 1/	582	GNI per capita (US\$) 2004 1/	290
Total population (million) 2004 1/	18.11	GDP per capita growth (annual %) 2004 1/	2.4
Population density (people per km²) 2004 1/	31	Inflation, consumer prices (annual %) 2004 1/	14
Local currency	Malagasy Ariary (MGA)	Exchange rate: US\$1 =	MGA 2100
Social Indicators		Economic Indicators	
Population (average annual population growth rate) 1998-2004 1/	2.9	GDP (US\$ million) 2004 1/	4 364
Crude birth rate (per thousand people) 2004 1/	39	GDP growth (annual %) 1/	
Crude death rate (per thousand people) 2004 1/	12	2003	9.8
Infant mortality rate (per thousand live births) 2004 1/	76	2004	5.2
Life expectancy at birth (years) 2004 1/	56	Sectoral distribution of GDP 2004 1/	
Number of rural poor (million) (approximate) 1/	n/a	% agriculture	29
Poor as % of total rural population 1/	n/a	% industry	16
Total labour force (million) 2004 1/	8.33	% manufacturing	14
Female labour force as % of total 2004 1/	48	% services	55
Education		Consumption 2004 1/	
School enrolment, primary (% gross) 2004 1/	134	General government final consumption expenditure (as % of GDP)	9
Adult illiteracy rate (% age 15 and above) 2004 1/	29	Household final consumption expenditure, etc. (as % of GDP)	80
Nutrition		Gross domestic savings (as % of GDP)	11
Daily calorie supply per capita	n/a	Balance of Payments (US\$ million)	
Malnutrition prevalence, height for age (% of children under 5) 2004 2/	49 a/	Merchandise exports 2004 1/	990
Malnutrition prevalence, weight for age (% of children under 5) 2004 2/	33 a/	Merchandise imports 2004 1/	1 230
Health		Balance of merchandise trade	-240
Health expenditure, total (as % of GDP) 2004 1/	3 a/	Current account balances (US\$ million)	
Physicians (per thousand people)	0.3	before official transfers 2004 1/	-788 a/
Population using improved water sources (%) 2002 2/	45	after official transfers 2004 1/	-309 a/
Population with access to essential drugs (%) 2/	n/a	Foreign direct investment, net 2004 1/	45
Population using adequate sanitation facilities (%) 2002 2/	33	Government Finance	
Agriculture and Food		Cash surplus/deficit (as % of GDP) 2004 1/	-23 a/
Food imports (% of merchandise imports) 2004 1/	14	Total expenditure (% of GDP) 2004 1/	n/a
Fertilizer consumption (hundreds of grams per ha of arable land) 2004 1/	31 a/	Total external debt (US\$ million) 2004 1/	3 462
Food production index (1999-01=100) 2004 1/	108	Present value of debt (as % of GNI) 2004 1/	38
Cereal yield (kg per ha) 2004 1/	2 380	Total debt service (% of exports of goods and services) 2004 1/	6 a/
Land Use		Lending interest rate (%) 2004 1/	26
Arable land as % of land area 2004 1/	5 a/	Deposit interest rate (%) 2004 1/	15
Forest area as % of total land area 2004 1/	n/a		
Irrigated land as % of cropland 2004 1/	31 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database CD ROM 2006

2/ UNDP, *Human Development Report*, 2005

COSOP results management framework

Country alignment	Results framework for COSOP			COSOP policy agenda
PRSP Global Target 3	COSOP Strategic Objectives	COSOP outcome indicators related to the Strategic Objectives	COSOP milestone indicators showing progress towards Strategic Objectives	Specific policy/institutional reform ambitions related to the Strategic Objectives
To accelerate rural development while preserving and valorizing environment				
To improve the access to structuring services and infrastructure	SO1 – •Improved risk management and reduced vulnerability through enhanced access of the rural poor to services and assets., i.e. :	Farmers reporting increased crop & livestock productivity (<i>RIMS</i>)	Number of Agricultural Service Centres (ASC) established and number/socio-economic category of farmers serviced (including number of persons trained/using purchased inputs – <i>RIMS</i>) Number/socio-economic category of farmers serviced	ASCs remain light, demand-oriented platforms that gather farmer organizations, private sector, decentralised authorities and deconcentrated services. They ensure equitable access to services by farmers, including poorer ones, and their organizations. Farmer organizations participate in ASC management boards.
To set up financing systems that are adapted and accessible to the needs of the poor	(i) support services; (ii) financial services; (iii) land tenure.	Percentage of households that have access to rural finance (<i>PRSP indicator</i>)(<i>PBAS</i>)	Number and type of loans disbursed On-time repayment rate % of operational self-sufficiency (<i>RIMS</i>)	Develop a conducive policy and legal environment for the structuring of the microfinance sector
		Expanded range of financial products accessible to small-scale producers		
To facilitate access to land assets		Secured agricultural surfaces (<i>PRSP indicator</i>)	Number of land administration offices opened at commune level Number of land tenure certificates issued to smallholders	Ensure access to land tenure for poorer farmers
Professionalization of rural actors by strengthening their capacities	SO3 – •Increased engagement of small-scale producers and their organizations in economic and policy development through their professionalization	Range of service provided by professional organizations and rate of member satisfaction, number and type of partnerships established	Number of farmer organizations and membership after 3 years (<i>RIMS</i>)	Creation of a permanent consultative platform between farmer organizations and the government for the implementation of the National Rural Development Programme.
		Consultative mechanisms gathering actors of priority value	Consultative mechanisms established for dialogue between government and rural organizations (<i>PBAS</i>)	

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<i>Country alignment</i>	<i>Results framework for COSOP</i>			<i>COSOP policy agenda</i>
PRSP Global Target 3 To accelerate rural development while preserving and valorizing environment	COSOP Strategic Objectives	COSOP outcome indicators related to the Strategic Objectives	COSOP milestone indicators showing progress towards Strategic Objectives	Specific policy/institutional reform ambitions related to the Strategic Objectives
		chains established and functional Small-scale producers participate in policy-making consultative platform at local, regional and national level, and their contribution is taken into account	Increased allocation of public resources for rural development (PBAS) Consultative platforms are established and meet regularly Small-scale organizations are trained to influence policy change and to develop negotiation with the Government	

Key file 1: Rural poverty and agricultural/rural sector issues

Priority area	Major issues	Actions needed
Rural poverty	<p>High levels of rural poverty with 80% living below the poverty line (2004) and 67% affected by chronic or transient food insecurity (2001)</p> <ul style="list-style-type: none"> • Agricultural growth is low (negative growth for main staple food production – rice – between 1970 and 2003) and does not match population growth rate (2.8%) • 61% of rural population is illiterate • Poor access to health • Important inequalities between different geographical areas or, within a single area, between different social groups 	<p>Adopt pro-poor policies in accordance with PRSP</p> <ul style="list-style-type: none"> • Facilitate the transformation of subsistence agriculture into a market agriculture, by developing agro-based industry and services, increasing exports, developing value chains and developing strong partnerships between public institutions, farmers and the private sector • Improve access to health and ensure universal education • Ensure balanced and equitable regional development
Risk vulnerability and food insecurity	<ul style="list-style-type: none"> • High risk potential (climatic hazards, pest and plant diseases, price volatility on both international and domestic markets) • Limited agricultural investment and concentration on low-cost low-technology food crops to minimise risks 	<ul style="list-style-type: none"> • Develop collective mechanisms for risk mitigation such as financial and non-financial support services, land tenure security, improved market information and storage capacities • Set up insurance schemes • Promote agricultural value chains based that can integrate poorer farms and are based on local potentials • Develop universal education • Set up new system for agricultural vocational training and develop rural-based vocational training institutions in coordination with the development of priority value chains
Education	<ul style="list-style-type: none"> • Rural youth have a low education level (only 12% of rural children complete primary education) due to insufficient schooling facilities and teachers, and to poor adequacy of programmes to future farmers needs • Lack of an organized system for agricultural vocational training 	<ul style="list-style-type: none"> • Implementing the National Land Tenure Programme, especially with regard to the creation of decentralised land management and the training of officials in land titling
Land and environment	<ul style="list-style-type: none"> • Fragmentation of cultivated surfaces • Land tenure insecurity (caused by inefficient registration procedures) generates land conflicts, hampers investments and affects local fiscal resources 	
Access to non-financial services	<ul style="list-style-type: none"> • Technical advice is available to less than 50% of farmers, who need 12 hours in average to reach closest source of assistance • Limited access to inputs and equipment 	<ul style="list-style-type: none"> • Promote a new diversified offer of services, building on farmer organizations, agribusiness, private service providers, NGOs, public services • Support the development of Agriculture Service Centres at the district level • Support the Agricultural Development Fund • Expand MFIs networks and strengthen their capacities and performance • Diversify the range of financial products offered by MFIs to better respond to the needs of the poor
Access to financial services	<ul style="list-style-type: none"> • Commercial banks are inaccessible to rural population • MFIs are still poorly developed, forcing people to recourse to traditional borrowers and usurious loans 	
Access to markets	<ul style="list-style-type: none"> • Only 21% of households market their production, due to a lack of information on market opportunities, segmented and poorly organized value chains and high transaction costs (caused by poor road network and insufficient storage capacities) • Profit distribution favours middlemen and agribusiness companies 	<ul style="list-style-type: none"> • support the development and structuring of regional priority supply chains • promote marketing and processing companies • rehabilitate road network and increase storage capacities for agricultural products • develop consultative structures gathering the various actors of a value chain (<i>interprofessionnelles</i>) and strengthen farmer associations' capacities to negotiate in defence of farmers' interests • support the development and capacity-building of farmer associations • promote dialogue between small-scale producers' organizations and the government in key national and regional consultative structures that participate in policy and programme development
Professional organizations	<ul style="list-style-type: none"> • Only 20% of farmers are members of a professional organization • Farmer associations are heavily dependent on external financing, lack technical and management skills and have limited capacity to respond to member needs • Weak internal democracy and accountability 	

Key file 2: Organizations matrix (strengths, weaknesses, opportunities and threats [SWOT] analysis)

<i>Institutions</i>	<i>Strengths</i>	<i>Weaknesses</i>	<i>Opportunities/threats</i>	<i>Remarks</i>
A. Public institutions				
Ministry of Agriculture, Livestock and Fisheries	<ul style="list-style-type: none"> • Qualified expertise 	<ul style="list-style-type: none"> • Centralised structure • Weak field presence • Limited resources • Limited management capacity 	<ul style="list-style-type: none"> • Ministry reform 	
Regions	<ul style="list-style-type: none"> • Result-oriented 	<ul style="list-style-type: none"> • Limited technical staff • Limited resources • Incipient experience 	<ul style="list-style-type: none"> • Strong support by Presidency • No consideration of marginalised groups and lack of special strategies for vulnerable areas 	
Communes and Communal Councils	<ul style="list-style-type: none"> • Elected • Proximity to farmers 	<ul style="list-style-type: none"> • Lack of resources • Almost no experience in project planning and implementation 	<ul style="list-style-type: none"> • Centralisation of decision-making power • Little consideration for marginalised groups 	Link with PSDR and FDC programmes
B. Civil society				
Farmer organizations	<ul style="list-style-type: none"> • Potential for economy of scale and increased bargaining power of smallholders vis-à-vis traders • Management of collective infrastructure 	<ul style="list-style-type: none"> • Poor management capacity and governance • Poor investment capacity • Weak representation of most-deprived groups (women, landless, youths) • Dependent on external financing 	<ul style="list-style-type: none"> • Numerous donor operations in favour of GROs • Risk of politization and/or confiscation of benefits by local elite 	Link with FDC and PSDR programmes
C. Private sector				
Commercial Banks	<ul style="list-style-type: none"> • Willingness to finance MFIs 	<ul style="list-style-type: none"> • Very limited outreach in rural areas 	<ul style="list-style-type: none"> • Lack of interest in the agricultural sector 	
Microfinance Institutions	<ul style="list-style-type: none"> • Proximity to clients • Some participation of members/clients in management • Services better adapted to the poor population needs 	<ul style="list-style-type: none"> • Shortage of qualified staff • Poor portfolio management • Weak internal control • Limited outreach in rural areas 	<ul style="list-style-type: none"> • Favourable institutional environment 	
Agricultural sector Traders, Wholesalers, Exporters	<ul style="list-style-type: none"> • Knowledge of markets • Self-financing capacity 	<ul style="list-style-type: none"> • Tendency to seek high and quick profit • Lack of innovation 	<ul style="list-style-type: none"> • Government policy in support of private sector development 	

Key file 3: Complementary donor initiative/partnership potential

<i>Donor/project</i>	<i>Nature of programme</i>	<i>Programme coverage</i>	<i>Status</i>	<i>Complementarity/synergy potential</i>
World Bank Rural Sector Development Programme (PSDR)	Support to community development: a) preparation of communal development plan (PDC) & village development plans through participatory diagnosis/planning b) strengthening of producer/community-based organizations <ul style="list-style-type: none"> • Support to productive investments identified by farmers at local level • Institutional support: agricultural and rural development policy formulation, statistics, environmental evaluation 	National	On-going (started Sept. 2001) Duration 10 years	High <ul style="list-style-type: none"> • Planning process • Harmonization of matching grant approaches • Utilisation of results from agriculture research • Policy reform
World Bank Community Development Fund Programme (FID)	<ul style="list-style-type: none"> • Financing of public infrastructure identified in Commune Development Plans (PDC) • Support to community development: a) preparation of PDC; b) training of community groups in charge of infrastructure maintenance 	National	Approved and signed (third phase of the FID project)	High <ul style="list-style-type: none"> • Social infrastructure projects identified by communities supported by IFAD could be financed by this programme
World Bank Transport Sector Programme (PST)	<ul style="list-style-type: none"> • Road rehabilitation/construction (mainly rural) • Institutional support: policy formulation, legal framework • Road/maintenance 	National	On-going	Very high <ul style="list-style-type: none"> • Programme would support investment complementary to road rehabilitation under PST
UNDP/UNCDF Microfinance Programme	<ul style="list-style-type: none"> • Institutional support to the microfinance sector (policies and legislation) • Capacity building of financial institutions • Integration of microfinance in the financial market 			
European Union Rural Development Programme Millennium Challenge Account	Under negotiation with government	National	Pipeline	High, given tight linkages with European Union and coordination of COSOP/EU programme preparation
Land Tenure Project	<ul style="list-style-type: none"> • Support to the preparation of new land laws • Strengthening of National Land Service Administration • Establishment of decentralised land management offices and training of officials and support to land registration 	National		Very high <ul style="list-style-type: none"> • The Land Tenure Project co-finances IFAD's AG2M project for the land security component • Policy reform and restructuring of sector administration should contribute to success of field activities
Millennium Challenge Account Financial Project	<ul style="list-style-type: none"> • Reduce risks in the modern financial systems by modernising banking laws and inter-bank payment system • Increase availability of financial services in rural areas by developing savings and opening credit lines for MFIs 	National		High <ul style="list-style-type: none"> • Modernization of banking system should facilitate on-lending to MFIs • Provision of external resources to MFIs will facilitate expansion of existing networks

<i>Donor/project</i>	<i>Nature of programme</i>	<i>Programme coverage</i>	<i>Status</i>	<i>Complementarity/synergy potential</i>
Millennium Challenge Account	Build local and regional capacities to identify and access profitable agri-business market opportunities and develop management and marketing skills	Five concentration zones		High <ul style="list-style-type: none"> In areas of concentration, possibility of building on Agricultural Business Centres to diversify offer of services to farmers
Agricultural Business Investment Project	<ul style="list-style-type: none"> Establish two pilot ASCs 			
FAO		2 districts	On-going	Very high <ul style="list-style-type: none"> Test of first ASCs under FAO financing will help in designing model ASC and in positioning IFAD financing for their development
Agriculture Service Centres				
USAID	<ul style="list-style-type: none"> Support to access domestic and export markets for selected rural productions 	Selected regions	On-going (until 2009)	High <ul style="list-style-type: none"> In areas of concentration, possibility of building on Business Centres to diversify offer of services to farmers
BAMEX				
INTERCOOP/Swiss Cooperation	<ul style="list-style-type: none"> Increase rural income through approaches designed to suit diverse needs of areas with a growth potential and of vulnerable areas 	Selected regions	On-going	Very high <ul style="list-style-type: none"> INTERCOOP shares common concerns about inclusive approaches and equitable development and is developing valuable field experience
SAHA Programme	<ul style="list-style-type: none"> Promote risk management Support local governance 			

Key file 4: Target group identification, priority issues and potential response

<i>Typology</i>	<i>Causes of poverty</i>	<i>Coping actions</i>	<i>Priority needs</i>	<i>COSOP response</i>
Smallholders	<p>Vulnerability to natural disasters (hurricanes, droughts, hail)</p> <ul style="list-style-type: none"> • Low productivity and unsustainable production systems • Low skills and technology • Lack of understanding of markets/market information <p>Very limited access to financial services, capital and technology</p> <ul style="list-style-type: none"> • Poor organization and low bargaining power • High seasonality of income • Land tenure insecurity 	<p>Subsistence agriculture</p> <ul style="list-style-type: none"> • Clearing of marginal land • Immediate sale of crops after harvest • Salaried employment • Loans with traditional borrowers at usurious rate • Reduction in food intake • Selling off assets • Taking children out of school 	<p>Access to rural financial and non-financial services</p> <ul style="list-style-type: none"> • Market information; • Better physical access to markets (feeder roads) • Improved storage capacity • Better organizational capacity and bargaining power; • Functional literacy and training. • Food security • Income generation through on and off-farm activities with market potential • Land tenure security 	<p>Develop offer of support services matching smallholders demand</p> <ul style="list-style-type: none"> • Expand MFI networks and diversify range of financial products • Support the implementation of the National Land Tenure Programme • Promote the development of micro and small enterprises along priority value chains that can integrate small-scale producers • Facilitate the access small-scale producers to markets • Support the development of efficient vocational training institutions • Support the development of small-scale producer organizations along value chains and build their skills to increase productivity and profit
Landless farmers	<ul style="list-style-type: none"> • Lack of employment opportunities • Low wages • Very limited access to capital and technology • Difficulty to meet basic food needs. 	<p>In addition:</p> <ul style="list-style-type: none"> • Sharecropping and rental of land • Wage labour • Migration to urban areas 	<ul style="list-style-type: none"> • Job creation • Access to rural finance institutions and adapted financial products • Functional literacy and training • Access to land 	<ul style="list-style-type: none"> • Promote the development of off-farm micro-enterprises • Support rural enterprises that create employment for the poor • Facilitate access to financial institutions and adapted products • Provide technical and organizational support
Women	<p>In addition:</p> <ul style="list-style-type: none"> • Lower access to land and credit • Lower access to decision-making power 	<p>In addition:</p> <ul style="list-style-type: none"> • Sharecropping and rental of land • Wage labour • Migration to urban areas 	<ul style="list-style-type: none"> • Gender-balanced access to production factors, services and decision making-power 	<p>As above, +</p> <ul style="list-style-type: none"> • Promote the development of inclusive, gender balanced strategies and approaches at the local level and within farmer organizations • Focus on value chains where women are more present or have comparative advantages • Facilitating women access to services, information, networking and decision-making.