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Findings occasionally reports on development initiatives not assisted by the World Bank. This article is one such effort. The views expressed here do not necessarily reflect the views of the World Bank, USAID or the Government of Madagascar.

Madagascar: Commercial Agricultural Promotion

Commercial Agricultural Production was a USAID-funded technical assistance project implemented by the US development consulting firm Chemonics International between 1994 and 1999.

Major Achievements

- Thirty agribusiness clients achieved sales increases totaling \$3 million. Twenty-two clients received \$1 million.
- The country's cashew processing plant was privatized in the country's first privatization under the 1997 law.
- Over \$8 million worth of equipment was imported and purchased by agribusiness, construction, and service companies. These imports generated local currency for road rehabilitation.
- The equivalent of 460 km of farm-to-market and secondary roads were rehabilitated. Funds for this project came from USAID, the European Union, Japan, and KfW.
- The project created a framework for devolving responsibility for road maintenance from the central government to private road users associations.
- Fifty-six road user associations were formed.
- A system of toll collection was established to help fund maintenance of rehabilitated roads. The private sector and government became partners in the funding of road maintenance.
- 1.6 million vetiver plants were planted, equivalent to 160 km of hedgerows. Vetiver technology was used as a way to control soil erosion affecting hillsides, rural roads, and cement works such as bridges, dams, and culverts.
- A pilot program was carried out to strengthen and partially rehabilitate the southern railroad. Support came from the private sector and other donors, including \$1 million of in-kind donations. The groundwork was laid for a full-scale program.

Benefits achieved during the project's lifetime

Three groups of clients have experienced the greatest benefits from CAP so far.

Agribusiness clients. Many of the project's 164 clients are better equipped to operate in a market-oriented economy. Successful clients include enterprises and associations that:

- Began, expanded, or improved production of alternative crops (off-season vegetables, essential oils);
- Began or expanded production of organic products (organic tea, spices, fertilizers);
- Began or expanded processing activities (rice milling, fruit drying, composting);
- Developed nurseries (twenty-one enterprises planting vetiver, coffee, and flowers);
- Significantly improved their internal management (thirty-four enterprises and associations using improved accounting systems, learning better financial management, learning to use computers, using internet);
- Improved distribution (association of milk producers, farmers' gazette, honey, dried fruit);
- Tapped new markets (onions to La Reunion, dried mangoes to Mauritius, essential oils via the internet)
- Were able to obtain loans for new investments (twenty-two companies obtained loans of about 7.4 million Fmg or \$1.5 million). Most of these loans allowed the clients to diversify their activities (e.g., a rice collector expanded into milling, other businesses diversified into essential oils, ecotourism, milk processing).
- Were privatized. CAP designed and implemented the sale of the cashew processing plant to a Malagasy company.

Road users. CAP's fifty-six road user associations have learned to work together to set common objectives, raise money, and maintain roads. Vetiver technology has been identified, diffused, and is proving to be a cost-effective way of controlling soil erosion, one of the most costly factors in road deterioration. Transport costs have dropped. Traffic has increased, and since it is easier for collectors to get to farmers, farm gate prices have increased. The roads have also opened up access to health and educational benefits. The estimate is that the \$12 million spent on road rehabilitation will bring at least a 20 percent rate of return. This estimate is based on the assumption that the associations will maintain the roads well enough to last an average of five years and that traffic will increase, thus allowing more products to get to market. These assumptions have been born out by our monitoring efforts to date. One assumption that was questioned was that roads would engender an increase in agricultural production, due to findings in Madagascar and elsewhere that production increases do not automatically follow transport improvements. However, in some cases, CAP able to provide some support to producers directly. The project has also encouraged other donors to focus on these high potential zones.

Road contractors. Fifty-nine firms had construction contracts with CAP. Of these, fifty-five were small and four were large. All improved their capacity to carry out road rehabilitation. Eleven have learned to apply vetiver grass technology.

Why CAP was able to achieve results

Among the factors that contributed to CAP's success were the flexible design, good recruitment, adaptive management style, the collaborative relationship with the USAID mission, and the many partnerships that the project was able to develop. In addition, the project addressed important concerns of beneficiaries. CAP articulated a vision and offered a tangible benefit (e.g., road rehabilitation) that people cared about. CAP defined what was strategic, but applied that definition flexibly, going after targets of opportunity and juggling many activities at once. The project looked for solutions with the beneficiaries and tailored solutions to each region and each association rather than following a recipe for development. The project

was willing to take risks and sought out other individuals and organizations committed to results and high performance. A significant finding was that many people were interested in improving their lives, but did not always have the confidence or skills or vision to move forward.

CAP worked in a spirit of partnership – the project worked with people in a way that showed respect, offered encouragement, and provided a model for problem solving. In some ways, it was simply an encouraging presence to many who would otherwise be forgotten. Often, the CAP team tried to catalyze and provide a model for problem solving by bringing people together and working with them. And as one of the CAP staff said, "Our working alongside beneficiaries helped increase their confidence as well as their skills."

The CAP team has been fortunate to find many individuals and groups willing to work in partnership with it. They helped the team understand the problems, and worked with it to find solutions.

CAP clients' evaluation of its work

To get a qualitative sense of what the project meant to them, the CAP team spoke with agribusiness clients, road user associations, local authorities, and partners. It found a convergence of opinions:

- **Promises kept.** When CAP agreed to provide a service or make an investment in an area, it kept its promises and carried out the work in a way that met their needs.
- **Professionalism.** The team provided a high level of service because the staff was remarkably professional.
- **Willingness to be involved.** CAP staff was available on site even outside of work hours. They were willing to lend a hand in areas outside of their specific terms of reference.
- **Transparency.** The team behaved in a transparent way. It established mutual trust with partners and were able to collaborate efficiently thanks to good communication.
- **Moral support.** Clients and association members found the team's moral support important in helping them take on difficult and innovative activities.
- **The importance of roads.** Road were tangible results that made a difference in people's daily lives.
- **Help with financing.** Three-quarters of the loan applications submitted by CAP clients were accepted by financial institutions. CAP assistance made a big difference to these clients, who otherwise would have had a lower chance of getting financing, given restructuring of the banking sector and the fact that they were not mainstream borrowers. As a result of this financing, businesses were able to diversity their activities.
- **Work with partners.** About two-thirds of the partnerships established proved productive, about a third got bogged down and did not result in the hoped-for synergies. FITAFA/KOBAMA, the Comite Jean Pain de Madagascar, Conservation International, Peace Corps, the World Wide Fund for Nature, the Vetiver Gress Network, and the World Bank were particularly effective partners, as were the European Union, the Japanese and the Swiss.
- **Future benefits from CAP**
- CAP was an investment that will keep earning returns in the future. Some benefits will be reaped

in years to come, some by those beyond the project's immediate clientele. These include:

- **More productive agribusinesses.** The capital investments made by twenty-two clients in the last couple of years will begin to pay off in the next three to five years. The privatized cashew processing plant should be profitable in a year. Companies experimenting with new products and markets should begin to see increased sales in the next year or two.
- **Better-maintained rural roads.** There are two main components of CAP's road maintenance model that could bring significant future benefits: the devolution of responsibility to user associations and toll collection. Already, several donors in Madagascar (the World Bank, French cooperation, CARE, FID, and the European Union) have incorporated major aspects of the CAP model in their road programs, which will involve about \$50 million of rehabilitation. For example, the design of the World Bank livestock program's road component includes involvement of local populations in the selection of roads, formation of road user associations, and establishment of rain barriers and tolls. In addition, CAP staff has formed an NGO called Lalana ("the road"), which is continuing to implement and improve on the CAP model. CARE, WWF, and the Japanese have contracted with them to do this, while the European Union has expressed interest to work with them after CAP closes. Finally, outside of Madagascar, the World Bank's African Road Maintenance Initiative has picked up on CAP's experience and is disseminating it to other countries, and a road project in Cameroon has contracted with Lalana to advise on environmental aspects of roads there.
- **Less soil erosion.** The government has indicated that they will include requirements in all road contracts that vetiver be planted along the road to protect cement work and the roadbed itself, and the Order of Engineers has included vetiver in its norms to protect roads, dikes, and watercourses. According to the Order of Engineers, use of vetiver will be required in all terms of reference where soil erosion is an issue. There are seven nurseries expanding their vetiver business and eleven construction companies who have experience planting vetiver. If the government does, in fact, require planting of vetiver, and if private operators continue to pick up the initiatives we have started, vetiver will have taken hold in Madagascar in a couple of years. Tremendous savings will be generated in terms of longer road life, reduced soil loss, and increased soil fertility.
- **Better rail service.** Once the emergency program is completed, at the end of the CAP extension period, service will improve. People along the line, and throughout the region, will receive economic and social benefits; for example, easier access to markets for coffee, litchis, and other cash crops. If partnership with European railroads continues, the railroad will continue to receive donated equipment from Switzerland and other countries. If some privatization scheme is worked out, a public-private partnership may take over management and ownership of the railroad and additional capital investment will be obtained, allowing increased revenues from freight and ecotourism and minimizing the negative effects of road traffic on priority biodiversity areas.

Chemonics has selected 50 reports that may be of value after CAP ends. These reports are available on CD-ROM. For a list of reports or a copy of a particular report, contact Sally Cameron: scameron@chemonics.net or cjuliard@chemonics.net.