

Madagascar: World Bank Approves US\$40 Million for Poverty Reduction

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WASHINGTON, July 31, 2007– The World Bank Board of Executive Directors today approved an International Development Association (IDA) credit* of US\$40 million to support the implementation of the Government's new poverty reduction strategy, the Madagascar Action Plan (MAP).

The objective of the MAP is to promote rapid and sustainable development over the next five years in line with the Government's national vision document (*Madagascar Naturally*) and the UN Millennium Development Goals (MDGs)

The MAP was elaborated in a participatory manner that included broad consultations in all 22 regions of Madagascar involving local and national Government representatives, private sector, NGOs, church groups, development partners and civil society

The **Fourth Poverty Reduction Support Credit** (PRSC 4), the first of a new series of three PRSCs of US\$40 million each, is a budget support which will deepen and consolidate reforms that were initiated under the three previous PRSCs, approved respectively in July 2004, July 2005 and July 2006.

"The PRSC program focuses explicitly on improving governance, budget management and service delivery, and includes specific policy actions in these areas. It is consistent with the Bank's new five year 2007-2011 Country Assistance Strategy (CAS) estimated at US\$700 million discussed at the Board of Executive Directors on April 3, 2007, to support the implementation of the Government's poverty reduction strategy as laid out in the Madagascar Action Plan," said **Stefano Paternostro, the World Bank Task Team Leader for the project.**

The PRSC 4 will help further refine the regulatory and institutional governance framework. Additional support will be given to governance challenges in the revenue agencies and in sensitive sectors such as forestry and mining. The PRSC series, including this PRSC 4, will complement the Bank's existing investment portfolio by strengthening nutrition and by supporting the implementation of sector-wide approaches in health, education and water supply.

Madagascar's vulnerability to natural disasters was never more evident than in 2007, when it was hit by six tropical storms/cyclones in the first four months of the year leading to exceptional rains in most parts of the country, while a drought continued to affect the south of the country.

"Despite the adverse natural climatic conditions, the growth projection for 2007 has been revised upward from 5.6 percent to 6.5 percent due to the recently confirmed nickel mining investment of around US\$2.5 billion (or around 45 percent of GDP) over the next three years by Dynatec and also due to the ilmenite mining investment by Rio Tinto," said **Robert Blake, World Bank Country Manager.** "Budget support in Madagascar continues to advance in close collaboration with the other partners. Donors are collaborating to support Madagascar in implementing the MAP by providing financial and technical support in a coordinated way."

A partnership agreement (Cadre de Partenariat) was signed between the Government and the key budget support donors—European Union (EU), France (Agence Française de Développement and the French Co-operation), the African Development Bank and the World Bank—to provide a framework and to lay out procedures and modalities for a multi-donor approach to budgetary support.

* The credit is on standard International Development Association (IDA) terms, with a commitment fee of 0.5 percent and a service charge of 0.75 percent. The period of maturity is 40 years, including a 10-year period of grace.

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