PROJECT INFORMATION DOCUMENT (PID)
CONCEPT STAGE

Report No.: AB2847

Project Name	Madagascar Health SWAP
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Sector	Health (100%)
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Borrower(s)	REPUBLIC OF MADAGASCAR
Implementing Agency	
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1. Key development issues and rationale for Bank involvement

1. Madagascar has witnessed a remarkable downturn since becoming independent in 1961, with real per capita GDP declining by over 25 percent during the last four decades to US$290 in 2005. Caused in part by inward looking, highly protectionist policies and poor governance, Madagascar's disappointing economic outcome has resulted in a deterioration of physical and human capital. Two liberalization episodes in the late 1980s and 1990s led to growth but proved short lived. The reforms of the late 1990s, aided by preferential trade access, resulted in export-oriented, private-sector led growth, averaging over 4 percent during 1997-2001. However, this progress was interrupted by a political crisis over the contested 2002 elections that resulted in an economic crisis, with GDP declining by 13 percent in that one year alone. However, the political crisis did bring to power a democratic force with a reform agenda and renewed hope for a more prosperous future.

2. Indeed, good progress has been achieved since the political and economic crisis of 2002. Prudent macroeconomic management created an environment conducive to economic rebound, reaping the fruits of previous liberalization reforms. Despite exogenous shocks such as cyclones and high oil prices, the macro-economic situation stabilized and the economy grew at about 10 percent in 2003 and has since continued to grow at respectable 5 percent. Growth has come largely through improved performance in agriculture, especially higher rice production, higher tourism receipts, and continued public investments. Despite increases in world petroleum prices, a tight monetary policy has resulted in a decline in annual inflation from 27 percent in end-2004 to 10 percent in mid-2006. Similarly, the measures adopted to ensure exchange rate stability and competitiveness, and to secure an adequate level of international reserves were broadly successful leading to greater stability of the market-determined exchange rate in 2005. The government has also taken steps to confront corruption and to improve the quality of public sector governance. In an effort to improve public resource management and strengthen the system of delivery of public services, the government is preparing a legal framework for decentralization to the level of communes.

3. High growth has also resulted in improvements in basic social indicators, albeit from a low base. More children are in school today, and net primary enrolment rates exceed 90 percent. Immunization rates have improved and the number of births assisted by skilled medical personnel has increased. Infant and child mortality rates have declined significantly over the last decade and chronic malnutrition has decreased. Similarly, progress has been made on reducing poverty, which declined to 70 percent from its peak level of 80 percent at the time of the 2002 crisis. With the implementation of the roads program in

rural areas, rural population with reliable access to transport increased from 45 percent in 2003 to 57 percent in 2005. Access to safe drinking water in rural areas also improved during this period.

4. These positive developments are encouraging, but there is still a long way to go given where Madagascar is today relative to the rest of the world. The macroeconomic situation remains fragile, especially as revenue mobilization remains weak. Poverty rates are still very high while social indicators are very low, and Madagascar is not likely to reach five out of seven Millennium Development Goals (MDGs). The country also continues to face fiscal problems, with significant revenue shortfalls in customs and tax collections leading to a decline in tax revenues. Although the economy has been on a rebound in the last two years, the capacity of the Government to raise revenue remains severely constrained. Moreover, external aid has been dwindling in recent years. As a result, overall government expenditure is falling in real terms and public spending on social programs is declining both in real terms and as a percentage of the Government budget.

5. Health is a key goal of Madagascar's poverty reduction strategy, and health policy issues feature prominently in the country development plans, including the Madagascar Action Plan (MAP), 2007-2011. The World Bank has been supporting the health sector through a number of health-specific and multi-sectoral projects in the past decade, and several are ongoing. These include the US$40 million Second Health Project (CRESAN 2), which was approved in November 1999 with the objective of contributing to the improvement of the health status of the population through more accessible and better quality of health services, especially primary health care services in rural areas. CRESAN 2 also supports priority health programs (with an emphasis on endemic infectious diseases, reproductive health and nutrition) and contributes to the strengthening of sector management and administrative capacity within the Ministry of Health and Family Planning (MOHFP), especially at provincial and district levels. CRESAN 2 is expected to close in December 31, 2007. Other projects include the Multisectoral STI/HIV/AIDS Project (US$20m, closing date: December 2007), Second Multisectoral STI/HIV/AIDS Project (US$30m, closing date: December 2009), Community Development Fund (US$176m, closing date: June 2008), and Second Community Nutrition Project (US$47.6m, closing date: December 2008).

6. The proposed **Madagascar Health SWAp** represents the next stage with respect to the Bank and other development partners' support for the health sector. There is general consensus among development partners that the proposed sector wide approach of Madagascar Health SWAp for financing the support to the health sector is preferred to general budget support as the primary vehicle for financing. There is widespread recognition that the challenges in health are too specific and the sector is too fragmented to fully benefit from pure budget support, and that a transition phase of sector specific support is needed. The World Bank's Independent Evaluation Group (which completed a Country Assistance Evaluation in July 2006 of IDA's involvement in Madagascar for 1995–2005) also recommends limiting the role of budget support until there is a sustained improvement in collecting and managing public resources.

7. The proposed operation is included in the Madagascar Draft Country Assistance Strategy (CAS) for 2007-11 in paragraph 109. Key CAS goals supported by the Project include "improving services to people" (Pillar II of the CAS) and "achieving better outcomes in education and health" (paragraph 108). In health, the focus in CAS is to help the government make further progress on reducing child and maternal mortality by offering access to reproductive services, reducing child malnutrition, improving the availability of clean water and sanitation services, and keeping HIV/AIDS and sexually transmitted disease rates under control. The approach of the proposed Madagascar Health SWAp – alignment with the government program as enunciated in the Madagascar Action Plan, harmonization and coordination with other donors, and integrated sector-wide approach to health – is consistent with the CAS principles and approach as laid down in paragraphs 89 to 95.

8. The rationale for the Bank's continued involvement in the health sector is strong:

- Consolidation and scaling-up of support for basic services in health is essential for Madagascar to achieve progress towards the Millennium Development Goals. The current financial support provided by CRESAN 2 will be exhausted by September 2007. The proposed Health SWAp will be required to sustain and gradually enhance IDA financing as well as leverage other donor financing for the health sector in Madagascar within an agreed medium-term fiscal framework.
- The Bank is in a unique position to help Madagascar position itself to profit from scaling-up opportunities as they arise and play a catalytic role in leveraging additional resources, including those from other developmental partners. In line with IDA-14 goals on leveraging and partnerships, the IDA commitment to the health sector will be critical in leveraging a large amount of development assistance from other donors. The Bank is a nodal agency in a consortium that is being put together to support the health sector via the sector-wide approach. The consortium includes African Development Bank (BAD), Agence Française de Développement (AfDB), EC, French Cooperation, JICA, UNICEF, UNFPA, USAID, WHO, and the World Bank.
- The Madagascar Health SWAp supports clear opportunities to 'boost' progress on pro-poor and potentially high impact activities, including the immunization of children, control of malaria, and population and family planning.
- The Bank and other partners are well positioned to work with the Government on challenges of the health sector at the policy level. The involvement of the Bank is important to bring Government, civil society, and development partners together around a common vision of effective service delivery and improved accountability.

2. Proposed objective(s)

9. The project development objective (PDO) of the proposed Madagascar Health SWAp is to contribute to the strengthening of the health system, including financing, delivery and management, in order to improve the access and utilization of health services, especially in rural and remote areas, and scale-up the production and delivery of health programs with an emphasis on endemic infectious diseases, reproductive health (including family planning sexually transmitted diseases, and HIV/AIDS) and nutrition.

3. Preliminary description

10. *Core principles.* The proposed Madagascar Health SWAp is fully aligned with the Madagascar Action Plan (MAP), which sets very ambitious targets in the areas of maternal and child mortality and fertility rate, malaria, tuberculosis, sexually transmitted diseases and HIV/AIDs control; and reduction of malnutrition in children under the age of five. Following the enunciation of these broad objectives for the health sector in the MAP, MOHFP has prepared a National Health Sector Strategy and Development Plan (Plan de Développement du Secteur Santé, or PDSS) for the period 2007-2011, which constitutes the tools to increase the financial resources available to the sector from all sources. The draft PDSS and sector strategy identify a number of key bottlenecks to increased access and use of health services and improvements in health indicators across the population of Madagascar, and identify four central areas of weakness: (i) *poorly equipped health centers and low levels of capacity to produce and deliver health services, especially in rural and remote areas* (managerial capacity at the level of communes is weak); (ii) *uneven staffing of health facilities, especially in rural and remote areas* (a large number of health centers, particularly in rural and remote areas, do not have adequate number of medically qualified staff); (iii) *low levels of health financing and inefficiencies in resource allocation* (Madagascar spent around US$ 6 per capita on health care in 2005, significantly lower than the average for sub-Saharan Africa, excluding South Africa, of US$15.4 per capita); and (iv) *inadequate demand for health services and low levels of utilization* (only 10 percent of the population reports an illness annually, and of this, only 40 percent seeks care from qualified medical personnel). The fundamental guiding principle of the proposed

operation is that strengthening of the health system, including the private sector, is central to ensuring the production, financing and delivery of specific interventions such as those needed to reduce infant, child and maternal mortality, improve maternal health, dramatically reduce malaria, sexually transmitted diseases, and HIV-AIDS, and improve the nutrition status of children in Madagascar.

11. The PDSS and the sector strategy lay the foundations of a Sector-Wide Approach (SWAp) to support the development of the health sector in Madagascar. This approach represents a distinctive paradigm shift, especially as it moves away from "programmatic" support started with the PRSC series in 2003 towards a specific "sector" support. It is agreed by all development partners as well as the government that at this point the challenges in health are too specific and the sector is too fragmented to fully benefit from a pure PRSC budget support, and that a transition period is needed to harmonize policies and implementation and to improve MOHFP's stewardship capacity. Indeed, there is general agreement among the Government and a large number of development partners on a sector wide approach to the development and support of the health sector. The successful adoption of the Sector Wide Approach is expected to yield a number of development benefits, starting from stronger country ownership & leadership all the way to greater focus on results. In addition, the SWAp process will encourage and foster coordinated and open policy dialogue, guide allocation of resources based on priorities, and facilitate scaling-up of benefits to entire sector. It will also enhance sector-wide accountability with common fiduciary standards, and strengthen the country's capacity, systems and institutions.

12. *Lending instrument and financing.* The proposed project will be financed through a Sector Investment Loan (SIL) of an amount equivalent to US$10 million, implemented over a 30-month period from July 2007 to December 2009. The initial IDA financing will be pooled with contributions from the AfDB, and supported through parallel financing by other development partners, including BAD, JICA, UNICEF, UNFPA, USAID, and WHO. The European Union will continue to provide Direct Budget Support to the Government of Madagascar, which also indirectly supports the health sector. At the end of the two-and-a-half years of implementation, additional financing would be sought to continue support to the medium-term objectives of the MAP and PDSS strategy that are presently elaborated through 2011.

13. *Project components.* The primary focus of the Madagascar Health SWAp is to strengthen the health system and increase its capacity to provide the necessary production, financing, delivery and management support for delivery of services necessary to meet the eventual objectives of reducing child and maternal mortality, controlling illnesses due to malaria, sexually transmitted diseases, and HIV-AIDS. Accordingly, the Madagascar Health SWAp will be designed along a matrix of measures strengthening the health systems intersecting with line interventions of measures to bring about improvements in health outcomes. The Madagascar Health SWAp will thus support systemic components directed to improving health financing, delivery and management. Specifically, the project will have 5 components: (i) Strengthening Delivery of Health Services; (ii) Development and Management of Human Resources in the Health Sector; (iii) Innovations in Health Financing, including Resource Mobilization and Resource Allocation; (iv) Improving Demand and Utilization of Health Services; and (v) Monitoring and Evaluation of Interventions and Results, including strengthening of the existing health surveillance system. Activities undertaken under these components are expected to result in significant improvements across a range of demand-side, supply-side and institutional aspects of the health system, especially in the production and delivery of quality services in rural and remote areas, in both public and private sectors. Visible results are expected in the deployment, effectiveness and morale of health teams at service delivery points, in particular in remote areas, accompanied by less obvious but important changes in the nature of support provided to them by district, regional and central level managers. Teams at the regional and district levels and in health care service delivery points will work together to plan, implement and monitor their programs in compliance with national priorities and strategies, and will be encouraged to systematically use quality assurance methods to solve problems, work collaboratively with local

authorities, NGOs and other partners, and draw upon resources from outside of the health budget to address health problems in their communities.

4. Safeguard policies that might apply

14. The proposed project has been classified as category B for environmental screening purposes, given the risks associated with the handling and disposal of medical wastes.

5. Tentative financing

Source:		($m.)
BORROWER/RECIPIENT		5
INTERNATIONAL DEVELOPMENT ASSOCIATION		10
	Total	15

6. Contact point

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