Folder Title: Travel briefs, Madagascar (01/09/1973-31/10/1973)

Folder ID: 1772694

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4540S

Series: Travel briefings

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

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McNamara Papers.

Folder 1 of 2

ANNUAL MEETING AND VISIT TO
MALAGASY REPUBLIC AND MAURITIUS

September 19, 1973

DATE	TIME	GMT		REMARKS
Sept. 19 Wed.	2000	2400	Depart Washington (Dulles)	BA522 (747)
Sept. 20 Thurs.	0800	0700	Arrive London (Heathrow)	
	0910	0810	Depart London (Heathrow)	EC641 (VC10) (Athens GMT 1140-1245)
	2105	1805	Arrive Nairobi	Nairobi Hilton
Sept. 21 Fri.			Drive to Narumoro Lodge, Mt. Kenya	Separate "Teleki" Cottage
Sept. 22 Sat.	a.m.		Drive by landrover to Mr. Kenya, hike on mountain	
	p.m.		Drive back to Nairobi	
Sept. 23 Sun.	p.m.		Chairman's Reception	
Sept. 24 Mon.			Annual Meeting starts	
Sept. 28 Fri.	Noon		Annual Meeting ends	
Sept. 29 Sat.	0730		Depart Nairobi	by Charter Plane
	0815		Arrive Serengeti	
	1115		Depart Serengeti	by Charter Plane
	1215		Arrive Lake Manyara, lunch	Lodge
	1300		Depart Lake Manyara	by car
	1400		Arrive Ngorongoro, visit Crater	
	1700		Depart Ngorongoro	by car
	1800		Arrive Lake Manyara	
Sept. 30 Sun.	1000	0700	Depart Lake Manyara	by Charter Plane (via Dar es Salaam, Moroni)
	1800	1500	Arrive Tananarive Dinner private	Madagascar Hilton
Oct. 1 Mon.	0900		Working party with Government authorities (until 1100)	
	1100		Meeting with Head of State Gen. Ramanantsoa	
	1300		Lunch by Minister of Finance (at Hotel Panorama)	
	1530		Visit to Bank-financed Omby ranches	
	1830		Return to Tananarive	
	1830		Meeting with UNDP ResRep at Hilton Hotel	
	2000		Cocktails by Government at Hilton Hotel (until 2100)	
Oct. 2 Tues.	0800		Meeting with private citizens at Hilton Hotel	
	1000		Depart for airport	
	1040	0740	Depart Tanarive	AF497 (B707) (Reunion GMT 0855-0955)
	1430	1030	Arrive Mauritius met by MoF + others.	
	1530	1715 leave le Reduit	Arrive ~~Trou Aux Biches Villages Hotel~~ Le Reduit. Tea with Gov. General	
	1730		Call on Prime Minister Ramgoolam (at Gov't House)	
	~~1930~~ 2030	1800-1930	Cocktails by Prime Minister ~~(or Governor General) (until 2030)~~ Meet MO For. Affairs, Tourism, Immigration at LR	
	~~2100~~	2045	Official dinner by Governor General ~~(or Prime Minister)~~ at LR	

Oct. 3	0815		UNDP ResRep	at ~~Hotel~~ Le Relais
Wed.	~~0900~~ 0845		Working party with Government authorities (until 1000)	of LR
	~~1100~~ 1015		Visit to Plaine Lauzun industrial estate and other suitable factories such as diamond cutting, jewel drilling or knitwear	
	~~1230~~		~~Return to Hotel~~	
	1300		Lunch by Minister of Finance Ringadoo	at Vacoas headquarters.
	1500		Drive through poor rural areas to east coast; visit village of Carol, and works being carried out by Development Works Corporation	
	1800		around ~~Depart directly for~~ airport	
	1830	1430	Depart Mauritius	MK468 (B707)
	1905	1505	Arrive Reunion	
	2005	1605	Depart Reunion	AF468 (B707) (Djibouti GMT 2055-2145) (Marseille GMT 0425-0510)
Oct. 4	0720	0620	Arrive Paris (Orly)	
Thurs.	1010	0910	Depart Paris (Orly)	AZ335 (DC9)
	1155	1055	Arrive Rome	Hassler Hotel
			Dinner with Mr. Boerma	
Oct. 5	0755	0655	Depart Rome	TW735 (707)
Fri.	1450	1850	Arrive Washington (Dulles)	(Frankfurt GMT 0840-0945)

Mrs. McNamara and A.L.

Oct. 4	1045	0945	Depart Paris (Orly)	TW891 (B707)
Thurs.	1420	1820	Arrive Washington (Dulles)	

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The Acting Prime Minister and Minister of Finance
and Mrs. V. Ringadoo
request the pleasure of the company of

The President of the World Bank Group and Mrs. R.S. McNamara

at Luncheon
to be held at Headquarters House, Vacoas
on Wednesday 3rd October, 1973 at 13.00 hrs.

R. S. V. P.,
Permanent Secretary,
Prime Minister's Office,
Port Louis.

Tel. 2-1261 Ext. 372

IN HONOUR OF THE PRESIDENT OF THE WORLD BANK GROUP AND MRS. R. S. MCNAMARA

The Acting Prime Minister and Mrs. V. Ringadoo
request the honour of the company of

The President of the World Bank Group and Mrs R.S. McNamara

at a Reception

to be held at Government House, Port Louis,
on Tuesday, 2nd October, 1973

To remind

R.S.V.P., (~~Regrets only~~)
~~Tel: 2-1261 Ext. 440,~~
Ext. 207.

18.00 to 19.30

RÉPUBLIQUE MALGACHE

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MINISTÈRE DE L'ÉCONOMIE
ET DES FINANCES

PROGRAMME

DE LA

VISITE OFFICIELLE

DE

M. ROBERT MC NAMARA

PRÉSIDENT DE LA BANQUE MONDIALE

Tananarive, du 30 septembre au 2 octobre 1973

PROGRAMME DE MME MC NAMARA

JOURNÉE DU 1ER OCTOBRE 1973

7 h 00 à 12 h 30	Visite de la Ferme d'Etat Omby.
13 h 00 à 14 h 30	Lunch offert par le Ministre de l'Economie et des Finances.
15 h 00 à 15 h 30	Visite de la Croix-Rouge.
15 h 45 à 16 h 45	Visite du CETA.
17 h 00 à 18 h 00	Visite de Madame RAMANANTSOA épouse du Chef du Gouvernement.

●

MATINÉE DU 2 OCTOBRE 1973

8 h 00	Visite du Palais de la Reine.
10 h 00	Départ pour Ivato.
10 h 40	Décollage pour Port-Louis.

COMPOSITION DE LA SUITE DE M. ROBERT MC NAMARA

M. Mohamed Nassim KOCHMAN
Administrateur de la Banque Mondiale

M. BELL
Vice-président régional Afrique de l'Est

M. Shahid HUSAIN
Directeur du Département des Opérations de la Région Afrique de l'Est

M. William CLARK
Directeur du Département de l'Information et des Relations Publiques

M. Jean David ROULET
Chef de Division au Département des Opérations de la Région Afrique de l'Est

M. Anders LJUNGH
Assistant Personnel du Président de la Banque Mondiale

PARTICIPANTS MALGACHES A LA SÉANCE DE TRAVAIL DU 1ER OCTOBRE 1973

M. le Général de brigade Gilles ANDRIAMAHAZO
Ministre de l'Aménagement du Territoire
et Ministre des Affaires Etrangères ad interim

M. le Docteur Justin MANAMBELONA
Ministre de l'Education Nationale
et des Affaires Culturelles

M. le Docteur Emmanuel RAKOTOVAHINY
Ministre du Développement rural

M. le Lieutenant-Colonel Joël RAKOTOMALALA
Ministre de l'Information

M. Albert-Marie RAMAROSON
Ministre de l'Economie et des Finances

M. le Colonel Roland RABETAFIKA
Directeur Général du Gouvernement

M. Léon RAJAOBELINA
Gouverneur de la Banque Centrale
de la République Malgache

M. Raymond RABENORO
Conseiller Economique et Financier du Gouvernement
Gouverneur suppléant du Fonds Monétaire International

M. Raymond RANDRIAMANDRANTO
Directeur Général des Finances
Gouverneur titulaire de la Banque Mondiale

Mme Céline RABEVAZAHA
Directeur du Plan
Gouverneur suppléant de la Banque Mondiale

NUMÉROS DE TÉLÉPHONES UTILES

Ministère de l'Economie et des Finances		216-32
Ministère des Affaires Etrangères		211-98
Hôtel Hilton		260-60
Représentation du PNUD		234-90
Conseiller économique et financier du Gouvernement	222-11	poste 210
Gouverneur de la Banque Mondiale pour Madagascar	Bureau :	216-32
	Domicile :	228-44
Gouverneur suppléant de la Banque Mondiale	Standard :	213-45
	Secrétariat :	270-52
Aéroport international d'Ivato		444-18
Docteur Louis Razafinarivo		268-62

✓ Mrs Ramaroson Jeanne
7, rue Jacques Cartier
Tananarive

✓ x n.g. Mrs Randriamandrato Bankgouverneur
3 Av. de France
Antaninarenha - Tananarive

✓ x n.g. Mrs Rajaobelina wife of Inst. Doctor
BCRM - B.P. 550
Tananarive

English Books. n.g. - Illustrated Magazines -

INTERNATIONAL DEVELOPMENT ASSOCIATION | INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT | INTERNATIONAL FINANCE CORPORATION

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: September 11, 1973

FROM: S. Shahid Husain

SUBJECT: Your Trip to Madagascar

Attached is a briefing book on Madagascar. The following is a summary of the major issues as I see them.

Political Situation

The long rule of President Tsiranana, who had governed since independence in an authoritative style and with French support, came to an end about fifteen months ago after some rioting and a widespread feeling of discontent, particularly among the educated people. General Ramanantsoa, Chief of Staff of the Army, took power and since then has been confirmed for five years by general referendum.

The political situation in Madagascar is nonetheless uneasy. The economy, which had stagnated ever since independence, took a turn for the worse as the foreigners - mainly French - who control the export trade and practically all industrial activity took a wait-and-see attitude while attempting to repatriate as much of their assets as possible. There is substantial unemployment among the urban population and the leadership so far has been more preoccupied with political problems (including above all the thorny question of redefining Madagascar's relations with France) than with the design and implementation of a program of action to get the economy moving. The institutional framework is largely inherited from colonial times and provides little of a base for political and social change. There are disparities in the economic and social opportunities between the negro population of the coastal areas and the Polynesian population of the highlands. The possibilities of further political changes in the face of continuing economic stagnation and unemployment cannot therefore be ruled out.

Economic Management

Since independence in 1960, GDP per capita has remained practically constant. Practically all the increase in agricultural and industrial production has been absorbed by the growth in population. Economic management has been unimaginative and orthodox. Capital flows

have been small and external debt at the end of 1972 amounted to $140.7 million (including undisbursed) and debt service ratio to 6 percent. Some of the factors responsible for this stagnation are (a) price policies and inadequate credit and extension facilities, which have resulted in holding back significant increases in agricultural production; (b) excessive concentration on highly capital intensive projects; and (c) inadequate transportation facilities, which given the topography of Madagascar, is not surprising.

Shortly after it came to power, the Government defined its economic objectives in general terms, but has been very slow in spelling out the means to attain them. Several attempts to elicit the details of these, during my visit to Madagascar in February and during other missions, have been unsuccessful. I would suggest that clarification of the Government's economic policies and investment priorities, in light of General Ramanantsoa's August 31 speech on economic policy (the preparation of which was reportedly accelerated by the announcement of your visit) should be the major subject of discussions. Details of these are provided in the economic and sector briefs in Section F.

Relations Between the Bank and Madagascar

Over the last year, the relations between the Bank and the new Government have been somewhat uneasy and we have yet to have a detailed dialogue with them on economic and sector policies and a strategy for Bank operations. An economic report is being prepared and on its basis, I plan to have detailed discussions with the authorities in December/January. In the meantime, an elaboration of the Government's own plans and programs would be of considerable help to us in defining our role.

Our operations program for fiscal years '74 - '78 is for about $170 million with 17 projects. The corresponding lending program is about $140 million and 12 projects. The operations program covers 6 sectors, viz. transport, agriculture, education, power, DFC and industry. I feel that this is a considerable dispersion of efforts and that we need to redefine our own strategy with concentration on two or three fundamental sectors in accordance with the Government's own policies. Thus, in education I feel that we should seek to work with the Government in a redefinition of priorities away from excessive emphasis on general education to a greater emphasis on technical education. In agriculture, we have to get away from the past pattern of work on capital intensive projects to projects which are aimed at involving a larger part of the population. In transport, we have to focus increasingly on rural feeder roads. I would propose to follow up on these after the basic issues have been discussed between you and the Government.

$\frac{170}{5} = 34$ m pa or $4.00 pc

64-68 14
69-73 70

[illegible]

Mr. Robert S. McNamara
September 11, 1972

to
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We have so far regarded Madagascar as marginally creditworthy for Bank lending and the current lending program envisages a 50:50 Bank/IDA blend. However, this creditworthiness reflects stagnation and the consequent low debt rather than good economic management and rapidly increasing production and export. Obviously, if this situation continues, we should reconsider the case for any significant amount of Bank lending.

We also face in Madagascar some important issues in the implementation of two ongoing projects, viz. Livestock and Port of Tamatave. Details of these are in section G on projects in execution. In brief, the difficulties have arisen because of:

(a) Implanting in Madagascar concepts alien to the country and without regard to local conditions - (Livestock);

(b) Appointment of foreigners in management rather than in advisory positions with the consequent lack of communication between the Government and project authorities - (both Port of Tamatave and Livestock); and

(c) Over-identification of the projects with the Bank and insufficient Government commitment to them, which are largely the consequence of the above two factors.

The difficulties have now been solved in the case of the Port of Tamatave. With respect to the Livestock Project, the problems are greater since the solution will be in finding ways to increase participation by the local population. Substantial progress, however, has been made in the last few months and the difficulties should be overcome in the near future. The other projects are progressing satisfactorily.

Fokonolona
an old idea from the regime of Queen Ranavalona at the end of the 18th century
which later disappeared & was replaced by the French structure
which meant nothing to the people
The new govt sought to revitalize this instit. as means of
mobilizing the people in a revival of agri & the rural areas.
a third structure
The local com will have 5 members
Only ½ of arable land is cultivated
SSHusain/J-DRoulet:pe
restraints: lack of transportation capacity
ethnic rivalry (18 ethnic groups) - an island of many separate nations
∴ potential for stepping prod. for low stocks + export as incentives
can afford credit (rice + livestock)
afford cultivated area
afford livestock prod.
need to supply the other services to serve small farmers
need to extend credit beyond the old "project" areas

Transport -
An overall transport plan with major emphasis on secondary roads
The rdr proj. will include funds for such a study.

Education
literacy is high
primary attendance is high
but: high unemployment of the educated
+ a very high expenditure on educ
we are prepared to assist a sector
[mention to the General how the BK assisted the Peas]

Mention to Pres
Do they need credit/extension programs for agri & BK assistance for them
Consultative group: [illegible] a program
sufficient when they have a program + if we can strengthen
we do want to afford our assistance
they have gone thru a period of stag & need assist
we are prepared to assist in agri + educ sectors
They need to review agri policies: particularly price policy
we fully understand: 1) their need to use subsidies such as urges,
supplements for grain advances
2) that some West Africans looked upon as BK projs - but don't
want to participate in any proj. they don't think was
their own.

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Revised Program

MADAGASCAR

Visit of Mr. Robert S. McNamara

President of the World Bank Group

PROGRAMME

Sunday, September 30

Early evening (probably 18:00)	Arrival by charter from Nairobi Proceed to Hilton Hotel. No engagement.

Monday, October 1

7:00 - 12:30	Visit of Omby ranches (financed with Credit 585-MAG). Plane to Tsiroanomandidy. Then 4 seats helicopter for President and Mini-Party and cars for others. All meet at ranch No. 1.
13:00 - 14:30	Lunch offered by the Minister of Economy and Finance (Hotel Panorama).
15:00 - 17:00	Working session with members of Government.
17:00 - 18:00	Meeting with Head of State
18:30 - 19:00	Meeting with UNDP Resident Representative at Hilton Hotel.
19:30 - 20:30	Reception given by the Government at Hilton Hotel.
21:00	Dinner given by Head of State being considered.

Tuesday, October 2

8:00 - 8:45	Visit of Queen's Palace
9:00 - 10:00	Meeting with private citizens
10:00	Leave Hilton for Ivato airport
10:40	Leave for Mauritius (Air France 497)

MADAGASCAR

Special Program for Mrs. McNamara

Monday, October 1

15:00 - 16:30	Visit of Red Cross headquarters and handicraft center
17:00 - 17:30	Meeting with Mrs. Ramanantsoa (Malagasy First Lady)

Tuesday, October 2

Morning	Visit of Queen's Palace.
	Tour of the city of Tananarive, including the central market.

64-66 69-73 143
15 71

REMARS UPON ARRIVAL IN MADAGASCAR

My arrival in Madagascar brings me to a part of the ~~Indian Ocean~~ world which it has long been my desire to see. I am particularly ~~delighted~~ pleased that this visit will provide me with the opportunity to meet ~~General Ramanantsoa,~~ your Head of Government, under whose leadership your country has dedicated itself to achieving economic progress through your own efforts. Over the next few days, my ~~main~~ aim ~~here~~ will be to meet with your leaders, to acquire a better understanding of your problems and your potential for economic progress, and to see how much more we in the World Bank Group can do to help transform your potential into reality.

During the last five years we have ~~greatly~~ increased our assistance for Madagascar's economic development, keeping pace with the target we set in 1969 which was the doubling of our lending in the World and tripling the volume of our lending commitments in Africa and Madagascar. Apart from studying your future, the sectors for which we have already provided assistance, such as education, transportation, agriculture, I look forward while here to seeing something of your beautiful country and discuss with your leaders the scope for further ~~investment.~~ cooperation.

Africa and Madagascar are part of the ~~continent~~ world of the future. I am convinced that this is where many of the greatest development opportunities of the coming years are going to be found. In 1969 the conviction had inspired us to prepare for a very major increase in our activities in the continent. I am happy to see that we have achieved that goal. However, the

remaining task which lies ahead is bigger than ever. We must increase our effort in order to spread equitably the benefit of growth among the nations and among the population within the nations.

Over the next few days, I look forward to becoming better acquainted with ~~the problems and prospects of~~ your country. ~~From~~ This ~~there~~ will, ~~I hope,~~ be ~~developed~~ a basis for closer and more fruitful cooperation in moving towards our common goal: enabling the people of Madagascar to achieve a better, happier and fuller life.

MALAGASY REPUBLIC

Members of Government

Head of Government	General Gabriel RAMANANTSOA
Minister of Public Works	Brigadier General Gilles ANDRIAMAHAZO
Minister of Justice	Mr. Jacques ANDRIANADA
Minister of Education	Dr. Justin MANAMBELONA
Minister of Economy and Finance	Mr. Albert-Marie RAMAROSON
Minister of Social Affairs	Dr. Albert ZAFY
Minister of Interior	Lieutenant-Colonel Richard RATSIMANDRAVA
Minister of Information	Major Joël RAKOTOMALALA
Minister of Foreign Affairs	Captain Didier RATSIRAKA
Minister of Rural Development	Dr. Emmanuel RAKOTOVAHINY
Minister of Labor and the Civil Service	Mr. Daniel RAJAKOBA
Director General of Government	Lieutenant-Colonel Roland RABETAFIKA
Secretary General of Government	Mr. Michelson BOARLAZA

Major General Gabriel RAMANANTSOA

Head of Government

General Ramanantsoa was born in Tananarive in 1906. Educated in Madagascar and France, he graduated from the French Military Academy of Saint-Cyr in 1931 and thereafter served in various positions in France, North Africa, The Far East (Vietnam) and Madagascar. Appointed General Chief of Staff of the Malagasy Armed Forces in 1960, he became Head of State on May 18, 1972, following the fall of former President Tsiranana. General Ramanantsoa has remained in charge of the Defence Ministry and has also assumed overall responsibility for economic planning.

Appointed Head of State on the strength of his reputation of full dedication to his country and of absolute honesty, he is running the Government from his austere office in the army quarters. Nonetheless, General Ramanantsoa does not project the image of a forcefull leader and he relies heavily on some of his associates, particularly Lieutenant-Colonel Ratsimandrava, Interior Minister, General Andriamahazo, Minister of "Aménagement du Territoire", Commander Ratsiraka, Minister of Foreign Affairs whose popularity in Madagascar increased considerably after the conclusion of the recent negotiations with France, and his Cabinet Director Lieutenant-Colonel Rabetafika.

MINISTER OF "AMENAGEMENT DU TERRITOIRE" (Public Works)

ANDRIAMAHAZO, Brigadier General Gilles

Born: May 5, 1919, Fort-Dauphin

Promoted to Second Lieutenant on July 1, 1949 and to Brigadier-General on January 10, 1971; fought in the German campaign during World War II and in the Algerian War; attended the Advanced School of Warfare in Paris; became General Inspector of the Armed Forces; Last position held: Military Governor of the District of Tananarive; appointed Minister of Territorial Development on May 27, 1972.

MINISTER OF JUSTICE

ANDRIANADA, Jacques

Born: August 1, 1924, Angohely (Diego Suarez)
Education: Certificate for Secondary Level Studies (C.E.S.D.); Overseas Institute of Advanced Studies; holds law degree

Staff Director of the Minister of Justice; advisor to the Supreme Court; appointed Minister of Justice on May 27, 1972.

Married - four children

MINISTER OF EDUCATION AND CULTURAL AFFAIRS

MANAMBELONA, Dr. Justin

Born: May 31, 1925, Mananjary (Fianarantsoa)
Education: Baccalauréat in Experimental Sciences; studied medecine at the University of Paris, diploma in experimental physics; Agrégation in Bio-Physics

Antambahoaka ethnic origin; last position held, Secretary General for Scientific Research, Professor of Bio-Physics at the University of Madagascar; appointed Minister of Cultural Affairs on May 27, 1972 when new government was formed.

MINISTER OF FINANCE AND THE ECONOMY

RAMAROSON, Albert-Marie

Born: September 17, 1925, Ambositra (Fianarantsoa)
Education: National School of Internal Revenue in Paris; attended the Economic and Socail Development Institute of the University of Paris and the School for Advanced Applied Studies

Merina ethnic origin; last position held- leader of Group 4 in the General State Inspection; appointed Minister of Finance and the Economy May 27, 1972.

Married - eight children

MINISTER OF SOCIAL AFFAIRS

ZAFY, Dr. Albert

Born: May 1, 1927, Betsiaka (Diego-Suarez)
Education: Baccalauréat in Elementary Mathematics and Mathematical Sciences; studied medicine at the University of Montpellier; studied Experimental Mathematical Physics at the University of Tananarive; received his Agrégation in Surgery at the University of Paris

Last position held, Surgeon in Befelatanana, Head of Diagnostic Surgery at the University of Tananarive; appointed Minister of Social Affairs on May 27, 1972.

Married - 3 children

MINISTER OF THE INTERIOR AND COMMANDER OF THE NATIONAL GUARD

RATSIMANDRAVA, Lieutenant-Colonel Richard

Born: March 21, 1931, Tananarive
Education; School of Saint-Cyr; attended the Advanced Police Academy in Melun

Stationed in Morocco and Algeria; appointed Captain in the National Guard in 1962; promoted to Lieutenant-Colonel on June 1, 1968; Commander of the National Guard, April 2, 1969; Minister of the Interior on May 27, 1972.

MINISTER OF INFORMATION

RAKOTOMALALA, Major Joel

Born: March 29, 1929, Tandrano (Tuléar)
Education: Graduate of Military Preparatory School of Madegascar; attended the Officer Training School for Citizens of Overseas Territories, 1957-1959; attended the Infantry Training School in Saint-Maixent, 1959-1961; attended the School of Applied Communications in Montargis, 1960-61.

Commander of the Communications Squad of the Malagasy Army, 1961-67; Served on the General Staff of the Malagasy Army, 1968-69; graduate of the Staff School; Deputy to the Commander of the 2nd Malagasy Inter Arms Regiment; appointed Minister of Information on May 27, 1972.

Married - nine children

MINISTER OF FOREIGN AFFAIRS

RATSIRAKA, Commander Didier

Born: November 4, 1936, Vatomandry (Tamatave)
Education: Baccalauréat in Elementary Mathematics; studied Advanced and Special Mathematics; Engineer of the Naval School (communications specialist); Graduate of the Advanced School of Naval Warfare

Last position held, Attaché of the Armed Forces in Paris; appointed Minister of Foreign Affairs on May 27, 1972.

Married - 3 children

MINISTER OF RURAL DEVELOPMENT

RAKOTOVAHINY, Dr. Emmanuel

Born: 1939
Education: Baccalauréat in Experimental Sciences; attended the National Veterinary School of Toulouse; attended the Oceanography School of the University of Marseille; attended the Advanced School of Conservation of Paris

Last position held: Head of the Maritime Fising Service; appointed Minister of Rural Development on May 27, 1972.

Married - one child

MINISTER OF LABOR AND THE CIVIL SERVICE

RAJAKOBA, Daniel

Born: October 21, 1940, Antonibe-Analalava (Majunga)
Education: Baccalauréat in Philosophy; degree in Literature from the University of Madagascar

Last position held- Professor, Pedagogic Advisor at the National Institute for Training and Pedagogical Research; appointed Minister of Civil Service on May 27, 1972.

Married - three children

Miss Jacqueline J. GRANGER

UNDP Representative

Miss Granger, who became UNDP Resident Representative in Madagascar in 1970, studied literature and languages in Paris, Poitiers and Toulouse. She began her career as College Professor in Morocco, then joined the Institut Français in Cairo and subsequently the French Foreign Ministry in which she served as Secretary in Cairo and Teheran and thereafter as research worker in Paris. In 1952, she joined UNESCO as a Technical Assistance expert in Lebanon and a year later, she became Chief of the UNESCO mission in that country, a position which she held until 1959. She was then appointed Acting Resident Representative of the United Nations Technical Assistance Board in Laos in 1960, Deputy UNDP Resident Representative in Tunisia in 1963 and UNDP Regional Representative in Gabon in 1966.

Miss Granger, who in addition to French, speaks English, Arabic, Persian, Spanish and German, is as charming as she is fully knowledgeable of all the inside workings of the Malagasy society.

Topics for Conversation with Head of State Gen.Gabriel Ramanantsoa

Present targets of Government economic development policy.

By the time of the visit, this should have been clarified in a program which General Ramanantsoa is expected to outline shortly and the publication of which is reported to have been accelerated as a result of your impending visit.

Constraints on Madagascar's economic development.

What are the major constraints in the opinion of General Ramanantsoa ? How can the Bank best help to overcome them ?

Specific aspects of above:

(a) Internal socio-political factors such as the conflicts between the Merina ruling elite and both the lower caste in the Highlands and the Coastal populations (these conflicts stem from the pre-colonial history of Madagascar, have been fuelled by the protracted stagnation of the economy, and recently aggravated by the deterioration of the economic situation).

(b) Transportation (need not only for trunk roads, but also for feeder roads, a major prerequisite for agricultural development. Problems of maintenance for both, and especially for the latter).

(c) Agriculture (large scale capital-intensive projects vs smaller schemes, that might be easier for the Malagasy to execute, and would permit a more direct involvement of the peasant communities in their management).

(d) Education (what are Government plans to re-orient the educational system to suit present and future manpower needs). Related to this: what are Government plans to tackle problem of unemployment in the cities.

(e) Limited capacity to prepare projects (could the Bank help by financing technical assistance).

(f) Bank Group lending (how could projects be designed to have a real development impact).

* * *

For general topics, see Mr. Husain's covering note of September 11, 1973

BOLan:lga
September 10,1973

MADAGASCAR POLITICAL SITUATION

Madagascar has a heterogeneous population, partly of Malayo-Polynesian and partly of African origin. Before independence, the African group, although numerically more important, lived in feudal subordination to the Malayo-Polynesians. After independence, political power came into the hands of the African ethnic group and some tensions developed between the Africans and the better-educated Malayo-Polynesians.

Since independence in 1960, the political background had been one of apparent stability on the domestic scene coupled with close association with France under the franc zone and other Franco-Malagasy cooperation arrangements. But internal social and political pressures had been mounting for some time, and came to a head in May 1972, when the Government of President Tsiranana was replaced by a provisional civilian-military regime led by General Ramanantsoa, Chief of Staff of the Malagasy Army. The events were triggered by striking students, dissatisfied mainly with the predominance of the French inspired educational system - virtually unaltered since independence- and with the shortage of jobs for school leavers.

The causes of the 1972 May revolution are, of course, deeper. As in many African countries, there is growing resentment among the rural and, to a greater extent, the urban population against little improvement in the living conditions, unemployment, rising prices and an ill-adapted, foreign oriented education system. One can add to this the resentment against the concentration of commerce and trade in the hands of a few French companies and the conspicuous presence and life style of (predominantly French) foreign advisors and technical assistants. The more general griefs were compounded by Madagascar's recent political history, characterized by an uninterrupted one-party system (Parti Social-Démocrate) with only a token opposition from a small Tananarive party (AKFM). The PSD's initial fervor after independence was undermined in the last six to eight years by growing opportunism among its leaders. Moreover, political expression was increasingly paralyzed by the paternalistic, authoritarian and erratic attitude displayed by President Tsiranana. A 1970 revolt in the extremely poor South of the island was harshly quelled and dismissed as communist inspired without court action against the deported rebel leaders.

It is against this political background that General Ramanantsoa's Government has to be seen. The General himself, a 66 year old Saint-Cyr disciple, enjoys a high reputation in the country. His first measures were designed to gain popular support: general amnesty

for political prisoners, abolition of the much hated head tax on the population and on cattle, and increase of basic salary by 5 percent. On the other hand, he tightened the belt by adopting a severe austerity program which included salary cuts for civil servants, suppression of car and housing privileges and reduction of the number of ministers in the Government from 40 to 10.

The new Government's objectives included strong emphasis on social reforms, economic independence, financial austerity, participation by Malagasy nationals in modern economic activities, and reducing unemployment and disparities in income. In the area of external relations, negotiations were initiated in late 1972, for a complete revision of the cooperation agreements with France, and exchange controls were extended to cover franc zone transactions. Domestically, the provisional Government moved quickly to raise minimum wages and abolish important but regressive taxes, the collection of which lent itself to abuses in rural areas. Political uncertainty and unrest, however, persisted through October 1972, when a large majority gave a mandate to the new Government for five years. There were further distrubances in coastal cities in December 1972 and again in February 1973, the former causing the closing of the main port of Tamatave for a period of three weeks. Since October 1972, the Government has been endeavoring to elaborate its programs of action and to establish some of the new institutions required for their implementation. In most fields, this process is still underway and clear lines of policy have not yet emerged.

On May 22, 1973, Madagascar announced its decision to leave the franc zone, and to establish its own central bank. During the same month, agreements were reached with France concerning the evacuation of French military bases and other important areas of Franco-Malagasy cooperation.

Draft to be inserted in the forthcoming President's Report

on Madagascar Railways

~~PART I~~ - THE ECONOMY

1. An economic report entitled "Recent Economic Position and Prospects of the Malagasy Republic" (Report No. AE-11a) was distributed to the Executive Directors on January 27, 1971. An economic mission visited Madagascar in November 1972 and an economic report is expected to be distributed to the Executive Directors early in 1974.

2. The economy of Madagascar has been developing at a rather slow pace since the independence of the country in 1960. Virtual stagnation seems to have taken place up to 1965-66 implying a decrease in income per capita during that period. In the second part of the 1960's, the growth in real GDP barely kept up with the population increase of about 2.5 percent annually. In 1970 a substantial rise in agricultural output and increases in world market prices for some of Madagascar's main exports resulted in a 10 percent growth in total GDP. This was followed, however, by less favorable developments in 1971 and an estimated drop in real GDP in 1972. It is expected that there will be little, if any, economic growth in real terms in the current year.

3. The sluggishness of agriculture accounts for Madagascar's disappointing growth performance. Agriculture output has risen at about the same rate as population whereas production of foodstuffs lagged behind growth in domestic demands. Agriculture supports directly about 80% of the population and contributes about one third to total GDP. The development potential is there: the diversity of climatic conditions and the relative abundance of fertile land should have allowed faster agricultural growth. The stagnation can be explained by three constraints: a) reluctance of population to migrate internally; b) the difficulties of transportation; c) the lack of appropriate Government policies.

4. Most of the country is well suited for diversified agriculture. The hot and humid east coast produces coffee, cloves and pepper. In the north east there are sugar and vanilla while the west is suited for cotton production and cattle raising. Rice is the staple food; it is grown on more than half of the area under cultivation and accounts for about half of the country's crop production. At the same time, about 15 percent of the island is considered as potentially arable land, of which less than one third is presently under cultivation.

of Ceylon situation. Get agric. self sufficiency before expanding social amenities

5. While the country is sparsely populated - 13 inhabitants per square kilometer - there is great pressure on cultivable land in specific regions. In these areas, people have standards of living close to subsistence level, nutrition is defective and child mortality can reach 40 per thousand. However, there are 18 ethnic groups in the population and internal migration to the less densely populated areas, and even the cities, has been impeded by these ethnic differences. Another difficulty has been the lack of an adequate inland transportation net work. Despite the heavy investments which took place in the last decade, only one third of the network is all weather roads and only 3,000 kilometers are paved in a country where production centers may be as far as 1,200 kilometers from the capital. Finally, it seems that the Government has not taken the appropriate steps to assure the farmers - through price incentives and marketing facilities - that additional efforts in increasing output would be rewarded. Although this could be explained for some of the main tropical crops that are exported: coffee, cloves and vanilla which face inelastic international demands, there has been a deliberate policy to favor urban consumers of rice in maintaining the price of this commodity unchanged for a number of years at the expense in the long run of total domestic production.

Agricultural policy. Don't subsidize urban population.

6. Manufacturing has contributed but little to overall economic growth although it has expanded faster than national income. It still is a small sector occupying about 45,000 people or less than two percent of total labor force; it contributed about 12 percent to GDP in 1972. Industrial production is almost entirely devoted to consumer goods for domestic uses. As it expanded, the imports of non-food consumer goods declined, as a percentage of total merchandise imports, from 42 percent in 1960 to 30 percent in 1971. However, the scope for further import substitution is limited by the smallness of the monetized domestic market. In addition, this industrial growth has required high protection against competitive imports and resulted in a sharp increase in imports of raw materials and intermediate products utilized for local processing. It is difficult to ascertain to what extent the fact that the manufacturing sector was largely foreign-controlled, mostly by French firms, has biased investment and growth in industry.

7. Other impediments to faster economic growth have probably been (a) the lack of an explicit long-term strategy embodied in economic plans, (b) an insufficient drive of the Government during the 1960's in terms of investment, and (c) inappropriate production policies and programs. Madagascar's first five year development plan (1964-68) was based on specific production objectives but the investment program was too general. In 1967, it became clear that both investment and production would remain considerably below targets. By that time,

public capital expenditure in the transportation sector had amounted to half of the total program, but agriculture was lagging behind with 34 percent. The Government decided to take remedial action and in 1968 introduced an interim program: "Le Programme des Grandes Opérations" which consisted of a number of investment projects, mainly in agriculture to be implemented over the following two years. The share of agriculture increased to 42 percent while public capital expenditure in transportation accounted for 39 percent. Since then, Madagascar has not had a formal development program. A draft interim plan for 1972-1974 was prepared but was never adopted.

8. Total capital formation averaged 15 percent of GDP at market prices in the 1966-1971 period, a ratio which is probably too low in a country which needs to build its infrastructure, promote its industry and expand its education system. During this period, domestic savings financed 95 percent of investment and increased from 12.4 percent of GDP in 1966 to 15.6 percent in 1971. The Government contributed about one third to this increase owing to conservative policies on both the recurrent and capital accounts. In fact the private sector only saved about 14 percent of its disposable income between 1966 and 1971 and invested less than it saved. According to the national accounts, private transfers abroad would have amounted cumulatively to about FMG 32 billion (US$ 125 million) during this period.

9. Government policies were not sufficiently geared to economic and social development. To a certain extent, they favored manufacturing and trade through import protection; they favored urban consumers through price controls of domestically produced commodities; they favored high income groups through liberal imports of goods for which there were no domestic substitutes. As compared to the requirements, investments in agriculture and transportation were too low and the education system was not sufficently adapted to the development needs for skilled and technical manpower. At the same time, reliance on foreign technical assistance was heavy and recourse to external capital aid was limited. This relative conservatism can be explained in part by the inertia of a tradition-bound society, the regional fragmentation and the ethnic diversity. It can also probably be explained by the institutional framework which basically remained the same after independence and was recently shaken by the 1972 political events.

Blame the French!

10. A set of new economic policies has been recently announced as a result of more than a year of internal deliberations and international negotiations. In the meantime production has slowed down and the investment climate has been adversely affected as a result of uncertainties. The Government has decided to take control of a number of basic sectors - excluding manufacturing -; to increase the role of

its nationals in the management and ownership of private enterprises; to apply austerity measures with respect to fiscal and import policies. The withdrawal from the Franc Zone was accompanied with the introduction of exchange control regulations and the establishment of an autonomous central bank.

11. The proposed economic organization thus entails a greater role for the public sector as the most appropriate means to bring about changes in economic and social development, reduction in unemployment and income disparities. As a first step to establish closer relationship with the peasant communities, the Government has abolished the head tax and the cattle tax, and has increased by some 40% the producer price of rice. In the longer run, it intends to associate villages to the management of development projects, the marketing and processing of agriculture commodities and the distribution of agricultural inputs, including credit.

12. In order to meet the goals set by the Government, substantial efforts will have to be made by the country in terms of investment, savings and mobilization of talents. Appropriate ways have still to be found to increase agricultural production - the increase in the price of rice may result in higher output; improvements in livestock production may depend in part on more rational herd management practices, greater emphasis on pork production and a more systematic integration of farming and animal husbandry; export crops like coffee may expand if greater assurances are obtained with respect to their marketing. With respect to manufacturing, the Government intends to increase tariff protection; it should also consider the possibilities of more export-oriented industries whose implied competitiveness would ensure that they will not eventually be a burden for the economy.

13. The Government intends to reduce its reliance on foreign technical assistance. In fact, the Malagasy population enjoys a rather high level of education and only few positions in the Administration are occupied by non-Malagasy. In 1971, however, there were about 105,000 foreigners in Madagascar of whom 31,000 were French. Technical assistance of individuals or consulting firms was substantial. In order to avoid any disruption in the economy, detailed plans have to be prepared to train local management staff and technicians. Meanwhile, Madagascar has to weigh possible delays and shorfall in development projects due to lack of skilled manpower against greater recourse to national human resources.

14. At this juncture, the balance of payments prospects of Madagascar are uncertain. The country's export trade is already diversified and if appropriate policies are devised and implemented, export earnings could increase by about 6 percent annually. Coffee,

cloves, vanilla and sugar face inelastic demands on international markets; their future depends to a great extent on developments in these markets. They account, however, for only half of total Madagascar's merchandise exports. Investments and policies favoring agricultural production of meat, high quality rice, fish and specific herbs should permit Madagascar to regain its traditional export position. In addition, manufacturing could be more export-oriented, and potentialities for tourism are considerable.

15. Changes in the composition of imports are likely to take place. Import controls that were recently established will probably result in some reduction in imports of non-primary necessity. At the same time, if investment is stepped up as it is the Government's intention, additional imports will be required. Assuming that local production of foodstuffs will be sufficient to cater to domestic demand, imports of goods and non-factor services may go up by about 7.5 percent annually. This would be in line with the savings effort that the Government expects to require for the country. The savings rate would increase from a current level of 15 percent to about 22 percent by 1980, thus allowing for a 4 percent annual increase in domestic consumption.

16. Future gross capital requirements may be much higher than they were in the past if the Government wants to increase its development program. In the 1966-71 period, official capital inflows averaged $ 32 million annually, of which $ 20 million were foreign grants. While these grants roughly matched the outflow of private transfers, loan disbursments were equivalent to net imports of goods and services of $ 7 million annually (about 5 percent of total investment) and debt repayment of about $ 5 million per year.

17. The external public debt, disbursed only, of Madagascar amounted to US$ 89.5 million at the end of 1972, after the French Government had decided to cancel about 45% of Madagascar's debt vis-à-vis France, the single largest lender. As compared to the recent pace of disbursments, the aid pipe line was quite substantial, amounting to more than $50 million. The service on public debt accounted for less than 6 percent of commodity export earnings in 1972. Although the current debt service ratio is relatively low, it is desirable, in view of the country's poverty that most of external aid continue to be provided on concessional terms. The situation, however, would be kept under review.

RMaubouché:cc
September 19, 1973

ANNEX I

COUNTRY DATA - MALAGASY REPUBLIC

AREA
590,000 km

POPULATION
7.4 million (mid-1972)
Rate of Growth: 2.5% (from 1966 to 1972)

DENSITY
13 per km (1972)
85 per km of arable land (1970) 1/

POPULATION CHARACTERISTICS (year) (1966-1972)
Crude Birth Rate (per 1,000): 46
Crude Death Rate (per 1,000): 21
Infant Mortality (per 1,000 live births): 102

HEALTH (year) (1972)
Population per physician: 10,500
Population per hospital bed: 390

INCOME DISTRIBUTION (year)
% of national income, lowest quintile: ..
highest quintile: ..

DISTRIBUTION OF LAND OWNERSHIP (year)
% owned by top 10% of owners: ..
% owned by smallest 10% of owners: ..

ACCESS TO PIPED WATER (year) 2/
% of population - urban 14% (1969)
- rural

ACCESS TO ELECTRICITY (year) (1970)
% of population - urban 5% 3/
- rural

NUTRITION (year) (1962) 4/
Calorie intake as % of requirements: 93
Per capita protein intake : 53 grams/day

EDUCATION (year)
Adult literacy rate %: 39 (1970)
Primary school enrollment %: 49 (1971)

GNP PER CAPITA in 1970 1/: US $ 136

GROSS NATIONAL PRODUCT IN 1970

	US $ Mln.	%
GNP at Market Prices	884	100.0
Gross Domestic Investment	140	15.8
Gross National Saving	97	10.9
Current Account Balance	5	10.6
Exports of Goods, NFS	164	18.6
Imports of Goods, NFS	186	21.0

ANNUAL RATE OF GROWTH (%, constant prices)

	1960-65	1966-70	1971 5/
GNP at Market Prices		4.5	2.1
Gross Domestic Investment		7.6	12.0
Gross National Saving	..	5.9	-16.4
Current Account Balance		.	.
Exports of Goods, NFS		5.4	4.7
Imports of Goods, NFS		6.0	20.5

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1970

	Value Added		Labor Force		V. A. Per Worker	
	US $ Mln.	%	Mln.	%	US $	%
Agriculture	265	29.5	2.6	80.5	102	36
Industry	267	29.7	0.2	6.5	1,335	475
Services	368	40.9	0.4	13.0	920	327
Total/Average	899	100.0	3.2	100.0	281	100.0

GOVERNMENT FINANCE

	General Government			Central Government 3/		
	(FMG Bln.)	% of GDP		(FMG Bln.)	% of GDP	
	1971	1971	1969-71	1971	1971	1969-71
Current Receipts	58.7	22.0	21.5	44.2	16.5	16.1
Current Expenditures	45.4	17.0	17.5	32.2	12.0	12.6
Current Surplus	13.3	5.0	4.0	12.0	4.5	3.5
Capital Expenditures	14.6	5.5	5.4	12.7	4.7	4.7
External Assistance (net)	2.9	1.1	1.3	2.9	1.1	1.3

1/ The Per Capita GNP estimate is at 1970 market prices, calculated by the same conversion technique as the 1972 World Atlas. All other conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

2/ Total labor force; unemployed are allocated to sector of their normal occupation. "Unallocated" consists mainly of unemployed workers seeking their first job.

3/ Exclusive of annexed budgets. External assistance includes only that registered in Treasury accounts; most capital aid is not recorded in the budget.

.. not available
. not applicable

ANNEX I

COUNTRY DATA - MALAGASY REPUBLIC

MONEY, CREDIT and PRICES	1965	1969	1970	1971	Nov.1972
	(Billion FMG outstanding end period)				
Money and Quasi Money	30.81	45.56	53.31	55.91	62.30
Public sector net claims on banking	5.83	- 0.90	2.39	4.00	- 1.56
Bank Credit to Private Sector	27.94	41.18	48.45	54.75	56.06

	1966	1969	1970	1971
Money and Quasi Money as % of GDP	19	20	21	21
Consumer price index (Malagasy, Tananarive, January 1964=100)	108.4	114.5	117.8	124.2
Annual percentage changes in:				
Consumer price index	3.0	3.8	2.9	5.4
Public sector net claims on banking	4.0	.	.	67.4
Bank credit to private sector	11.8	5.5	17.7	13.0

BALANCE OF PAYMENTS

	1969	1970	1971
	(Millions US $)		
Exports of Goods, NFS	180.0	210.5	227.1
Imports of Goods, NFS	234.5	223.3	281.6
Resource Gap (deficit = -)	- 54.5	- 12.8	- 54.5
Workers remittances	- 16.5	- 19.1	- 19.8
Other factor income (net)	- 14.0	- 13.7	- 14.0
Other private transfers	10.6	10.2	11.7
Balances on current account	- 74.4	- 35.4	- 76.6
Direct Foreign Investment	10.8	9.8	10.1
Net MLT Borrowing			
Disbursements	10.1	10.4	15.3
Amortization	- 4.8	- 5.1	- 6.3
Subtotal	5.3	5.3	9.0
Official grants	44.5	42.9	39.1
Other Capital (net)	- 2.5	- 6.6	9.5
Allocation of SDR's	.	3.2	2.8
Increase in reserves	11.5	-17.7	- 5.5
Errors and omissions	4.8	- 1.5	11.6
Gross reserves (end year)	19.4	37.1	45.3
Net reserves (end year)	..	..	..

RATE OF EXCHANGE

Up to August 1969: US $1.00 = FMG 246.853
FMG 1.00 = US $ 0.00405

From August 1969 US $1.00 = FMG 277.710
FMG 1.00 = US $ 0.00360

From December 1971: US $1.00 = FMG 255.785
FMG 1.00 = US $ 0.00391

MERCHANDISE EXPORTS (AVERAGE 1969-71)

	US $ Mln	%
Coffee	36.0	27.2
Cloves	13.0	9.8
Vanilla	12.2	9.2
Animal products	9.2	6.9
Rice	9.1	6.9
Sugar	5.2	3.9
Mineral products 6/	5.5	4.1
All other commodities	42.1	31.8
Total	132.3	100.0

EXTERNAL DEBT, DECEMBER 31, 1971

	US $ Mln
Public Debt, incl. guaranteed	110.7
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	..

DEBT SERVICE RATIO FOR 1971	%
Public Debt, including guaranteed	3.9
Non-guaranteed private debt	..
Total outstanding and disbursed	..

IBRD/IDA LENDING, DECEMBER 31, 1971 (Million US$)

	IBRD	IDA
Outstanding Disbursed	4.9	12.2
Undisbursed	6.2	16.9
Outstanding Including Undisbursed	11.1	29.1

Footnotes

1/ Cultivated and cultivable land, excluding pastures and forest areas
2/ Potable water
3/ Rural negligible
4/ Rural only
5/ 1971 figures provisional
6/ excluding petroleum
. Not applicable
.. Not available

February 26, 1973

RECENT CHANGES IN THE MONETARY SYSTEM

The new government has introduced two major changes, both of which involved Madagascar's leaving the Franc Zone:

i. Introduction of Exchange Control Regulations:

Under the regulations issued on November 25, 1972, the definition of foreign countries for exchange control purposes was changed to include all countries other than the Malagasy Republic; under Franc Zone arrangements the definition did not include France, Monaco, and the Operations Account countries. By the new regulations, all payments and transfers to the French franc area, which were both unrestricted and uncontrolled, became subject to prior approval by the Ministry of Economy and Finance. Receipts in French franc area currencies became subject to surrender.

In addition basic allocations applying to current transactions were reduced in the new regulations. For instance, the transfer of wages and salaries earned by a foreigner working in the Malagasy Republic is permitted, upon presentation of his employment contract and provided that the transfer takes place within three months of the pay period, up to 25% of the net salaries for bachelors and persons whose families live in the Malagasy Republic and up to 40% for married persons whose families live abroad. Previously there was no limitation on the proportion of the salary that was permitted to be transferred.

All other outward current invisible transfers, including those of profits and dividends, are subject to individual prior approval by the Ministry of Economy and Finance.

ii. Establishment of an Autonomous Central Bank

Under the previous institutional arrangements, the Malagasy Institute of Issue (IEM) was not wholly under national control and its policies have not necessarily reflected the objectives and orientations of the government. The new Central Bank of the Malagasy Republic (BCRM), whose statutes were drafted with technical assistance from the IMF was formally inaugurated on July 2, 1973. The main institutional difference between the BCRM and the former IEM is that ownership and direction are now entirely in Malagasy hands. The BCRM has full responsibility for external reserve management and credit control, and the limits on advances to the Government are set at 15% of the previous year's current budgetary receipts (which can be raised to 20% under exceptional circumstances), as compared with 10% and 15% respectively, of tax receipts under the IEM. Under the new arrangements, the convertibility of the Malagasy currency is no more guaranteed by France; accordingly, the Operations Account with the French Treasury has been terminated.

OFFICE MEMORANDUM

TO: J.-D. Roulet

DATE: September 7, 1973

FROM: A. Gintzburger

SUBJECT: Salient Features of the Speech on Economic Policy delivered by General Ramanantsoa on August 31, 1973

---

1. Overall Development Strategy

The Government's development strategy is to reflect the following principles:

i. Increased coordination between the three basic sectors of the economy, namely agriculture, industry and transport;

ii. Priority to the development of agriculture and animal husbandry, for both domestic consumption and exports;

iii. Land ownership will be made subject to regulations concerning both total area owned and actual exploitation by the owner, with a view to reducing income inequalities. However, private ownership of land will be maintained. Moreover, all unexploited land will be taken over by Government, and unlawful appropriation of such land by individuals severely punished.

iv. Priority is given to rice growing, with a view to achieving self sufficiency within five years. This objective will be achieved through increasing substantially the producer price for paddy to FMG 22 per Kilogram, as of September 1st, 1973. (This represents an increase of about 40%. This measure has been very strongly recommended by a Bank mission who visited Madagascar in July 1973).

was this done

v. Industry is considered as the "engine" of growth, and will be promoted by the Government, through increased tariff protection and direct participation in industrial ventures.

vi. Transport is also held essential, with an emphasis on opening up areas with high agricultural potential.

2. The Means of the Government's Strategy

Two major means are considered, namely capital, and management staff:

i. Resource mobilization - The dominant theme is self-reliance, that is, lesser dependence on foreign aid. This involves increasing domestic savings, especially by Government, which is committed to a policy of austerity. Taxation is to be reformed to both improve equity and increase Government savings.

ii. The training of management staff - The Government's priority in education is to train technicians in keeping with the development needs of the country. This implies a reform in the attribution of scholarships for higher education.

3. Attribution of economic functions between the various economic agents

Three types of economic agents are distinguished, viz. the Government, the rural communities, and the private sector:

i. Government responsabilities - Sectors to be controlled by the Government include: banks, insurance companies, external trade, domestic and external transport, energy, mines, pharmaceutical products and motion pictures. This control is to be achieved by three means: majority interest in companies, appointment of proxies to run the activity for the Government and apply its policy, regulations applying to specific sectors (no nationalizations seem to be envisaged, although they are not ruled).

ii. The rural communities (Fokonolona) - The rural communities are to take over the marketing and processing of agricultural commodities as well as the distribution of agricultural inputs, and agricultural credit. Until this can be achieved, however, the Government will assume these functions.

iii. The private sector - The development of the foreign private sector is made subject to five conditions:

a. to conform to the Plan's objectives;
b. to be incorporated in Madagascar;
c. to localize their management in keeping with jointly-agreed schedules;
d. to accept participation in their capital, by Malagasy nationals, and by the Government or by the rural communities;
e. to plough back a substantial share of their profits;

The Government is prepared, in exchange for such committments, to grant them the benefits provided for by the new investment code under preparation, and to accept the repatriation of part of their profits.

Moreover, the Government wants to promote the national private sector, through giving priority to Malagasy enterprises, and through supplying them with technical and financial support.

In his concluding remarks, General Ramanantsoa announces the publication of a five-Year Plan 1973-77.

TABLE 1 - MALAGASY 08/28/73

EXTERNAL PUBLIC DEBT OUTSTANDING AS OF DECEMBER 31,1972

FOR LOANS ISSUED DURING THE PERIOD JANUARY 1, 1900 - DECEMBER 31,1972
DEBT REPAYABLE IN FOREIGN CURRENCY

IN THOUSANDS OF U.S. DOLLARS

CREDITOR COUNTRY / TYPE OF CREDITOR	DEBT OUTSTANDING DECEMBER 31,1972 * DISBURSED	UNDIS-BURSED	TOTAL
GERMANY (FED.REP.OF)	2,748	7,758	10,506
SUPPLIERS	2,748	7,758	10,506
GERMANY (FED.REP.OF)	13	-	13
ITALY	4,996	1,185	6,181
PRIVATE BANKS	5,009	1,185	6,194
FRANCE	3,490	-	3,490
PRIVATELY PLACED BONDS	3,490	-	3,490
EUROPEAN DEV.FUND	-	2,022	2,022
IBRD	6,996	4,104	11,100
IDA	15,471	30,015	45,486
LOANS FROM INTL. ORGANIZATIONS	22,467	36,141	58,608
FRANCE	35,281	2,668	37,949
GERMANY (FED.REP.OF)	14,045	-	14,045
ISRAEL	949	-	949
SOUTH AFRICA	1,341	2,657	3,998
USA	4,178	821	4,999
LOANS FROM GOVERNMENTS	55,794	6,146	61,940
TOTAL EXTERNAL PUBLIC DEBT	89,508	51,230	140,738

NOTE: DEBT WITH A MATURITY OF OVER ONE YEAR

ECONOMIC AND SOCIAL DATA DIVISION
ECONOMIC PROGRAM DEPARTMENT

TRANSLATION

MEMORANDUM

TO: M. Raymond Randriamandranto
Governor of the International Bank for Reconstruction and Development for Madagascar

August 20, 1973

FROM: M. Mohamed Nassim Kochman
Executive Director of the International Bank for Reconstruction and Development for Madagascar

SUBJECT: Madagascar and the World Bank Group

The World Bank and IDA have to date lent about $85 million for development projects in the sectors of transportation, agriculture and education. IFC has no investments there at this time. A statement on the status of operations and a brief description of projects in execution is attached. Some of these projects, such as the road project and the Alaotra irrigation project are clearly successful. Others, such as the livestock project and the Tamantave Port project, face serious problems.

Implementation of these projects raises certain issues which will be discussed in greater depth below. However, the main purpose of this memorandum is to focus on more general questions affecting relations between Madagascar and the World Bank, and to serve as a basis for forthcoming discussions between Mr. McNamara and the Malagasy authorities.

This memorandum is divided into four sections, dealing respectively with the economic situation and development planning, the strategy of World Bank lending in Madagascar, project implementation, and the preparation of future projects.

1. The Economic Situation and Development Planning

Staff members of the World Bank have followed closely the development of the economy of Madagascar. An economic mission visited Madagascar several months ago, and is currently preparing its report; this should be available for discussion with the authorities of Madagascar by the end of the year. Though the report has not yet been completed, the analysis to date has highlighted several fundamental issues. First, the economists of the Bank are seriously concerned by the prolonged stagnation of the economy of Madagascar, particularly in the agricultural sector. This causes particular concern because of the rapid increase in population, and hence in the demand for consumer goods, particularly food, and because of the need to increase investments designed to raise the standard of living of the people. The economists of the Bank have sought to analyze the factors that have given rise to this state of affairs, and to suggest measures that might alleviate the situation. Some important aspects of economic policy to which they draw attention are as follows:

a) Stagnation of investment, particularly in the public sector.

b) The seeming absence of a sharp definition of development objectives.

c) The absence of a detailed and clear-cut action program for the Government.

d) The existence of policies such as controls on the prices of agricultural commodities which conflict directly with the objective of increasing production.

These problems merit the attention of the Malagasy authorities in the elaboration of the development program. In addition, they are particularly important from the standpoint of the World Bank insofar as it affects judgments as to priorities in Madagascar and the definition of an appropriate strategy.

2. The Bank's Strategy

The projects which the Bank has financed to date have been in the sectors that are without doubt of the highest priority, that is, agriculture, transport, and education. On the other hand, it is not clear that within these sectors specific projects were addressed to the areas of greatest need. To some extent, the selection of projects was influenced by the level of preparation and on the basis of availability; therefore, project selection was not necessarily based on a more general sectoral development strategy.

The Bank is increasingly concerned by the fact that an ad hoc approach to lending does not have a sufficient and lasting impact on the process of economic development. As a result, the Bank has sought as far as possible to concentrate its lending activity in areas where its projects will be closely attuned to programs and priorities of the Government. Within the context of these programs, it should be possible to define, in agreement with the authorities, specific areas for intensive effort, so that it will be possible to mobilize the necessary resources for economic development and for institution building. This concentration of effort should be more efficient than the fragmentation which has characterized past operations.

Prior to this time, the Bank has not been able to engage in a meaningfull or fruitful dialogue with the authorities of Madagascar. Mr. Husain, Director of the department concerned with Madagascar, visited Madagascar earlier this year, and returned with the impression since the Malagasy authorities were preoccupied with the need to define their own programs, it was too early to outline broader priorities that would guide the Bank's operations. There is, nevertheless, no doubt that agriculture, where it is manda-

tory that production be increased both for domestic consumption and for export, and transportation, are still the sectors of highest priority. In these sectors, it would be most advisable to work out an agreement as to how far a clear program of action might be undertaken, rather than continuing the previous pattern of preparation of isolated projects. For example, in the agricultural sector, it would be useful to know the longer term strategies, not only to increase production, but also to bring about the integrated development of the rural areas, which would be commensurate with the resources of Madagascar, and the resources which external lenders can provide. In the area of transporation, it would be useful to know how the system as a whole will be designed, taking into account the growth of agricultural production. It will thus be possible to undertake projects that will respond to these needs, (for example, feeder roads). In education, which is also a priority sector, it would involve the definition of a strategy that would envisage not only the strengthening of the strictly academic system, but also the development of skills among the general population that would meet the needs of the economy.

It goes without saying that the Government of Madagascar must define its own programs. Nevertheless, it should still be possible for the Bank to finance projects that are designed to further the most important objectives of development.

3. Implementation of Projects

The record of implementation of projects in Madagascar has been mixed, and I understand that this issue was discussed in detail when Mr. Husain visited Madagascar at the beginning of the year and, more recently, when my Alternate, Mr. Boukar, was in Madagascar. The basic point which the Bank staff wish to emphasize is that projects financed by the Bank are not the Bank's projects but Madagascar's projects, and they will succeed or fail on that basis.

There is an increasing awareness in the Bank of the need to insure that the management of projects is in the hands of local people, and that when it is necessary to hire foreign experts, they are in advisory rather than in management positions. This has been a major issue in the Tamantave Port project and the livestock project, and I understand that these problems are on the way to solution. However, the Bank staff still have the impression that somehow these projects have been regarded as "World Bank projects" rather than "Malagasy projects." They want to stress the need to change this image.

4. Preparation of Projects for Future Operations

The Bank is currently preparing with the Malagasy authorities several projects, primarily in the areas of transport, agriculture, and energy. A list of these projects, with a note on their current status is attached. 1/

1/ Not attached in view of summaries in Section G below.

DEVELOPMENT PLANNING

Since the completion of the First Five-Year Development Plan (1964-68) and the "Programme des Grandes Opérations" (a special public investment program emphasizing agricultural development, which has been implemented since 1968), Madagascar has not had a formal development program. A draft interim plan covering the years 1972-74 was prepared in 1971 but never adopted. In view of the change in government and the reorientation of economic and social policies that took place during 1972, the Malagasy government does not intend to elaborate immediately a new development plan, since major uncertainties continue to affect the environment in which such a plan would operate, particularly with respect to future relationships with France and the new domestic social and political structures now being evolved.

There is, however, a need for improving sectoral planning, and project preparation and appraisal:

i. Sectoral Planning

Capital formation in infrastructure should be more clearly linked with directly productive investment. Government is aware of the need for strengthening cooperation between the various ministries. To this end, this number was reduced from 42 to 10 in 1972, and the Office of Planning made directly responsible to the head of State. Moreover, th e establishment of Technical Support committees to advise the newly-created rural communities aims at fostering coordination between the various administrations at the local government level. These measures, however, are unlikely to suffice unless the planning capacity of the Central government is strengthened. Planning capacity is not meant to refer to the ability to conceive and write a formal Plan; it should be concerned primarily with the design of articulated sectoral programs within each Ministry. Coordination between investment in transport infrastructure, and agricultural development can be achieved only insofar as the ministries involved are able to exchange relevant information. Ministerial planning units appear as a requisite for effective coordination. Actually some have been set up but their means seem to be inadequate, especially as a result of the departure of a number of French technical assistants. For instance, the planning unit of the Ministry of Rural Development (Division de la Programmation) seems far too weak to establish a meaningful dialogue with its counterpart in the Ministry of Equipment. This deficiency had already been stressed by an earlier Bank Economic Report (Report AElla, dated January 8, 1971, para. 124) but no steps have so far been taken to remedy it.

ii. Project Preparation and Appraisal

The critical importance of project appraisal has not yet been fully recognized in Madagascar. Most public sector projects have so far been decided upon without proper cost-benefit analysis. Planning units in ministires have been staffed

mostly with engineers and technicians who did not pay enough attention to economic considerations: these units should be strengthened to combine economic evaluation with technical preparation. Moreover their staffing should be given priority over that of the Central Planning Office. Project appraisal cannot be done effectively for the entire public sector by a single organization such as the Planning Office; appraisal is part of the project preparation process and requires a considerable input of technical coefficients which only the competent ministry can supply.

To sum up, the improvement of economic planning in Madagascar calls for strengthening the ministerial planning units mostly with economists.

Summary of draft of Volume II of economic report.

AGRICULTURE

i. Agriculture is the most important sector in the Malagasy economy: it directly supports about 80% of the population, it is the source of about 85% of foreign exchange earnings, and it contributes one-third of GDP. Over one-half of agricultural production is consumed on the farm; the remainder consists of foodstuffs sold to the urban population, cash crops for export, and small quantities of industrial crops for processing in Madagascar. Coffee, paddy, beef, and poultry account for almost 50% of total agricultural production. Madagascar's modest growth performance can be attributed to the failure of the agricultural sector to respond to expanding demands. Real agricultural production was only 12% higher in 1970 than in 1966, barely keeping pace with the rate of growth of the human population. Production of foodstuffs lagged behind growth in domestic demand - the volume of output of paddy and beef, for example, rose only half as fast as the human population.

ii. These problems will be aggravated in the future. By 1980, gross agricultural output will have to be at least 30% higher than the 1970 level if it is to keep pace with population growth. Production of commodities which are both consumed on the domestic market and exported will have to rise even faster if the exportable surplus is to be increased. These agricultural exports have special significance, as there is no alternative means of meeting the growing demand for foreign exchange.

iii. The failure of marketed supplies of some important foods to respond to a growth in demand is a problem which must be given particular attention. The projected population growth between 1970 and 1980 will require that domestic rice supplies be increased from 1.0 to 1.3 million tons simply to maintain present consumption levels. This would imply an increase in paddy production from 1.9 to 2.3 million tons. In order to help meet the expected shortfall in production it has been suggested that:

(a) Producer prices of paddy for domestic consumption be raised through tariff protection or devaluation; and

(b) The introduction of HYV's be facilitated by improved water control and irrigation schemes.

iv. Coffee is the single largest Malagasy export, accounting for 27% of total exports in 1971. Growth of coffee production and exports has been sluggish over the past decade, but future potential is very high. In 1967 Government initiated a coffee development scheme, and while this scheme has been moderately successful, some improvements are still needed. Transport facilities are inadequate and extension efforts should be concentrated to induce smallholders to plant high yielding varieties. These improvements would be best achieved within the framework of integrated agricultural development projects that would include feeder roads, water control and irrigation works, planting of improved varieties of coffee, consolidation and registration of holdings, etc.

v. Livestock accounted for about 10% of total GDP at factory cost in 1971. Exports of cattle products rose from 6.8% of total exports in 1961 to 10.3% in 1971. Price elasticity of beef supply is apparently very low, so that an increase in demand for exports has involved a reduction in domestic consumption. Pulled by the strong external demand, liveweight cattle prices rose by about 120% between 1966 and 1972. In view of the production potential and the expected external demand, beef production should be given high priority in Madagascar's development policy. Suggested components of a livestock development strategy are:

(a) Improvement of the traditional herd through vaccination, improved water facilities, better nutrition and introduction of modern herd management practices;

(b) Development of alternative sources of meat production, especially pork; and

(c) The systematic integration of farming and animal husbandry.

vi. In view of the sluggish growth of agricultural production, it would seem justified not only to maintain the recent improvement in farmers' terms of trade, but to strengthen it further by raising those producer prices which have risen least, i.e. prices for paddy. With this objective in view, levies on or subsidies to firms processing agricultural commodities could be standardized instead of taxing low cost firms more heavily than others. On the other hand, exports of agricultural products also have to be stimulated to increase foreign exchange earnings. Two alternative methods could be adopted which would enhance both production and exports: export subsidies combined with import taxes, or a devaluation.

vii. In Madagascar there are a series of insulated markets with widely varying prices. The integration of these domestic markets could result in price reductions, a wider market, and the stimulation of production. The improvement of transportation facilities would be an essential first step for this domestic "trade creation." In addition, more local variation in the relatively uniform producer and retail prices would encourage regional specialization and contribute to the expansion of production.

viii. Agricultural incomes can also be raised by the introduction of innovations which would increase yields per hectare while providing for the more efficient utilization of labor. Certain selected innovations could play a decisive role in Madagascar's agricultural development. These would include: pasture improvement with legumes such as stylosanthes, planting of wheat as a winter crop in the paddy fields in the Central Highlands, and the introduction of high yielding varieties of rice and coffee. Constraints must be identified and projects designed to deal with them. The Government should also give high priority to investments such as seed multiplication and land and water development which would help in exploiting these innovations.

Finally, research efforts should be expanded to enlarge the flow of new ideas and to adapt the innovations to the Malagasy environment.

ix. Land tenure has a direct correlation with a farmer's propensity to invest in farm improvements. The "Services des Domaines" should be strengthened and its procedures streamlined to meet the strong demand for legal recognition of private land ownership. The legal requirements for ownership in unsettled or sparsely populated areas should also be relaxed and compensation provided for those now using the land. Government should also encourage peasant farmers to migrate from the poorer areas and settle where fertile land is still plentiful. This would involve giving priority to settlement schemes and to the package of infrastructure and services they require. Two types of projects were recommended: (a) irrigation schemes to expand rice production, and (b) settlement schemes based on mixed farming integrated with animal husbandry.

~~Summary of draft of Volume II of economic Report~~.

TRANSPORT 1/

1. Transport is a major constraint on Madagascar's economic development. Both external and internal transports are relatively costly, thus impairing the competitiveness of the economy as a whole. This results from the island's location in the Southern Hemisphere, from the preferential trade agreements that associate it with EEC countries and the closing of the Suez Canal. Madagascar should explore more vigorously the development of new markets in countries bordering the Indian Ocean especially with a view to boosting exports of bulk agricultural commodities that can bear only low transport costs. Promising contacts had been made with the Republic of South Africa regarding trade and tourism but have been discontinued by the new Malagasy Government.

2. Internal transport infrastructure is costly to establish and maintain, because of a rugged topography, the incidence of hurricanes, and the absence in certain areas of suitable construction materials. Moreover, the uneven distribution of population, and the fact that agricultural production for exports is mainly located in coastal areas relatively close to ports, limit demand for long distance inland transportation. All these factors contribute to weaken the economic justification of a number of projects that would otherwise be required to integrate markets.

Highways

3. In the past decade, notwithstanding the physical difficulties and high costs, considerable progress was achieved in developing Madagascar's primary road network. Transport projects were decided upon according to the following objectives:

(i) the various regions of the country should be interconnected by a primary road network, in most cases by highways designed to modest yet modern standards;

(ii) a regional balance of investments should be maintained;

(iii) roads which would compete with the railways should not be given priority; and

(iv) rather vague economic objectives in connection with balanced regional development.

This approach, however, did not result in any major investment mistake probably because many projects consisted of very basic and obviously needed trunk connection. On the other hand, insufficient emphasis was given to improving and adequately maintaining the country's secondary road network as well as coordinating transport developments with the productive sector.

1/ Excerpts from transportation chapter of draft economic report (currently under white cover).

4. Regional capitals are slowly being connected to Tananarive by all-weather roads. Progress on the peripheral coastal road, which would allow concentrating port activity in a few locations has, however, been slow because of rain, hurricanes and lack of suitable construction materials, which increase considerably construction and maintenance costs. This is especially serious in the east coast where construction costs of US$ 150,000 per km are not uncommon. These factors have also rendered difficult and costly the establishment and maintenance of a feeder road network particularly in the potentially rich agricultural areas in the northeast coast. Because of the lack of roads, export crops such as coffee and bananas often have to be transported up to 50 km by porters at a reported cost of FMG 200 ton-km versus possibly FMG 15 ton-km if trucks could be used. This matter needs to be carefully evaluated; a study for the development of the transport system in the east coast (roads, ports, shipping) is, therefore, recommended.

Railways

5. In addition to roads, Madagascar is served by the Government-owned Réseau National des Chemins de Fer Malgache (RNCFM), which totals 862 kms of line. It was mostly built between 1900 and 1920 and is antiquated. However, the RNCFM plays a vital role in Madagascar's economy because its main line is presently the only reliable means of surface transportation between Tananarive and Tamatave. Traffic density on this line averages 700,000 tons of freight and a million passengers a year.

Ports and Shipping

6. Being an island, Madagascar relies almost exclusively on its ports and shipping for foreign trade. Its rugged topography and undeveloped inland transport system make it still dependent to a considerable extent on coastal shipping for domestic commerce. Coastal shipping is expected to continue to play an important role in the transport system for some time, at least until the completion of the proposed peripheral road and could be improved through port rationalization. There are four principal ports (Diego-Suarez in the North, Majunga in the West, Tulear in the South and Tamatave in the East) which together handle about 90% of the Island's international trade and about 70% of coastal traffic, amounting to 1.7 million tons and 0.7 million tons, respectively, in 1971. Since 1966, overall port traffic increased by about 1 million tons largely in the four main ports, but in particular in Tamatave, due to increased petroleum imports and exports.

Airports and Aviation

7. Madagascar has a fairly extensive air transport network of 59 airfields compensating to some extent for the absence of adequate

land transport, at least for passenger traffic. However, only 17 are built to all weather standards, and only Tananarive and Majunga airports can take modern long-distance jets and Diego-Suarez, Nossi Be and Tamatave the smaller jets.

Modal Coordination

8. The stage of development of Madagascar's transport system has been such that, to date, little competition exists between modes. However, as Madagascar's transport system develops and modal competition increased, major decisions will have to be taken; the main issue concerns the construction of the Tananarive-Tamatave road. The railways have so far benefited from a quasi-monopoly in the country's most important transport corridor (Tananarive-Tamatave) because the road was not improved, and they have been able to establish tariffs without due regard to costs or economy because the improvement of the road was deliberately neglected. Tariffs have been determined largely by what the traffic would bear, which may have been above costs, and by the Government's welfare policy, which may have led to tariffs below marginal costs. Under such conditions there has been no incentive for the railway to reduce costs; all in all, this policy has probably had a high economic cost, although it has not been quantified.

9. The Government is now aware that such a protection and a dependence on one mode of transport involves costs to the economy. This has become obvious when an increase in traffic in the Tananarive-Tamatave corridor over the past three years has caused, at times, congestion and poor service on the railway. As a result, the Government has commissioned a study, now in progress, to determine inter alia the feasibility of constructing a new road between Tananarive and Tamatave.

Transport Planning

10. The level and quality of transport planning will have to be improved to achieve a closer coordination between transport and the development of the productive sector. This involves assessing a set of complex technical and economic issues. This is particularly true with regard to the optimum development of a network of low standard farm-to-market roads and sections of the primary network such as the peripheral coastal road.

INDUSTRY /1

1. During the last decade, industry expanded faster than the GDP. This rapid growth brought the share of manufacturing in GDP up to 12% in 1970 from an estimated 5% share of 1960. During the 1960's Government authorities directed their efforts to the expansion of industry and reductions of the economy's dependence on exports of agricultural products. Generous incentives under the Investment Code encouraged the process of substitution of local products for imported goods. Whenever tariff protection proved inadequate to protect domestic market-oriented industries, a systematic resort to import restrictions was adopted.

2. The main obstacles to industrial development are the following:

1. the small size of the domestic market, coupled with highly diversified demand.
2. the difficulty and cost of transporting goods overland between coastal regions; these factors heighten competition from imported goods shipped in directly to the major ports.
3. the inadequate or irregular supply of local agricultural products due to erratic weather conditions and insufficient coordination between agricultural and industrial development.
4. the time taken by shipments to and from other countries, which leads to abnormally large stocks and makes it very difficult to export certain goods.
5. an over-protectionist policy that almost exclusively benefits domestic market-oriented industries.

3. The sectoral distribution of industrial growth was somewhat uneven. Whereas import substitution-related categories grew very quickly, agro-industries and some branches of the food-related industries, hampered at times by the shortage of local raw materials, expanded far less rapidly, if at all. Although their growth has been slower, the food industry and agro-industries still account for more than half of the value added in manufacturing. Textiles and leather account for more than one-fourth. The country's limited mineral resources afford little scope for extractive activities.

4. The highest growth rates were in the paper, paper products, and printing industries (27.5%), in the chemicals (18%), building materials (15.5%) and textiles and hides and skins category (13%). The spectacular growth of these sectors, founded almost entirely on the domestic market, was due to import substitution, sheltered by protective measures that included import restrictions when tariffs proved inadequate. The other sectors have grown less rapidly than manufacturing as a whole: mechanical and electrical engineering (10%), foodstuffs (9%) and agro-industries only 4.8%). At constant prices, the agro-industries stagnated. The

/1 Excerpt of draft summary and conclusions of Annex on Industry prepared for Economic Report.

re ason is that those industries are essentially export-oriented; their development is sometimes hamstrung by shortages of local raw materials, and is dependant on the growth of the world market and the competitiveness of Malagasy enterprises in that market.

5. There is still very little integration in Malagasy industry. On the whole, the imports substitution industries use imported inputs even where local industry could supply those inputs. This is particularly noticeable in the case of textiles and cardboard. The clothing manufacturers prefer imported fabric to the local product because of quality differences, while the carton manufacturers import corrugated cardboard rather than obtain their supplies from the local cardboard industry which, in turn, uses imported paper even though existing production facilities would be capable of producing such paper. In this way, industrial activities which should normally be integrated continue to operate in isolation, without any inter-sector trade.

6. Some branches of industry are thriving and have a promising future; others are in trouble or stagnating. Some activities that have sound bases or enjoy significent comparative advantages are flourishing and have evolved very rapidly; foremost among these are textiles, footwear, and some foodstuffs (breweries, biscuit factories). The outlook for other activities that rely on the upgrading of low-cost local products is highly promising wherever supply is not a limiting factor on their expansion; for example, meat processing, leather tanning and products and sugar refining. Finally, some labor-intensive activities could look forward to a brighter future if there were an industrial policy oriented unequivocally toward the export market, e.g., ready-made clothing, light engineering and electronics (motor parts, watches, toys, electronic components and radio assembling). Such industries, which could be established on a subcontract basis, would nevertheless require an in-depth study of Madagascar's competitive position in relation to other African associated states of the EEC.

7. The investment opportunities that appear to afford a good economic rate of return and felt could be carried out during the next five years total FMG 15 billion, half of which would be spent on projects based on the upgrading of local raw materials. Leaving aside the proposed cement works, import substitution will play only a limited role from now on, and is unlikely even to keep pace with the growth of the domestic market. Five major projects (cement works, ferrochromium, extensions to sugar mills, Majunga slaughterhouse, processing of cashew nuts) account for fully two-thirds of the proposed capital investments. On the other hand, several large-scale projects (Narinda shipyard, Haute-Matsiatra paper pulp project, fifth sugar mill) involving a total capital outlay of FMG 37 billion were not included because it did not seem likely enough that they would be implemented before 1977 and in some other cases because they were feasible only in the very long run. The somewhat conservative listing of likely investment opportunities does not preclude the possibility that some additional projects will get under way near the end of the period, particularly in light industries.

8. The import substitution process, which was the prime mover of industrial growth in the last decade, has now exhausted the easy opportunities. It will be increasingly difficult as far as consumer goods are concerned, while new opportunities in the field of intermediate or capital goods are few and far between, and it is doubtful whether they will show a good economic return in the absence of regional cooperation arrangements.

9. The stimulus for growth should be sought in the upgrading of locally produced materials and in exports. This will require a transition from the protectionist policy of the past to a liberal, outward-looking policy designed to reduce the present disparities in the treatment of different industrial activities. This new strategy will mean reforming the chief instruments of industrial policy (general ordinary-law regulations, Investment Code, Customs Code), instituting a system of export incentives, improving the co-ordination between agriculture and industry, and identifying new investment opportunities aimed at exports, particularly to Europe.

10. The Investment Code, which tends to benefit chiefly industries oriented toward the domestic market, should be amended, and the approval system abolished. It would be preferable to extend specific concessions automatically, rather than ad hoc, to all companies that meet certain criteria. An outward-looking industrial development policy should incorporate the following main objectives:

(1) reduction of existing discrepancies in the treatment of activities oriented toward the domestic as opposed to the export market.
(2) a more uniform level of protection for the different activities.
(3) phasing out of quota restrictions on imports in favor of protection in the form of tariff arrangements.
(4) scaling down of concessions to capital-intensive as opposed to labor-intensive industries.
(5) encouragement of the promotion of companies by Malagasy nationals.

EDUCATION /1

1. In 1971/1972, about one million children were enrolled in primary schools, 75% of them in public schools. Over the last four years, enrolments have increased at an annual rate of about 6%. In the same year there were about 100,000 children in secondary schools. Secondary enrolments have increased at over 7% per year during the period 1969-72.

2. From 1966 to 1971, the annual growth rate of public education expenditure was, on the average, 2.3% higher than that of the GDP, and 2.9% higher than the total operating expenses of the State and the provinces. In 1971, this expenditure represented 3.3% of the GDP and 20.5% of public expenditure. In addition, expenditure on private education, estimated from primary and secondary school fees, amounted to about FMG 5 billion per annum. The total real cost, which is about 5.2% of the GDP, is therefore high. It must also be noted that foreign aid for technical assistance which is in the region of FMG 5 billion per annum is not included in the above estimate of total cost borne by the country.

3. Given the strong pressure for expanding primary education, it can be expected that there will be about 1,700,000 children in primary schools by 1980. The total annual cost of education would then be of the order of 24 billion FMG for state education and 11 billion FMG for private education, or about 8.1% of the GDP, assuming that the present system is retained with its very high pupil/teacher ratio (76) in state primary schools. Should one wish to improve this ration, while keeping the same enrolment target, the cost of education would probably reach 9.2% of GDP (if the latter grows at 5% p.a.). The government would then have to spend 36.4% of its budget on education expenditure.

too high

4. The considerable expansion of lower secondary education, has created an obvious imbalance between labor supply and demand at least up to the tenth grade (B.E.P.C.) level. Whereas total job vacancies, regardless of qualifications, are not expected to exceed 45,000 between 1971 and 1975 in the modern sector, nearly 30,000 holders of the B.E.P.C. will reach the labor market during the same period, either after completing the lower cycle and obtaining the certificate, or as drop-outs from the upper secondary cycle. In addition, nearly 50,000 secondary pupils will leave school on completion of the tenth grade, but without the B.E.P.C. The presence of a growing number of young people who are unemployed, especially in the towns, is a factor of social instability, particularly since many of these have obtained their diplomas at the cost of considerable personal and family sacrifices for which they expect a return. There is no question of either the government or the private modern sector absorbing these certificate holders at the level for which their training seems to prepare them.

5. The available information about labor supply and demand for technical school graduates and for holders of the baccalaureat and higher education certificates does not suggest that an equally obvious surplus problem is about to occur at this level, given the much smaller

/1 Excerpt from the Chapter on Education of the draft economic report (currently under white cover).

size of the higher secondary education system. However, the data do not give an indication of the needs for each sector branch of the economy.

6. Most technical school certificate holders are specialists in masonry, joinery, and locksmithing. For these trades the labor market seems to be already saturated. On the other hand, electrical and electro-mechanical courses are less well developed. A number of courses with lesser job prospects are maintained because it is difficult to re-train the teachers and because closing such departments would mean decreasing the total intake capacity of vocational education. Thus, while there appears to be a surplus of joinery, masonry, and locksmithing, supply and demand seem to be better balanced in the other branches of construction and metal work, as witnessed by the greater ease with which mechanics, electricians and welders find jobs. Openings are likely to increase in some trades which are sparsely or not taught at all- electro-mechanics, the secondary building trades, agricultural mechanics, motor vehicle mechanics and road works, as well as for qualified secretaries.

7. The employment prospects of graduates from both lower and higher-level secondary agricultural schools would seem good, if one considers the potential needs, both in the administration and in the different rural development operations. Even if the annual output from these schools- at present, up to 200 with lower secondary level and about 100 with higher secondary qualifications - it would only amount to the building up of an extension network of modest size and low intensity, given the size and diversity of Madagascar's agricultural sector. However, the budgetary constraints, which have affected the recruitment of civil servants, have led to very poor employment prospects for those who hold a secondary level agricultural diploma.

8. The expansion of the education system in the sixties has mitigated, but by no means put an end to, the considerable inequalitis in the opportunity of access to education between cities and rural areas. The use of French as language of instruction has been, until recently, the main factor that worked to the disadvantage of pupils from rural or poor urban backgrounds. Access to the seventh grade in the lycees was practically restricted to children proficient in French, generally coming from the educated urban middle and upper class families. In turn, completion of the first four years of secondary education in a lycee gave the student a de facto priority over the students from the C.E.G. for entrance into the upper secondary lycee cycle. More often than not the only way for children from low-income families to pursue secondary education is in a rather expensive private secondary school of below-average quality, whereas their more fortunate peers receive a free education in a better public school.

Recommendations

9. i. Primary Education

The future of Madagascar's education system will depend largely on what will happen to its largest and most important sector, namely, primary education. It has been pointed out earlier that an attempt to expand it towards universal primary education while maintaining its present characteristics would mean an enormous financial burden in return for very uncertain results.

10. When discussing a primary education system that would be adequate for the country as a whole as well as for its individual users, it is not possible to treat in isolation any of the following key questions:

(a.) language of instruction: there is today general agreement among educators that elementary education should be given in the pupils' mother tongue, lest wastage and inequalities enter the education system from the very beginning, being accumulated at each successive stage;

(b.) once this general principle is acknowledged, it is possible to conceive of a primary education system that transmits the same volume of basic knowledge in a shorter time and more efficiently;

(c.) this leads to the question of the age of entry into primary education: if the start of primary education would be delayed from, say, six to eight years, this could not but reinforce the efficiency of schooling, given the greater receptiveness of an older pupil;

(d.) a primary education system that would receive its pupils at age eight for a four years' course while eliminating grade repetitions would lead to the great majority of pupils leaving schools at age twelve or thirteen - clearly too early for full-time employment. Such a system may thus have to be supplemented by an intermediate cycle of one or two years during which prevocational training could be given on a part-time basis.

(e.) the success of such a reform would depend on
   (i) whether the new primary education system would be acceptable to parents and pupils, and
   (ii) whether the teachers would be able and willing to cope with a teaching situation that might ultimately require greater teaching skills than a simple pass-fail framework.

11. As for the teachers, many of the present teaching staff may be unable to change from a rigid grade system to the more flexible concept of group teaching, based on individuals' learning progress, without having undergone additional training and without being backed up by an adequate supply of teaching materials. Since the one-teacher rural primary school will continue to be the most frequent type, the importance of properly trained teachers can hardly be exaggerated.

12. It follows from all this that a reform of primary education along the lines indicated cannot be planned and carried out but with a 5 to 10 years horizon. Curriculum changes could be introduced progressivly after trial periods. However, some broad principles would have to be adopted before hand in order to define the main directions of the changes. One could, for example, agree that in the rural areas primary education should contribute to the development of progressive farming. This would not imply that the school should teach farming but that the child should be prepared for his role as the "manager of a farming enterprise," however small that enterprise may be. The curriculum could then include elements of accounting, of agricultural credit operations, and examples of use of modern inputs such as fertilizers.

13. ii. Lower Secondary Education

The main problem at this level appears to be one of excess numbers. Lest the strong demand for lower secondary education lead to the creation of yet more private schools of decreasing quality, a strictly enforced quality control for private schools (obliging them to employ, say a teaching staff with the same or higher qualifications than the state schools) seems to be unavoidable. At the same time the arguement of quality would be the only rationale for a restrictive policy that would be acceptable to the public. However, given the considerable costs of secondary education and the rather high fees in private schools on the one hand, and the considerable potential benefits of secondary education on the other, there is no reason why the state schools should not charge fees, provided that a system of scholarships based on need and merit, would accompany them.

14. iii. Higher Secondary Education

Though the problem of an oversupply of school-leavers does not loom so large at this level of education, a quality control similar to that suggested above would be perfectly justified. At present many private schools avoid the ultimate test of quality, viz. the Baccalaureat exam, by providing facilities to the beginning of the Terminal (13th) grade only; this practice ought to be discouraged.

15. iv. Technical Education

Recruitment into the lower secondary technical schools at a higher level of general education would make it possible to save time spent on upgrading and concentrate on imparting a trade; thus obtaining results comparable to those obtained at present in a shorter period of time. Vocational guidance would also be more reliable if given later. The time gained from shortening the training the training could be used to speed up the output, while maintaining a constant intake capacity, and to improve the training thanks to closer supervision and a greater concentration of material means. Whenever posssible schedules should be arranged to introduce sandwich courses. The students would alternate between supervised work in factories and periods at school.

16. Agricultural education would seem to need a consolidation of facilities, given the uneconomical average size of the existing schools and the present difficulties to find adequate employment for the school-leavers.

17. v. Higher Education

One of the major problems of higher education in Madagascar is the heavy dropout during the first year of university. This may be caused by a combination of two factors, namely a practically unrestricted access on the one hand, and a close parallelity, if not identity, of course structure and content with those of the French university system. While the latter may be highly beneficial for the individual graduate, it is difficult to see its usefulness for the country as a whole. As regards access to higher education, there is a case of introducing entrance limitations, both from the point of view of internal and external efficiency (i.e. later employment prospects). By the same token, introduction of substantial fees (possibly coupled with a student loan scheme and differentiated by branch of higher education) should help to prepare the country for the eventual assumption of sole financial responsibility for its higher education system.

18. vi. Non-Formal Education

Other organized education efforts outside the school system appear in a variety of forms and are sponsored by a number of different government agencies as well as by private organizations, in particular the churches. Their common denominator is rural development, yet they appear to be largely unrelated both to one another and to the formal education system. From what little information is available, they also seem to suffer from either of two shortcomings: they fail to have a lasting impact on the participants and their home communities, or they are relatively high-cost activities with a very limited capacity. A close and continuous cooperation of all interested agencies and a thorough evaluation of the existing schemes would be a logical first step in the dovetailing of non-formal education.

September 10, 1973

MADAGASCAR

Bank/IDA/IFC Capital Subscriptions
(in pre-devaluation dollars)

IBRD subscribed:	$21.9 million or 0.09% of total
paid in:	$2.19 million
voting power:	419 votes or 0.17% of total
IDA subscribed:	$1.01 million or 0.10% of total
voting power:	702 votes or 0.27% of total
IFC subscribed:	$111,000 or 0.10% of total
voting power:	361 votes or 0.27% of total

Purchases of IBRD Bonds

		$ Million
6-1/8%	of 1968 due March 15, 1970	2.0
5.2%	of 1971 due March 15, 1973	1.0

THE STATUS OF BANK GROUP OPERATIONS

IN MALAGASY REPUBLIC

STATEMENT OF BANK LOANS AND IDA CREDITS (as at July 31, 1973)

Loan or Credit Number	Year	Borrower	Purpose	US$Million Amount (Less cancellations) Bank	IDA	Undisbursed
90-MAG	1966	MALAGASY REP.	Roads		10.0	0.5
510-MAG	1967	"	Education	4.8		1.0
134-MAG	1968	"	Roads		4.5	-
570-MAG	1968	"	Roads	3.5		0.6
585-MAG	1969	"	Agriculture	2.8		1.0
200-MAG	1970	"	Port		9.6	4.9
214-MAG	1970	"	Irrigation		5.0	2.6
322-MAG	1972	"	Irrigation		15.3	15.3
351-MAG	1972	"	Roads		15.0	15.0
876-MAG	1972	"	Roads	15.0		15.0
	Total			26.1	59.4	55.9
	of which has been repaid			-	-	
	Total now outstanding			26.1	59.4	
	Exchange adjustment *				3.0	
	Total now held by Bank and IDA			26.1	62.4	
	Total undisbursed			17.6	38.3	55.9

* Adjustment to reflect the devaluation of the US dollar on May 8, 1972 and the proposed change in the par value of the US dollar announced on February 13, 1973.

MALAGASY REPUBLIC: CUMULATIVE ESTIMATED AND ACTUAL DISBURSEMENTS ON LOANS AND CREDITS

($ MILLIONS)

Project & No.	Amount: - Original - Cancelled - Net	Date: - Approved - Signed - Effective		Closing Date	Forecast Date	FY'72	FY'73 1	FY'73 2	FY'73 3	FY'73 4	FY'74 1	FY'74 2	FY'74 3	FY'74 4	FY'75	FY'76	FY'77	FY'78	FY'79	FY'80	FY'81
Highway	10.0	7/28/66	Orig:	12/31/70	9/30/70 (1st)	9.8	10.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Project	-	8/ 2/66	Rev:	12/31/73	10/31/71	8.4	9.0	9.1	9.3	9.4	9.6*	-	-	-	-	-	-	-	-	-	-
IDA 90	10.0	10/11/66	Act:	-	-	7.5	7.5	7.5	8.6	9.5											
Education	4.8	8/17/67	Orig:	6/30/73	9/30/70 (1st)	3.5	3.7	3.9	4.1	4.2*	-	-	-	-	-	-	-	-	-	-	-
Project	-	8/23/67	Rev:	-	11/30/72	-	-	-	3.7	4.1*	-	-	-	-	-	-	-	-	-	-	-
IBRD 510	4.8	10/24/67	Act:	-	-	3.1	3.4	3.4	3.8	3.8											
Second	3.5	10/29/68	Orig:	12/31/72	9/30/70 (1st)	2.3	2.7*	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Highway	-	11/12/68	Rev:	12/31/73	10/31/71	2.8	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 570	3.5	4/ 1/69	Act:	-	-	2.5	2.5	2.6	2.6	2.9											
Beef Cattle	2.8	1/28/69	Orig:	6/30/75	9/30/70 (1st)	1.4	1.7	1.9	2.1	2.3	2.5	2.5	2.6	2.6	2.8	-	-	-	-	-	-
Development	-	2/14/69	Rev:	-	8/31/71	1.1	1.3	1.4	1.6	1.7	1.9	2.1	2.3	2.5	2.8	-	-	-	-	-	-
IBRD 585	2.8	10/28/69	Act:	-	-	.9	.9	.9	1.0	1.8											
Tamatave	9.6	6/16/70	Orig:	12/31/74	9/30/70 (1st)	3.8	4.8	5.8	6.8	7.3	7.8	8.3	9.6	-	-	-	-	-	-	-	-
Port	-	6/19/70	Rev:	-	4/30/73	-	-	-	-	4.0	5.9	7.5	8.1	9.0	9.6	-	-	-	-	-	-
IDA 200	9.6	11/27/70	Act:	-	-	.3	1.2	1.6	2.7	2.9											
Lake Alaotra	5.0	7/28/70	Orig:	6/30/76	7/10/70	4.3	4.4	4.6	4.8	4.8	4.8	4.9	4.9	4.9	5.0	-	-	-	-	-	-
Irrigation	-	8/17/70	Rev:	-	9/ 1/72	-	.7	1.5	2.0	2.5	3.0	3.5	4.0	4.3	4.9	5.0	-	-	-	-	-
IDA 214	5.0	11/ 5/70	Act:	-	-	.5	.7	.7	1.7	2.4											
Morondava Irrigation	15.3	6/29/72	Orig:	6/30/79	5/26/72	-	-	.2	.6	1.0	1.4	1.9	2.5	3.1	5.6	8.1	10.7	13.4	15.3	-	-
& Rural Development	-	6/30/72	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 322	15.3	4/30/73	Act:	-	-	-	-	-	-	-											
Third	15.0	12/19/72	Orig:	12/31/77	12/ 1/72	-	-	-	-	-	.5	2.0	4.8	8.0	15.0	-	-	-	-	-	-
Highway	-	1/17/73	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IDA 351	15.0	4/17/73	Act:	-	-	-	-	-	-	-											
Third	15.0	12/19/72	Orig:	12/31/77	12/ 1/72	-	-	-	-	-	-	-	-	-	2.5	9.0	14.6	15.0	-	-	-
Highway	-	1/17/73	Rev:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IBRD 876 1/	15.0	4/17/73	Act:	-	-	-	-	-	-	-											

* Balance indeterminate.
1/ To be disbursed after Credit 351 MAG.

Controller's
7/27/73

POPULATION: 7.3M

TABLE IVA

GNP PER CAP: $ 130

MADAGASCAR - 6 YEAR OPERATIONS AND LENDING PROGRAMS
(BY FISCAL YEAR - AMOUNTS IN $ MILLIONS)

OPERATIONS PROGRAM			1974	1975	1976	1977	1978	197
2-MAG-AI-05	IRRIGATION III	IDA		10.0				
2-MAG-AL-02	LIVESTOCK II	IDA	4.0					
2-MAG-AL-03	LIVESTOCK III	IDA				10.0		
2-MAG-AT-01	FORESTRY I	IDA	7.0					
2-MAG-AT-02	FORESTRY II	IDA					5.0	
2-MAG-AX-01	AGRIC. UNIDENT. I	IDA			15.0			
2-MAG-AX-02	AGRIC. UNIDEN. II	IBRD/I					15.0	
2-MAG-DD-01	DFC I	IBRD		4.0				
2-MAG-DD-02	DFC II	IBRD					5.0	
2-MAG-EE-02	EDUCATION II	IDA		5.0				
2-MAG-EE-03	EDUCATION III	IDA					5.0	
2-MAG-IM-01	BAUXITE INFRASTRUCTURE	IBRD				5.0		
2-MAG-PH-01	POWER I	IBRD		20.0				
2-MAG-TH-04	ROADS IV	IBRD/I		20.0				
2-MAG-TH-05	HIGHWAYS V	IBRD/I				20.0		
2-MAG-TP-02	NORTHWEST PORTS	IBRD			15.0			
2-MAG-TR-01	RAILWAYS I	IDA	6.0					

	1964-68	1969-73	1974-78
AMOUNTS			
IBRD	4.8	21.3	81.5
IDA	10.0	49.4	89.5
TOTAL	14.8	70.7	171.0
NUMBERS			
IBRD	1.00	3.00	8.00
IDA	1.00	3.00	9.00
TOTAL	2.00	6.00	17.00

	1974	1975	1976	1977	1978
AMOUNTS					
IBRD		34.0	15.0	15.0	17.5
IDA	17.0	25.0	15.0	20.0	12.5
TOTAL	17.0	59.0	30.0	35.0	30.0
NUMBERS					
IBRD		3.00	1.00	2.00	2.00
IDA	3.00	2.00	1.00	1.00	2.00
TOTAL	3.00	5.00	2.00	3.00	4.00

LENDING PROGRAM (4/ 2/73)

AMOUNTS			
IBRD	4.8	21.3	68.5
IDA	10.0	49.4	74.5
TOTAL	14.8	70.7	143.0
NUMBERS			
IBRD	1.00	3.00	
IDA	1.00	3.00	
TOTAL	2.00	6.00	12.00

	1974	1975	1976	1977	1978
AMOUNTS					
IBRD	6.0	20.0	15.0	15.0	12.5
IDA	12.0	20.0	15.0	15.0	12.5
TOTAL	18.0	40.0	30.0	30.0	25.0
NUMBERS					
IBRD		1.00	1.00	1.00	
IDA		1.00	1.00	1.00	
TOTAL	3.00	2.00	2.00	2.00	3.00

P & B 08/26/73

MADAGASCAR

Bank Group Operations

A. Overview

1. Since Madagascar became a member of the Bank and IDA in 1963, Madagascar has received six IDA credits totalling $59.4 million and four Bank loans totalling $26.1 million. About 67 percent of the total amount has been for transport, 27 percent for agriculture and the balance is accounted for by a loan for an education project. As of July 31, 1973, a total of $32.6 million has been disbursed. Administrative delays in the preparation of withdrawal applications, which occurred in the earlier projects, have been largely overcome.

2. The priority which the Bank Group in its lending gives to the improvement of transport and agriculture conforms to Madagascar's development requirements and objectives. Our past and future programs in the transport sector are geared to: (i) the provision of links between the main urban centers; (ii) the construction of penetration roads in the promising agricultural areas; (iii) the improvement of port facilities; and (iv) the strengthening of the railroad which provides a more economic means for transportation in certain areas and for certain commodities. The secondary network, however, is largely lacking or in poor physical condition and this could hinder the development of potentially rich areas. Services of consultants are therefore included in the proposed railway project to assist the Government, inter alia, in the preparation of a feeder road improvement/construction program. In agriculture, Madagascar's development policy is to keep the country self-sufficient in rice by expanding production, and to diversify and increase the production of export crops. The Bank is assisting the Government in the implementation of this policy with the three projects for which assistance has been provided (Lake Aloatra irrigation, Morondava irrigation and livestock development). Several additional projects for general agricultural development, forestry, livestock and rice production are at various stages of preparation and should result in Bank Group financing operations in FY1974 and over the next two fiscal years. An agricultural identification mission visited Madagascar in July 1973, and specific proposals for Bank Group lending are being formulated, based on the mission's findings. A second project in education, as well as a hydro-electric power project and a development finance company project are also under consideration.

B. Ongoing Operations

Transportation

3. Credit No.90-MAG - $10 million for roads, was signed in August 1966. The project is now completed with the exception of a feasibility study and a master plan of three road sections, scheduled for completion before the end of 1973. The road sections, financed under this Credit, completed a 375-mile trunk highway from Tananarive, the capital, to

Majunga, the principal port on the West coast.

4. Credit No.134-MAG and Loan 570-MAG- $4.5 million and $3.5 million respectively, for road and bridge construction, were signed in November 1968. The project is now virtually completed. At the Government's request, the Association has agreed to use the savings of about $1.0 million under Credit 90-MAG to finance part of the cost overrun incurred in this project. The project roads, which are located in the mid-west and the Northwest, contribute significantly to the modernization of the highway network as well as to the development of the agricultural sector.

5. Credit No.200MAG - $9.6 million for the development of the Port of Tamatave, was signed in June 1970. The project comprises: (i) at Tamatave - extension of the breakwater by 225m, extension of Pier C by 245m to provide three berths, improvements to Pier B, provision of three transit sheds and two warehouses, minor improvements to stacking areas, roads and rail layout, and cargo-handling equipment; (ii) at Tanio point near Tamatave - provision of a deep-water tanker mooring and a submarine pipeline; (iii) technical assistance to provide management personnel and implement a training program, consulting services for final engineering, construction supervision and financial studies.

6. Civil works are proceeding satisfactorily and completion on schedule by July, 1974 is expected. On the other hand, the reorganization of port administration is proceeding more slowly than expected, since technical assistance provided under the Credit has not been very effective in that the two most important appointees (the Port Director-General and the Chief of Finance) have proved inadequate. At the Government's request, IDA has agreed to replace them by Malagasy nationals. The Government has also asked for a supplement of $1.8 million to the existing credit to cover the shortfall in foreign exchange requirements; the necessity for the increase arises entirely out of the realignment of currencies. We have agreed in principle to the Government's request, and a memorandum to this effect is being circulated to the Executive Directors on a no-objection basis.

7. Credit No.351-MAG ($15 million) and the Loan No.876-MAG ($15 million) to finance the Third Highway Project were signed on January 17, 1973. The major components of the project are construction works on about 400 km of primary roads in the central part of the country, and consulting services for detailed engineering of a further 200 km of primary roads. Project execution is progressing satisfactorily. All the road sections proposed for construction pass through areas of high agricultural and livestock production or potential. Road works will improve connections between: (a) Antsirabe, an important industrial center, and the agriculturally rich region of the Sakeny River Valley and the port of Morondava; (b) Tananarive, the capital and Tsiroanomandidy, a vital market town in the mid-west and (c) the eastern and western regions of Lake Alaotra, a flourishing agricultural production area.

Education

8. Loan No.510-MAG - $4.8 million for secondary technical education and teacher training, was signed in August 1967. The project is almost completed and the loan is expected to be fully disbursed by the Closing Date of September 30, 1973. The Loan helps finance the relocation and expansion of three secondary technical institutes and two teacher-training institutes in Tananarive. The expansion enables the enrollment of the schools to increase from 1,350 students to 3,110, and the concentration of the five schools on one site makes possible the sharing of various common facilities.

Agriculture

9. Credit No.322-MAG - $15.3 million for irrigation and rural development in Morondava was signed in June 1972. The closing date is June 30, 1974. The date of effectiveness has been postponed several times and the credit became effective only on April 30,1973. Engineering consultants are working on the detailed design of the project and have indicated in general terms that construction costs will be higher than anticipated at appraisal.

10. The project will provide irrigation to three operationally independent units, totalling 9,300 ha. The first unit of 4,700 ha will be devoted to rice cultivation by some 2,300 small farmers; the second and third units will be developed as state farms, with 2,700 ha for tobacco and peanut production and 1,900 ha for cotton. About 1,000 families will be settled as permanent laborers on the two state farms. Project works include construction of a diversion dam, rehabilitation of main canals, a gravity irrigation and drainage system for cotton and rice cultivation, a sprinkler irrigation system for tobacco and peanuts, on-farm development, improvement and construction of roads, construction of project buildings, and construction of 10 new villages and expansion of 10 existing ones, together with all necessary public facilities. In addition, farmers and laborere will be recruited and settled in the area, a health control program will be implemented to prevent the spread of waterborne schistosomiasis, and a feasibility study for a second phase project will be carried out. Overall responsibility for the project will rest with SODEMO, a corporation established by Government specifically for project implementation; responsibility for construction of major civil works and drainage system will rest with the Rural Engineering Department (GR) of the Ministry of Rural Development.

11. The project will rehabilitate and expand an existing irrigation scheme for the production of export crops such as tobacco, cotton and peanuts and provide for import substitution of rice in the sparsely populated yet productive west coast region of the country.

It would generate about 6,000 jobs and create new villages, schools, hospitals and other public facilities for settlers from the more densely populated parts of the country where opportunities for agricultural development are limited.

12. Credit No.214-MAG - $5 million for irrigation in the Lake Alaotra area was signed in August 1970. The Closing Date is June 30, 1976. The Project, which is located in the central part of the island in an area known for its export quality rice crops, is improving existing irrigation facilities and expanding the area available for year-round production. It includes: (a) rehabilitation of the irrigation and drainage networks on 4,000 ha; (b) construction of the irrigation and drainage networks on some 6,000 ha of marshland; and (c) construction of only drainage works on 2,000 ha of marshland. The project also comprises all on-farm development works, as well as setting up the organizational framework for extension services and farm supply and marketing services. An agricultural experiment station is also being established. In addition to the 1,200 families already on project lands some 1,700 farming families are given land, each family working a plot of 4 ha. The improvement and extension of the irrigation works in the project area are undertaken by the Rural Engineering Services of the Ministry of Rural Development. The on-farm development works, agricultural extension services, crop diversification experiments, and operation and maintenance of the project are carried out by the Société Malgache d'Amenagement du Lac Alaotra (SOMALAC), an autonomous organization. Ten years after completion of the project, it is expected that paddy yields will have increased from 1.4 tons/ha without the project to 3.5 tons per ha with the project, resulting in a gross production increase of about 26,000 tons.

13. Progress of construction has considerably improved during the last fourteen months and the quality of both civil works and on-farm development works is satisfactory. The rate of disbursements, which had been quite slow because of delays in submitting adequate requests for reimbursement, has been accelerated. An amount of US$2.5 million has been disbursed as of July 31, 1973. The management of SOMALAC as well as the Government have been concerned for some time with the "malgachisation" of staff. Malagasy counterparts, however, are not appointed early enough to undergo an appropriate training, which is especially important in the field of agricultural extension services. Similarly, the team of French consultants SCET working on land redistribution for SOMALAC is supposed to leave in September 1973, but apparently no steps have yet been taken to prepare a Malagasy team to continue the work. Moreover,

one of the specific land tenure problems in the project area is that farmers receiving irrigable land in exchange for dry farmed land are retaining the latter or part of it and, dividing their time between the two activities, are paying inadequate attention to the irrigated crops. The Government is looking into this situation.

14. Loan No. 585-MAG - $2.8 million was signed in February, 1969. The Closing Date is June 30, 1975 and an amount of US$1.8 million has been disbursed as of July 31, 1973. The project is the first phase of a long term program of livestock development aimed at introducing modern commercial beef ranching techniques to the sub-tropical savannah regions of Madagascar. The project is divided into two parts. Part A calls on OMBY - a Government owned company- to establish four breeding/fattening ranches, two fattening ranches, a Brahman stud herd and a pasture seed multiplication center. Part B calls on the Ministry of Rural Development to construct and upgrade about 100 km of access roads to the ranches and to improve a 250 km stock route from the ranches to Tananarive.

15. The project has encountered a number of problems. Besides Government's reluctance to accept the original concept of the project the main issues of concern were: (a) the settler problem; (b) cattle theft; (c) animal health; and (d) OMBY's accounting problems and staff morale. Because of Government's failure to provide OMBY with operating and development funds for a few months in 1972, OMBY has virtually ceased to operate. This apparent indifference by the Government to the problems of OMBY stemmed from a lack of appreciation of the technological benefits of the project, the reluctance to solve the settler problem due to serious political pressure and a strong belief that the project is foreign in concept and in execution. Indeed, the fact of having assigned expatriates to executive positions of OMBY has resulted in a complete lack of identification of the country's interests with the project. The settler problem was most acute on Ranch III, within the boundaries of which several hundred farming families live, with about 2,000 cattle. Unless measures are taken to solve the settler problem, the management of the ranch as a commercial operation is seriously impeded. A number of measures were discussed with Government; these included the exclusion of heavy populated areas from OMBY ranches; the resettlement and compensation of individuals willing to move off OMBY ranches, the allocation of new grazing grounds to individuals giving up their grazing grounds on OMBY ranches, and the provision of educational, medical and extension services by OMBY to the inhabitants of the area.

16. After the discussions which Mr. Husain and a Bank supervision mission had with the Government earlier this year, considerable progress has been made in solving the major problems. Preliminary agreements were reached with the Government and they included changes

in the size and concept of the ranches, the possible participation of villagers in OMBY's ranching operations and modifications in OMBY's financial and organizational status to fit the changed conditions. The Government proposed the intensification of operations on four breeding/fattening ranches instead of establishing two additional ones and the replacement of expatriate ranch managers by Malagasy nationals. The Government also proposed ways of obtaining villagers' cooperation with OMBY (among these measures is the steer fattening program) and inducing them to resettle off the ranches area, (it is interesting to note that the number of cattle stolen from the OMBY ranches has considerably declined during the first half of 1973). The Bank has agreed in principle to Government proposals, but asked that detailed plans be submitted for review. In the meantime, OMBY's accounting problems are being discussed with the Government and a satisfactory solution is expected shortly, including the seconding of a staff member from the Finance Ministry to OMBY as financial controller.

17. In spite of the problems encountered by the project the pasture improvement program can be considered to be a major technological breakthrough, capable at least of tripling, and at low cost, the carrying capacity of vast tracts of the savannah grasslands of Madagascar. This coupled with freedom from many cattle diseases puts the country in an enviable position as far as beef exports are concerned.

C. Prospective Operations

18. Railway Project - The state-owned railway - Reseau National des Chemins de Fer Malagasy (RNCFM) - plays a central role in Madagascar's economy, being the only reliable means of surface transportation among many of the island's economic centers, and most importantly between its main port at Tamatave and its capital and major economic center, Tananarive. Due to inadequate and insufficient rolling stock, however, the railway has recently been experiencing congestions and delays, and these have placed a constraint on economic activity. Some immediate investments are therefore essential. Its medium and long-term investment needs are uncertain, however, since its future role would be reduced if and when a competing road between Tananarive and Tamatave would be reconstructed (studies are currently underway to investigate the possibilities of improving some of these potentially competitive road sections).

19. The Project has therefore been designed as a "holding operation" to assist the Railway in replacing necessary assets. Total project cost is estimated at $10.0 million with a foreign exchange component of $6.0 million. The project would aim at covering the immediate needs of the Malagasy Railways for the

period 1973-75: track materials, freight wagons, passenger coaches and consultant services for management. Negotiations are scheduled for late October 1973. The main issue will be the enactment by the Borrower of a decree, satisfactory to the Association, granting the Railway sufficient authority and flexibility in management, personnel and financial matters. An IDA mission will visit Tananarive in early October to discuss with the Government and the Railway this matter as well as other issues.

20. Second Livestock Project - this project would aim at increasing the production of the traditional cattle sector, through improved water supply and better disease control, nutrition and herd management. The project would affect a cattle population of 1.5 million head in the northwestern and western part of Majunga province. The IBRD/FAO CP is assisting the Government in project preparation. Total project cost is estimated at $5.4 million with a foreign exchange component of 60 percent. Project appraisal is scheduled for late September 1973. The project, which is more a rural development scheme based on livestock rather than a traditional livestock project, raises a number of issues which the appraisal mission should discuss with the Government, such as scope, organization, recovery of project costs.

21. Second Education Project - to assist the Malagasy authorities in project preparation, a UNESCO/IBRD mission arrived in Tananarive in May 1972, but had to interrupt its stay due to political disturbances. Another mission, which was planned for August 1973, is now postponed until November 1973, at the Government's request. Project preparation may take time since the new Government intends first to reform the Malagasy education system.

22. Forestry Project - the project was identified by an IBRD/FAO CP mission in February 72. It would establish 35,000 ha of pine plantations over a 5-year period (1975-1979) on the Haut Mangoro plateau (north of Tananarive), with a planting rate of 7,000 ha per year, to supply a pulp mill of 150,000-200,000 tons/year capacity (to be constructed possibly in 1982). The proposed markets would be for about 10-15 percent local consumption with the remainder for export. Project cost is estimated at $9 million, including the establishment of the infrastructure required for both this project and subsequent plantations management. Appraisal is now planned for November 1973. Issues concerning land tenure and villagers' resettlement are being resolved by Government.

23. Industrial Credit Project - the Bank has been asked to extend technical assistance and financial aid for the reorganization of the existing development finance institution providing medium- and long-term finance for investments in industry. It is possible that a lending operation will shape up in FY1975. A DFC preparation mission, scheduled for September 1973, has been postponed at the Government's request. We may inquire about the Government's proposed timing for this mission.

24. Irrigation Rehabilitation Project (Petits Perimetres) - the project, as prepared, includes nine perimeters mainly in the south of the country. It would cover some 15,000 ha, rehabilitate the existing irrigation and drainage works, set up adequate operation and maintenance services, and promote agricultural development (extension, marketing, etc.) to bring the irrigation potential to full utilization. Preliminary findings of the recent Bank agricultural identification mission indicate that project preparation is sufficiently advanced for only the perimeters of Behard and Belamoty to allow early appraisal. The area covered would include about 4,500 ha and project costs are estimated at about $5.5 million. The French consulting firm, SCET, is to complete the feasibility study by the end of September 1973. Provided that the Government finds a satisfactory solution to the problems of organization and management, the project may be appraised in early 1974.

25. Didy Plain - Irrigation Project - the proposed project would follow the pattern of our previous Lake Alaotra Project and cover the development of 8,000 ha in the Didy Plain, southeast of Lake Alaotra. FAC is financing the required feasibility studies, which should be completed by mid-1974.

26. Rogez Hydroelectric Project - the proposed project would involve the construction of a 95 m long and 7 m high spillway gravity barrage, a 3,800 m long headrace tunnel and an underground power station of 4 x 25 mw capacity near the village of Rogez on the Vohitra River, at about 140 km west of Tananarive. Total project cost is estimated roughly at about $40 million, including the cost of transmission facilities. A Bank pre-appraisal mission was in the field in April 1973 and recommended that further preparatory work should be carried out by consultants before the project can be appraised. We have suggested to the Government to proceed without delay with these additional studies, which might take about nine months. Consultant services are required i) to review demand projections, including a ferrochrome processing project; ii) to determine whether the proposed ferrochrome industry and the related power production facility are both viable; and iii) to determine the most economic solution to meet this demand. In the meantime, the Government has asked the Bank for assistance in the formation of a consortium to finance the project. Canada has already expressed a strong interest; Japan and France may also be co-lenders.

IFC INVESTMENTS IN MADAGASCAR

IFC has not yet made any investments in Madagascar, but two projects are under consideration:

Bata Shoe Project

IFC has presently one project under active consideration in the Malagasy Republic. It is sponsored by the Bata Shoe Organization (BSO) and it would consist of (i) the expansion of shoe manufacturing capacity of Bata S.A. Malgache (the Company), the local BSO affiliate and (ii) the establishment and operation of a modern tannery to process about 500 cattle hides per day. Part of the tannery output would meet the leather requirements of Bata shoe factory and the balance would be exported to Mauritius, the Comoro Islands and France.

The project cost has been estimated at about US$3.0 million and would be financed as follows:

	US$ equivalent
Equity	
IFC	0.3
Loan	
IFC	1.5
Cash Generation	1.2
Total Financing	3.0

BSO's project in the Malagasy Republic is, in many respects, similar to the two projects being financed by IFC in Zambia. As in Zambia, the project is very attractive to the country because first it will save foreign exchange by producing low-priced shoes which would otherwise have to be imported, and second it will add economic value to local hides currently exported as raw materials, and third, the country will benefit from a significant inflow of tanning knowhow.

IFC's participation in this project would have two main results. First, it would enable Bata S.A. Malgache to carry out without delay a sound, profitable and economically attractive project. Second, it would help in broadening the Company's ownership. IFC would subscribe to 15 percent (US$0.3 million) of the Company's share capital and BSO may also make a secondary offering to the public in Madagascar for an additional 15 percent of the share capital.

The project is technically ready. BSO has submitted a feasibility study to IFC and the Government. BSO is, however, not prepared to move ahead before the new Investment Code is published. Through your Alternate, Mr. Boukar, IFC has informed the Government of Madagascar of its interest in financing this project. Both the Ministry of Planning and the Ministry of Finance welcomed the proposal.

Hotel Chain

IFC has been approached by the project sponsor, Mr. William Hedley of London. The project as currently envisaged comprises the taking over of two existing Government-owned hotels and the construction of two new hotels of 300 rooms each. The old hotels, which are of a smaller size, would be completely renovated and the four hotels together would form a suitable chain to permit the tourist to visit the more attractive regions of the island. The total project cost, including renovation of the old hotels, has been estimated at about US$12.0 million.

II. COUNTRY PROJECTS

As of 31 December 1972

Project number and title	Executing agency	Date approved	Estimated completion date	Estimated project cost (US dollar equivalent) UNDP	Government counterpart contribution
AGRICULTURE, FORESTRY AND FISHERIES					
MAG-66-508 SURVEY AND DEVELOPMENT OF SELECTED FOREST AREAS	FAO	01/66	01/74	798,800	586,482
MAG-68-011 DRY LAND FARMING	FAO	06/69	01/74	107,100	
MAG-68-012 CO-ORDINATION OF FAO/FFHC PROJECTS	FAO	06/69	01/75	243,927	
MAG-68-013 DAIRY PRODUCTION	FAO	12/68	01/75	161,100	
MAG-68-015 AGRICULTURAL STATISTICS	FAO	12/68	01/73	65,100	
MAG-68-515 FISHERY DEVELOPMENT PROJECT	FAO	01/68	05/73	919,166	404,768
MAG-69-002 AGRICULTURAL TRAINING	FAO	06/69	01/73	60,525	
MAG-69-003 BANANA EXPORT	FAO	06/69	01/74	138,075	
MAG-70-523 RESEARCH ON THE MALAGASY MIGRATORY LOCUST	FAO	01/70	04/74	621,286	335,399
MAG-71-004 WATER IMPROVEMENT	FAO	09/71	01/73	2,000	
MAG-71-529 SURVEY AND DEVELOPMENT OF SELECTED FOREST AREAS (PHASE II)	FAO	01/71	01/74	446,600	208,593
MAG-72-C01 PRODUCTION FOURRAGERE	FAO	06/72	07/73	30,000	8,200
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SUB TOTAL				3,593,679	1,543,442
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EDUCATION					
MAG-63-501 EDUCATIONAL TRAINING AND RESEARCH INSTITUTE OF MADAGASCAR	UNESCO	01/63	09/75	2,105,594	1,654,340
MAG-68-C02 RURALIZATION OF PRIMARY EDUCATION	UNESCO	12/68	01/73	101,100	
MAG-69-001 EXTRA CURRICULAR YOUTH EDUCATION	UNESCO	05/69	01/73	25,425	
MAG-69-513 WORK-ORIENTED LITERACY PILOT PROJECT	UNESCO	01/69	01/74	654,090	54,000
MAG-71-002 MASS COMMUNICATIONS	UNESCO	06/71	07/73	11,800	
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SUB TOTAL				2,898,009	1,708,340
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GENERAL ECONOMIC AND SOCIAL POLICY AND PLANNING					
MAG-67-514 AGRICULTURAL DEVELOPMENT OF THE MORONDAVA PLAIN	FAO	06/67	02/72	1,336,800	912,532
MAG-68-007 ECONOMIC PROGRAMMING AND PROJECTIONS	UN	12/68	10/71	63,175	
MAG-70-006 RURAL DEVELOPMENT, MAHABO	FAO	06/72	01/75	90,000	
MAG-71-033 DEVELOPMENT OF THE SOUTH	UNDP	12/72	02/72	13,000	
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SUB TOTAL				1,502,975	912,532
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HEALTH					
MAG-68-017 DEVELOPMENT OF HEALTH SERVICES	WHO	12/68	04/71	35,500	

II. COUNTRY PROJECTS

As of 31 December 1972

Project number and title	Executing agency	Date approved	Estimated completion date	Estimated project cost (US dollar equivalent) UNDP	Government counterpart contribution
MAG-71-525 WATER SUPPLY AND SEWERAGE SURVEY OF TANANARIVE	WHO	06/71	01/74	768,358	222,6[illegible]
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SUB TOTAL				803,858	222,6[illegible]
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INDUSTRY					
MAG-68-008 INDUSTRIAL PROMOTION	UNIDO	12/68	01/72	59,100	
MAG-68-009 INDUSTRIAL PLANNING	UNIDO	12/68	10/71	37,475	
MAG-68-010 CO-OPERATIVE DEVELOPMENT	ILO	12/68	01/73	130,425	
MAG-69-522 NATIONAL VOCATIONAL TRAINING PROGRAMME	ILO	06/69	08/72	484,900	484,2[illegible]
MAG-70-001 ECONOMIC GEOLOGY	UN	08/70	03/71	9,176	
MAG-70-004 DEVELOPMENT OF AMPANIHY MOHAIR CO-OPERATIVE	ILO	09/71	06/74	75,000	38,[illegible]
MAG-70-520 DEVELOPMENT OF COOPERATIVES	ILO	06/70	10/73	332,800	551,[illegible]
MAG-71-006 WOVEN HANDICRAFTS	UNCTAD	09/71	04/72	7,500	
MAG-72-003 NATIONAL INDUSTRIAL VOCATIONAL TRAINING PROGRAMME (PHASE II)	ILO	07/72	12/73	207,100	5,[illegible]
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SUB TOTAL				1,343,476	1,080,[illegible]
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INTERNATIONAL TRADE					
MAG-71-005 DEVELOPMENT OF TOURISM	UN	09/71	02/72	20,000	
MAG-71-010 EXPORT PROMOTION	UNCTAD	12/71	03/72	7,000	
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SUB TOTAL				27,000	
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LABOUR, MANAGEMENT AND EMPLOYMENT					
MAG-71-003 MANPOWER PLANNING AND POLICY	ILO	08/71	02/72	23,293	
MAG-71-534 EMPLOYMENT PLANNING AND TRAINING PROGRAMME	ILO	09/72	09/72	17,000	
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SUB TOTAL				40,293	
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NATURAL RESOURCES					
MAG-68-006 NATURAL RESOURCES DEVELOPMENT AND POWER - HYDROGRAPHY	UN	12/68	03/73	92,126	
MAG-68-519 PREPARATION OF A POWER DEVELOPMENT PROGRAMME AND RELATED TRAINING ACTIVITIES	UN	01/68	01/73	464,795	251,[illegible]

II. COUNTRY PROJECTS
As of 31 December 1972

Project number and title	Executing agency	Date approved	Estimated completion date	Estimated project cost (US dollar equivalent) UNDP	Estimated project cost (US dollar equivalent) Government counterpart contribution
SUB TOTAL				556,921	251,345
SCIENCE AND TECHNOLOGY					
MAG-68-019 METEOROLOGY	WMO	12/68	10/73	11,800	
MAG-71-008 ESTABLISHMENT OF A CYCLONE AND THUNDER-STORM FORECASTING DETECTION AND WARNING SYSTEM	WMO	09/71	09/72	9,500	
MAG-71-009 HYDRO-METEOROLOGICAL STUDY - LAS ALAOTRA	WMO	09/71	10/72	22,100	
MAG-71-530 ESTABLISHMENT OF A CYCLONE AND THUNDERSTORM FORECASTING, DETECTION AND WARNING SYSTEM	WMO	01/72	02/75	1,212,000	728,700
MAG-71-531 ESTABLISHMENT OF AN AGROMETEOROLOGICAL AND HYDROMETEOROLOGICAL NETWORK FOR THE LAKE ALASTRA BASIN	WMO	01/72	01/75	390,200	808
SUB TOTAL				1,645,600	729,508
SOCIAL SECURITY AND OTHER SOCIAL SERVICES					
MAG-68-003 HOUSING PHYSICAL PLANNING AND BUILDING	UN	12/68	01/74	193,751	
MAG-70-005 ASSISTANCE TO THE SEIMAD	UN	07/71	01/73	30,000	
SUB TOTAL				223,751	
TRANSPORT AND COMMUNICATIONS					
MAG-64-505 NATIONAL INSTITUTE OF TELECOMMUNICATIONS AND POSTS	ITU	01/64	02/73	1,188,270	2,0 2,496
MAG-68-016 CIVIL AVIATION	ICAO	12/68	10/74	17,600	
MAG-69-518 A STUDY OF PORTS FOR THE NORTHWEST AND AT MARDANTSETRA	UN	01/69	08/72	715,465	146,799
MAG-72-013 PORTS STUDY (PHASE II)	UN	06/72	08/73	34,500	
SUB TOTAL				1,955,835	2,199,295
TOTAL				14,591,397	8,646,950

PNFall/JDRoulet:rp
September 5, 1973

PRESS AND RADIO

Madagascar has a good mass communication system compared to neighbouring countries. There are 10 daily newspapers, 17 weeklies and 1 monthly. The total daily circulation reaches about 100,000 copies. Unfortunately, because of the transportation system, the newspapers circulate very slowly from the capital to the countryside.

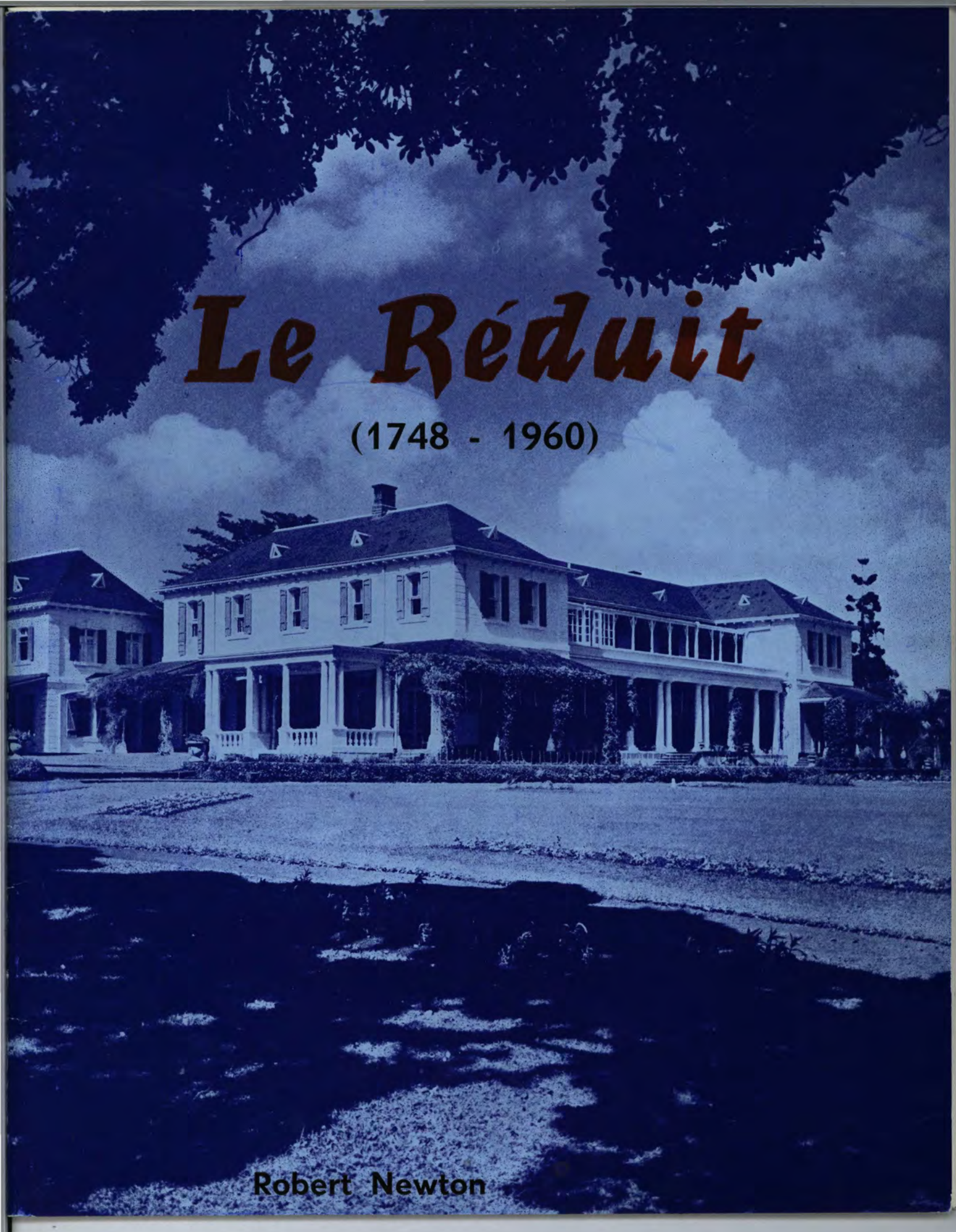
The newspapers have been supplemented by the radio system run by Radio Television Malgache, a Government owned corporation under the chairmanship of the Minister of Information. Radio Malagasy is broadcasting in Malagasy, French, and English. In addition to the commercial outlet of Radio Television, there is an educational radio called Radio Universite which broadcasts during the school year from October 15 to June 30, except during the school holidays of Christmas and Easter.

The television in Madagascar is in an experimental stage.

Radio Netherlands has a relay station at Talata-Volonondry broadcasting for the East African Region.

International press agencies like Reuters, Agence France-Presse and United Press Information are operating in Madagascar, in addition to the Government owned news agency Mad-Press.

Attached is a list of the main newspapers published in Madagascar.



Le Réduit

(1748 - 1960)

Robert Newton

LE RÉDUIT

(1748 – 1960)

BY

ROBERT NEWTON, C. M. G.

COLONIAL SECRETARY, MAURITIUS,

The Standard Printing Establishment
(HENRY & Cie.)
8, Félicien Mallefille Street,
PORT LOUIS — MAURITIUS

FOREWORD

These notes have grown out of intermittent researches among the records made on the occasions when I had the high privilege of living at Le Réduit. *They have been completed, partly as a relaxation and a labour of love, partly in the hope that they will interest others in the life-story of a historic building.* Le Réduit *mirrors the story of Mauritius. Neither the Portuguese nor the Dutch left any important mark on the Island, except perhaps by the destruction of its fauna and flora. To all intents and purposes the history of Mauritius began on the 23rd September, 1721, when Jean-Baptiste Dufougeray erected a wooden cross on the Ile aux Tonneliers. Twenty-seven years later, in 1748,* Le Réduit *was built.*

Since these notes were completed, Le Réduit *has suffered from the destructive hurricanes of the 19th January and the 28th/29th February. The effect on the grounds and gardens can best be described in the words of Jules Leclerq, who wrote of the aftermath of the great storm of 1892: " The forests were leafless; the trees were stripped of their bark; bare trunks stood among giants beaten to the earth; paths and avenues were blocked by fallen branches. The winter of the north had smitten this tropical island ". Beauty that has matured through fifteen years of tranquillity from 1945-1960, has suffered grievously; it is to be hoped that it will return, as it has returned after so many similar catastrophes in the past.*

I record my gratitude to the Chief Archivist, Dr. Auguste Toussaint, who placed his encyclopaedic knowledge of Mauritian history at my disposal; to Mr. H. Adolphe, Assistant Archivist, who supplied me with a bibliography and copies of documents; to Mr. Jean Nairac, Deputy Director of Public Works, for his translation of the architectural terms used in the 18th century inventories; and to Mr. Alfred North Coombes O.B.E., Deputy Director of Agriculture, who patiently answered my questions and sent me useful notes. The photographs are through the courtesy of Mr. K. Hazareesingh, Director of the Central Information Office, who was also kind enough to arrange the printing.

R. N.

Vacoas, Mauritius.
March, 1960.

LE RÉDUIT : THE MAIN ENTRANCE

Le Réduit 1748-1960

In July, 1747, Rear-Admiral Edward Boscawen, " wry-necked Dick ", sailed from England with a fleet of twenty-eight warships and eleven vessels of the East India Company carrying stores and troops. England and France — and all Europe — were at war, the War of the Austrian Succession. Fighting had spread round the globe. Marshal de Saxe, having defeated the Duke of Cumberland at Fontenoy, had captured Brussels and overrun the Spanish Netherlands. In the New World, the Governor of Massachusetts had taken Louisbourg and plans were being laid for the conquest of Canada. In the Indian Ocean, Mahé de la Bourdonnais, governor (1735-1746) of the Iles de France and Bourbon for the French *Compagnie des Indes*, had captured Madras, in September, 1746. Madame de Pompadour had been installed for two years at Versailles as *maîtresse en titre*. It was the age of rococo. Men of fashion were discarding the cumbersome, full-bottomed wig in favour of the smaller tie-wig fastened with black, silk bows; they paraded in waisted coats with enormous cuffs and flared skirts, waistcoats of flowered silk and brocade. For women it was the period of the sack gown, Watteau pleats and powdered hair.

Admiral Boscawen's orders were to attack the Ile de France on his way to Coromandel if, having probed the defences, he considered an attack " prudent and practical ". When, in June, 1748, the British fleet arrived off the coast of the Ile de France, the island was in no state to resist a determined attack. The British, however, after testing the defences at Petite Rivière and elsewhere between the Baie des Tortues and the Black River, arrived at an exaggerated estimate of their strength. Boscawen, whose career indicated that he lacked neither resolution nor courage, seems to have decided that an attack would at least weaken his fleet and prejudice his success in attaining his primary objectives in India; so the fleet sailed for Pondicherry.

It was this threat that inspired La Bourdonnais' successor, Pierre Félix Barthélemy David (1746-1753), formerly governor of Senegal, to build the Retreat — *Le Réduit* — as a refuge for women and children in the event of renewed attacks from the sea.

The setting is superb and has impressed visitors throughout two centuries: a 900 ft spur of the Moka range forming a triangle between the deep gorges of the *Profonde* and *Cascade* rivers. Below the high cliff that forms the apex of the triangle, the *Bout du Monde*, the rivers meet in a pool beneath the rocks and pursue their tortuous course to the sea that fills the north and western horizon beyond the tenuous white line of the reef. North, across the tree-filled gorge of the *Profonde* river, the rocks and pinnacles of the Moka range arise out of a tangle of cactus and thorn scrub. To the south-west the horizon is closed by the great crags of the *Corps de Garde*. Fitted closely to the ridge, deep in trees, guarded by the gorges, lies *Le Réduit*, low, red-roofed, gracious and unassertive in its frame of mountains and sky, catching " in sudden gleams, the sheen of the far-surrounding seas ".

In its original form, *Le Réduit* was a small fort defended by ditch and drawbridge, loop-holed walls and crenellations. The centre of the building was probably close to the spot now occupied by a sun-dial on the front lawn. In its present form. *Le Réduit* dates essentially from its rebuilding in 1778, though it has been considerably modified since that date. The inventory of 1813 describes the approach by a drive which crossed the ditch — now a shallow depression on the front lawn — by a wooden bridge and entered the courtyard through a gate hung on stone pillars. This must have been the original approach to David's building.

The building was faced externally with boards laid vertically, planed, and with matched and beaded joints, and had a cornice supporting the roof. There were two large doors, sixteen windows and six partition doors. All these openings had windscreens and double hurricane shutters, rattan sashes and iron fittings.

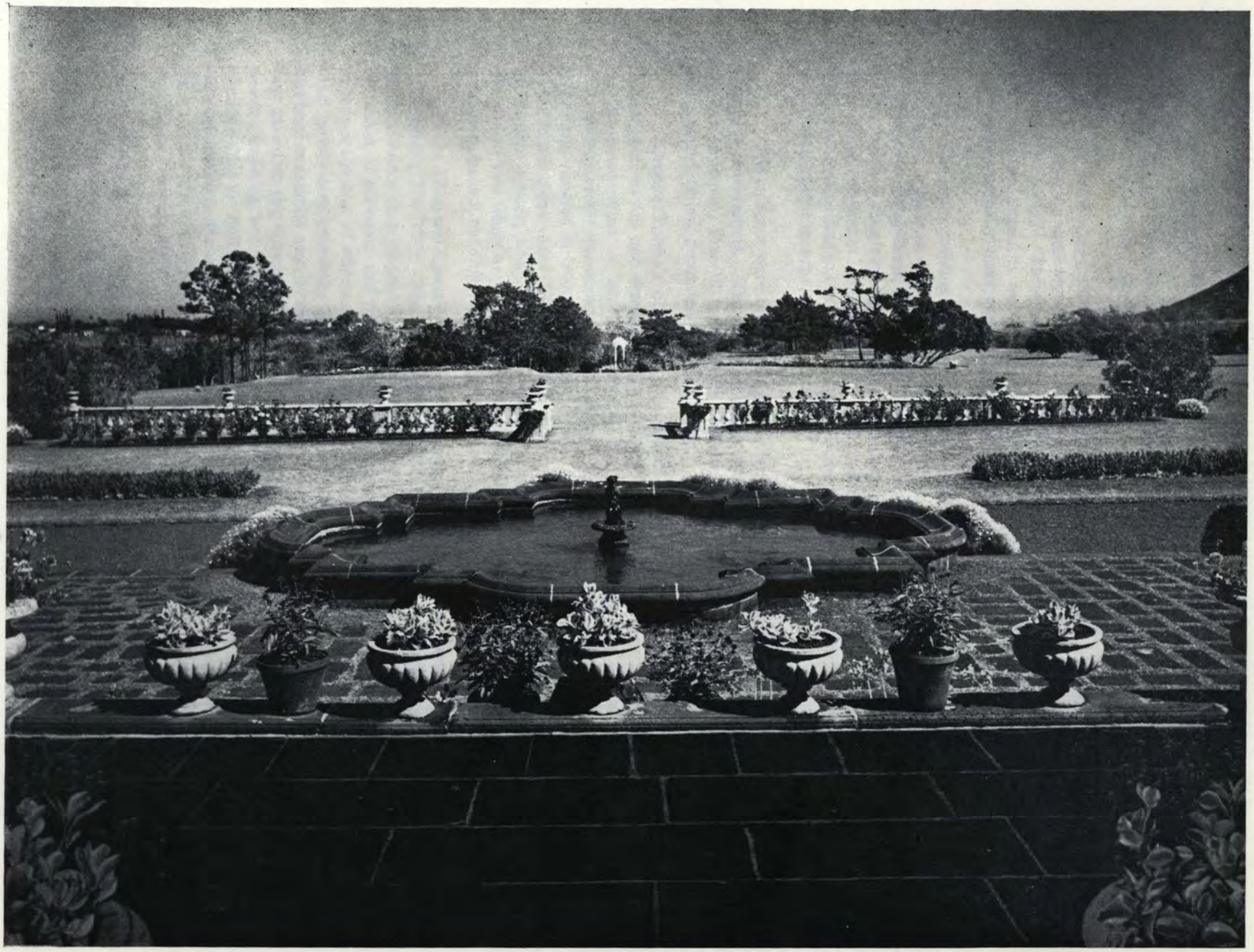
The two wings, joined onto the main building and projecting towards the courtyard, were built of timber on masonry foundations. Each was 30 ft. in length, with an overall width of 18 ft, and was 10 ft. high. These buildings consisted each of two rooms separated by a joinery partition and were lined externally with planed, matched and beaded joint boarding with a cornice supporting the roof. Internally there was wainscotting consisting of boarding from top to bottom.

The main building and the two wings were surrounded by a gallery on the courtyard side. This gallery measured 46 Toises (276 ft.) in periphery. It was 11 ft. high and 12 ft. wide and was supported by 28 columns of ashlar. The roof was supported on a cornice. The interior of the gallery had a cornice supporting a wooden ceiling; it was paved with flagstones from India and had three circular flights of stone stairs with four steps each. Behind the left wing and under the gallery was a staircase leading to the attics. This staircase was constructed of carpentry work and the stringer was in spiral flight incorporating the steps.

The annexes were built of dressed stone masonry laid on lime mortar and rough-rendered externally with cement. The jambs of doors, windows and sills and the window-sill shuttings were of dressed stone. One of the annexes contained the dining-room, which was painted white and had a plaster ceiling decorated with mouldings.

Despite Poivre's objections, *Le Réduit* remained the residence of the governor-general. It continued to fall into disrepair. By 1778, the woodwork had been almost entirely destroyed by the combined attack of white ants and decay. It therefore became necessary either to abandon the building or to reconstruct it throughout. The new governor-general, the Chevalier de Guiran la Brillane, decided in favour of reconstruction. The work was undertaken with despatch and completed in the same year, 1778. It is this date, carved over the main door at *Le Réduit*, that records La Brillane's work, which left substantially the building that exists today in the form of a central block with two wings at the eastern and western ends. It was surrounded by the usual huddle of smaller detached buildings, offices, guest rooms, servant quarters and workshops.

In 1779, the Chevalier de la Brillane died at *Le Réduit* and was succeeded by the Vicomte de Souillac (1779-1787). The French Government at this period was undergoing one of the recurrent financial crises that plagued it in the 18th century. In Paris, Necker was struggling to replenish, by means of economy and public loans, an exchequer exhausted by the American war. In order to reduce the cost of administration in Mauritius, instructions issued from Paris that *Le Réduit* and other government properties should be sold. De Souillac protested. He pointed out that *Le Réduit* had been constantly used by the governor-generals of the Iles de France and Bourbon since the islands were ceded to the Government. His predecessors, who had originally wished to repair the former wooden building, had found it to be so decayed that it had been necessary to rebuild it in stone. He admitted that the building could have been reconstructed on a smaller scale; but the work was done. He explained that the coast was excessively hot and unhealthy, that everyone left Port Louis during the hot season, and that he himself made *Le Réduit* his usual place of residence and visited Port Louis only when business made his presence there essential. Finally, using the argument which administratives have always hoped would carry weight with a government bent on economy, de Souillac explained that it was only at *Le Réduit* that he found the peace of mind and energy to devote himself to the affairs of the island.



VIEW FROM THE TERRACE

The proposal was abandoned for the time. The Vicomte de Souillac was transferred in due course as governor-general of the French territories in India. In Europe, France faltered through weak administration and bankruptcy into revolution. In 1790, the tricolour of the new era reached Mauritius. On the 3rd April, the General Assembly of the Island held its first meeting in Port Louis and, in accordance with the prevailing fashion for grandiloquent, if vague, gestures, declared itself permanent and inviolable.

It was, therefore, on a troubled scene that the last royal governor-general, the Comte de Malartic (1792-1800) gazed when he set foot in the Ile de France on the 17th June, 1792. Malartic was 62 when he was appointed to Mauritius. A professional soldier, he had served throughout the war of the Austrian succession, and later in Canada under Montcalm. In 1769, he had been appointed governor of Guadeloupe. He was faced at once by renewed proposals that *Le Réduit* should be sold in accordance with a plan, drawn up by the General Dumas who had been governor-general from 1767-68, to remove the administrative and military headquarters of the island to the vicinity of the Piton du Milieu. Malartic objected and played for time. " Citizen Representatives ", he wrote, in December, 1792, " if it is your intention to have *Le Réduit* sold, I suggest that you await the decision of the Executive Power ". He had been handed a copy of General Dumas' memorandum before he left Paris and the Minister of Marine had spoken of it highly. Malartic had informed the Minister that he was too busy to study the proposals before his departure but would do so after his arrival in Mauritius. He had now read and re-read the memorandum and had inspected the site chosen by General Dumas. He assured the Assembly that he would adopt the general's plan if the cost were not so frightening. *J'adopterais sa proposition si la dépense à faire ne m'effrayait pas.* Malartic suggested, however, that, if the island were attacked, everything that was exposed to danger in Port Louis could be moved to *Le Réduit* and it might even be prudent to send there the women from Port Louis and from the more exposed districts of the island. He promised to send a memorandum to Paris at the first opportunity and he was sure that his recommendations would be accepted.

Malartic's administration was, throughout, a period of turmoil and confusion in the Ile de France. The enthusiasm of the colonists for the ideals of the Revolution dwindled markedly when it was discovered that they involved the emancipation of the slaves without compensation. In 1799, the agents of the Directory, seeking to apply too literally the principles of Liberty, Equality and Fraternity, were forcibly deported. At the close of that year Malartic had to suppress an attempt, engineered from Bourbon, to contrive a royalist restoration in the two islands. In July, 1800, the governor died of apoplexy, and was buried in the *Champ de Mars*, Port Louis. His funeral was attended by representatives of the British squadron blockading the Ile de France.

The Comte de Malartic's portrait is in the dining room at *Le Réduit*. It is not in the best style of 18th century painting but it is an 18th century face, civilised, humane shrewd, and a trifle weary.

In 1803, the Captain-General Decaen (1803-1810) succeeded General Magallon, who had served as a stop-gap for three years on the death of the Comte de Malartic. This was the St. Martin's summer of the corsairs, a time when heavy damage was inflicted on the East India Company's ships by commerce raiders from the Ile de France. In 1809, five Indiamen were captured, and the Company's losses in that year amounted to thirteen ships, by capture or shipwreck. These events, and Decaen's plans to use the Island as a base for an attack on India, led to a review of the British Admiralty's opinion that the capture of the Ile de France would be costly and useless. In India, the Governor-General, Lord Minto, decided to attack the Ile de Bourbon and then, if this proved successful, to follow it up with an attack on the Ile de France. In July, 1810, the Ile de Bourbon surrendered. In August, the British were defeated in a frigate action at Grand Port. On the 29th November, they landed in the Ile de France. On the 2nd December, Decaen capitulated. Robert Townsend Farquhar (1810-1817) and (1820-1823) became the first British governor of Mauritius. The British occupation of *Le Réduit* began.

Le Réduit was described, in the list, compiled in 1811, of government property handed over to the British authorities, as consisting of "a principal block of masonry with two wings, also constructed of masonry and with an open gallery on each face of the principal building". The central building and the wings carried a second storey built of wood with a mansard roof. On the right and left of the courtyard were two wooden buildings occupied by the aides-de-camp and these were extended by two wooden *pavillons* with kitchens behind them. A fence formed the fourth side to the courtyard. There were also quarters for grooms and servants, a pigeon-loft, gardener's house and store. The whole was described as in very good repair.

Farquhar, thirty-four years old at the time of the British occupation of Mauritius, has been described as " mild, urbane, humane and attentive; gentle and energetic at once ". He was also a man of means and, with the Prince Regent as his father's patron, enjoyed generous emoluments as governor of Mauritius and, apparently, the support of the British Treasury. He maintained *Le Réduit* with an elegance that impressed the island. He brought out an English gardener to supervise the introduction of exotic trees and plants, which Farquhar continued in the tradition of his predecessors. The chief gardener-botanist of the Government, Victor Félix Jaunet, who had been offered a post in Corsica in 1813, was retained by Farquhar to supervise the gardens at *Le Réduit*. Jaunet was later dismissed by Major-General Hall (1817-1818) " for plundering the plants of that establishment ". Later he studied the cultivation of tea in Mauritius. Major-General Hall apparently was uninterested in gardening and, whatever the cause of Jaunet's dismissal, it is probable that this act, and the governor's neglect, began the deterioration of the French Garden that was an unhappy feature of the 19th century history of *Le Réduit*. In 1812 — the year of Napoléon's retreat from Moscow — Farquhar converted a gamekeeper's cottage into a summer house overlooking the *Cascade* river. Here the governor was wont to repair for meditation and contemplation of the new trees and shrubs with which he was improving the slopes of the gorge. Part of the property was then used as pasturage for the Governor's sheep and cattle, and part allocated as subsistence for the slaves.

At that period, the general appearance of *Le Réduit* was similar to that of the modern building, especially from the seaward side: a long, low two-story building with a shingled roof and stone pillars carrying a central portion recessed between the two projecting wings, each of which ended with a verandah with a sloping, tiled roof. In the upper story, the small windows opened out onto the flat roof of the central verandah. The main bedrooms were contained in the wings. At ground level, the verandah had a low balustrade with climbing plants and looked out onto a lawn sloping gently down to the *Bout du Monde*.

In 1823, Sir Lowry Cole (1823-1828) succeeded Farquhar. Second son of the Earl of Enniskillen, a distinguished commander of the 4th Division in the Peninsular War, married to the daughter of Lord Malmesbury three days before Waterloo, Cole, like Farquhar, was an accomplished man of the great world. He and his wife arrived with a large establishment including gardener, grooms, A.D.Cs and five children. They took up residence at first in the house belonging to the general in command of the garrison, which Lady Cole complained, was " in all respects inferior to *Le Réduit*, which we hope to get into better order and which will then be a delightful residence." The Coles found themselves involved in their social obligations soon after their arrival and fulfilled them punctiliously. Lady Cole wrote that, on the 12th August — she had arrived at Mauritius in June — they gave a ball for 700 persons with 250 or more at supper. She noted that it was the custom at that time for the ladies to sit down to supper by themselves first and were then followed by the men.

Sir Lowry Cole has been described as one of the most chivalrous, loyal and straight-forward of the governors of Mauritius. He was also *le gentilhomme le plus cérémonieux dans les trois royaumes.* The hospitality at *Le Réduit* was lavish. Etiquette was strict. Like his predecessor the governor took a keen personal interest in all the details of the maintenance of the house, garden and grounds.

The succeeding governor, Sir Charles Colville (1828-1833), who had served in the West Indies, the Peninsular, Egypt and at Waterloo, maintained the hospitality and courtesy of *Le Réduit* but relaxed the etiquette. One admiring visitor recorded that " the charm of Sir Charles Colville's house consisted in the perfect independency of the visitors, to whom every facility was afforded for amusement, without being oppressed by too much attention, and on assembling at table the arrangements were so excellent, and so easily conducted, that although you felt every want readily supplied you were never ceremoniously reminded of being a guest."

Captain Laplace, of the *Favorite*, who was entertained at *Le Réduit* in 1830, was much impressed by the view from the *Bout du Monde* and also by the number of monkeys which, for some reason best known to himself, he described as green.

Sir Charles Colville, like his predecessor, gave his personal attention to the maintenance of the grounds of *Le Réduit*. In later years, however, the property deteriorated and became a serious anxiety to successive governors throughout the second half of the nineteenth century. Charles Pridham in his **Historical, Political and Statistical Account of Mauritius,** published in 1849, described *Le Réduit* in terms of qualified approval :

"The approach is through a long avenue of Filaos or Madagascar Fir, and Mangoes. The house (which is of two stories and built of wood) has received large additions of late years, and consists of a hall in the centre, with other rooms at the sides, in which on account of the chilly nature of a situation so exposed, is to be seen an English grate — a rare appendage in tropical countries. The upper rooms contain sleeping apartments for visitors. The usual outbuildings, called pavillons, of one story high, surround the house and verandahs or colonnades, which are much occupied as any part of the house, line both the front and back. The furniture, which is a specimen of that found in all the houses of the planters, is by no means sumptuous, but is suitable for the climate, being almost entirely brought from China, and is formed from the bamboo and Indian reed. The furniture of Europe could not long withstand the influence of the strong and constant winds by which the country is dried up from May to September, and still less the reeking humidity of the rainy season. That which luxury absolutely requires becomes in a short time the covert of a swarm of disgusting and dangerous insects, while the walls of wood are the asylum of scorpions, centipedes and serpents. The prospect from the back of the house is extremely beautiful, comprehending an extensive view of the gardens and shrubberies, which are tastefully laid out, as well as the rich and varied landscape beyond ".

Pridham's accuracy is doubtful, at least when he touches on natural history. Of the big fruit bats, which still visit *Le Réduit* in fair numbers, he says " nothing is safe from the ravages of these destructive creatures, they equally destroy the wild and domestic birds whenever they have an opportunity, and they will sometimes attack the human kind by seizing and tearing the face ". In view of this nonsense it may be doubted whether the walls of *Le Réduit* harboured the assortment of horrors described.

Whatever the state of *Le Réduit* at this time, it was the scene of the famous ball given by Lady Comm, wife of the governor, General Sir William Comm, K.C.B. (1842-1849) in October, 1847. In despatching the invitations to this ball Lady Comm is said to have used about half of the famous issue of the Mauritius One Penny and Two Penny stamps, the so-called " Post Office stamps ", now among the rarest stamps in the world. With only one die available for each set the whole first issue was limited to 1,000 stamps. The demand was keen and Lady Comm must have pre-empted her requirements, since the issue was made on the 20th or 21st September, 1847, and the two envelopes for invitations to the ball that are still in existence are post-marked the 21st September, 1847.

Nevertheless, by 1858, Sir William Stevenson (1857-1863) informed the Council of Government that, although the Secretary of State had sanctioned the expenditure of £12,000 for repairs to *Le Réduit*, in addition to the allocation for this purpose of the rent paid by the governor, it had been impossible " to prevent the continuing decay which had for some years been destroying the property ". The governor explained that " in consequence of the house being saturated at its foundation during rainy weather, and the lower floor being flagged, instead of floored, the damp which results from a want of proper drainage, and the absence of boarded floors and ventilation, makes the residence unhealthy, to remedy which some further expense ought to be incurred, probably to the extent of some two or three hundred pounds more ". Only half the building was occupied, the pavillons and all the servants rooms and offices being uninhabitable. The grounds had been equally neglected. *Le Réduit*, in fact, was costing the governor, personally, close on £1,000 a year, and because two Government Houses were being maintained, including Government House, Port Louis, both were neglected. The decay at *Le Réduit*, occasioned by long neglect, was " enormous ".

The Secretary of State had suggested that *Le Réduit* should be sold; but representations were made in Mauritius in favour of its retention on account of its historic associations. The governor,with some justification,thought that Government House, Port Louis, was objectionable as a private residence " being in the most noisy, dusty and public part of the town ". Notwithstanding the disadvantages and inconveniences,however,Stevenson was willing to move to Port Louis; possibly a new house might be built on a smaller site, *Le Réduit* sold, and Government House, Port Louis, devoted to public offices, legislative meetings and the public records, and also, if desired, to public levées and receptions.

In the event, a special committee of the Council of Government recommended a further expenditure on *Le Réduit* of £2,500. The recommendations were approved by the Council, which was thanked by the governor for its liberality.

Sir William Stevenson died at *Le Réduit* in January 1863 and was buried at St. John's Church, Moka, in heavy rain. He was succeeded by Sir Henry Barkly (1863-1870) whose career included governorships of British Guiana, Jamaica and Victoria (Australia) before appointment to Mauritius *Le Réduit* was badly damaged by the cyclone of the 11th and 12th March, 1868. According to the report tabled in the Council of Government, the roof of the whole of the east wing was carried away, the chimney blown down and the rooms on both floors very much injured. The governor and Lady Barkly narrowly escaped with their lives. The roof of the west wing was damaged and the central part of the building was damaged by water. The roof and inside partitions of the western annexe was entirely destroyed. On the 24th April, the Finance Committee, having observed " with much regret that the Governor's Country Residence, *Réduit*, has suffered very severely and that the cost of its repair is estimated at £3,115 ", entirely approved that the upper story of the east wing should be rebuilt in masonry and that the west wing should also be rebuilt in the same material when in future it required extensive repairs. The Committee trusted that " for His Excellency's convenience, *Réduit* will be rendered habitable as speedily as possible ".

In 1870, Sir Henry Barkly left Mauritius as governor of the Cape Colony and was replaced by Sir Arthur Gordon (1871-1874) fourth son of the British statesman and prime minister, Lord Aberdeen. Gordon disliked *Le Réduit*, which he described as " our prison between the two ravines ". During his tenure of office, Sir Julyan Penrose was appointed, in 1873, " for the purpose of collecting such particulars with respect to the arrangements of the Public Offices, and the mode in which business is transacted in them, as would be necessary for a full consideration of the alterations that should be made with a view to a reduction of the very heavy cost of the Civil Establishments of the Island."

LE RÉDUIT FROM THE NORTH-EAST

In reporting on the governor's emoluments, the Commissioner found that, while the governor's salary was stated to be " but £6000 ", £725 per annum were allowed for the maintenance of *Le Réduit*, of which more than £500 a year were spent on the pay of fifteen gardeners employed in the cultivation of vegetables, fruit and flowers, in the maintenance of some twenty prisoners engaged in keeping the walks and roads in order and in obtaining from the estate hay and fuel for the use of the establishment.

The Commissioner found that the total emoluments of the governor were some £7,000 a year, which the former considered to be £1,000 a year too much. The Royal Navy had ceased to make Port Louis "its chief rendez-vous." The garrison had been reduced to some five hundred men. Malaria had dispersed the upper classes or had caused them to be " altogether banished from the island "; in consequence there was less entertaining. Sir Julyan also observed that "the administration of local affairs scarcely calls for a statesman of greater ability and standing than a small salary would ensure".

While recommending a reduction of the governor's salary, Sir Julyan recommended that he should be relieved from personal liability for the maintenance of the property due to the ' sort of understanding ' that if £725 were not sufficient to pay for repairs, furniture and the maintenance of the estate, the governor himself should find the difference. Sir Julyan did not share the governor's unfavourable opinion of *Le Réduit* which, the former recorded, was " charmingly placed in one of the healthiest parts of the Island ". But it was too large and, on account of the governor's contingent liability for maintenance, much of it was neglected. Penrose accordingly recommended that the property should be reduced from 337 acres to 100 acres. He considered that, in view of the " large belt of woodland " surrounding the house, gardens and ground, and with the well-screened approach from the road, a decorous privacy could be maintained. It was proposed that the rest of the property should be used for the military establishment.

These proposals seem to have been inspired by the governor himself who, in 1874, complained to Lord Kimberley, then Secretary of State, that " the property costs £700 a year to maintain, of which half was spent on the house. But £350 a year does not suffice to keep the dilapidated structure in even decent repair, or indeed, weather-tight; nor can the grounds be kept with any attempt at order or neatness for the same amount". He suggested that the termination of the command of the Major General in command of the garrison provided an opportunity for the sale of *Le Réduit*, either as a sugar estate or for parcellation. Lord Kimberley replied that he did not think that any such action was desirable. Its condition deteriorated even further and substantial rebuilding became necessary.

In 1880, the Superintendent of Public Works and Surveyor General described *Le Réduit* — ' something resembling an old French Chateau ' — in scathing terms. " The ground story is in masonry, the upper in wood. The upper story is partially formed within the roof; it is low and of bad construction generally; the eaves being too flat, the water enters in bad weather even when the shingles are laid close, and thus injures the timber in the sides." In the hurricane of 1868, the roof of the north-east wing had been partially carried away and bad been rebuilt. This wing contained the only presentable bedrooms, " all the others are very small with very low ceilings, the sides being rough-boarded, like the sides of a ship ". The front and back verandahs were said to be " very old and frail ". The Superintendent of Public Works advised that the wooden parts of the upper story should be taken down and rebuilt in masonry, that new verandahs should be constructed and that various internal improvements should be carried out, including the construction of a dining room 47 ft. x 26 ft., by joining the Morning Room and the Servants Hall into one room.

Despatch No 344 of 29.7.1880

Sir George Bowen, fresh from the governorship of Queensland, endorsed the views of his Superintendent of Public Works. After a reference to the hurricane of 1868, he explained to the Secretary of State that the new end of the house, built after the disaster of 1868, contained " the only two bedrooms resembling those in an English country house and fitted with the ordinary modern conveniences ". The other bedrooms were " simply small wooden boxes ". The remaining wooden portions of the building were ,, very crazy and more

than one hundred years old ". They were likely to be blown away in the next hurricane with considerable danger to life and property. " In short, *Le Réduit* was inconvenient and dilapidated ". It required an expenditure of £7,000 to be made into " a safe and tolerably commodious residence ". Lord Kimberley agreed and urged that the matter should be put to the Council of Government, despite Sir George Bowen's preference to " rather submit to the inconveniences of the present house than take any action which could possibly be described in any quarter as adding, without strong and immediate necessity, to the burdens of the Colony ".

Minute No. 111 of 1882

On the 14th November, 1882, Sir Napier Broome, Lieutenant-Governor, informed the Council of Government that the work had been completed, at a cost of some £1,700 over the original estimate, though this included expenses on the temporary residence used while the work was in progress. By the removal of a staircase at the west end of the central building, 390 superficial feet had been added to the central hall, which was converted into a ballroom by the substitution of a wooden floor for marble. The reconstruction had been extensive. According to the report of the Acting Surveyor General " nothing remained of the former central and west wing of the building but the masonry walls on the ground floor, and these, after the plaster was removed, were found unsafe to carry the masonry walls of the upper floor and, between the doors and windows, had to be taken down and rebuilt in Portland cement ".

No. 111 of 1882

In his minute the lieutenant-governor reported that " the task of reconstructing the house built by the Chevalier de la Brillane for the Governors of Mauritius more than a century ago has been solidly executed. The residence is now in every way worthy of the Colony, and allows the Head of the Government to offer proper accommodation to those who are his guests ".

In 1889, Admiral Sir Edmund Fremantle visited Mauritius in the *Bacchante* and stayed at *Le Réduit* for a few days. He found the governor, Sir John Pope-Hennessy (1883-1889), " very friendly and interesting company " but " his table at Réduit was covered with books retailing Irish grievances".

In the great hurricane of 1892, *Le Réduit* was tested to the utmost. The Lieutenant-Governor, Mr. Jerningham, who was then in residence, described the ordeal in an article which appeared in Blackwoods in September of that year. Alluding apparently to a version of Sir Arthur Gordon's disrespectful description of *Le Réduit*, Jerningham described his struggle to preserve " the barn with its 240 doors, windows and shutters ". For some eight hours the storm thundered round the house. Doors were burst open. Glass was shattered. Water poured through every crack and broken pane. It cascaded down through the gap caused by the removal of the greater part of the north-east wing. That struggle for survival is commemorated by a brass plate on the north-east wing :

On the 29th April 1892
this island being visited by the
severest hurricane of the century
this old residence
of the
Governors of Mauritius
had its east wing and
pavilion
unroofed and gutted
and was only saved
from complete destruction
by the indefatigable efforts
of
the four occupants
Hubert JERNINGHAM Acting Governor
Eyre Hutson Private Secretary
and two Indian servants.

The after-affects of this hurricane were still apparent when Jules Leclerq visited *Le Réduit* during the following year, 1893, and the turf of the lawn was even then scarred by the impact of a section of the roof. In his book **Au pays de Paul et Virginie,** Leclerq allowed his admiration to get the better of historical accuracy. He described *Le Réduit* as " a little Versailles, but a Versailles with the splendid setting of the tropics." He thought it a miracle to find in the island " a vast stone château with a fairy-like verandah, a sumptuous ball-room and spacious apartments for guests." Perhaps the author's imagination was stimulated by the sense of occasion with which he recorded that he occupied the very room where the Duke of Edinburgh slept during his stay at *Le Réduit* in 1870. *Le Réduit* has never attempted to emulate Versailles. It reflects essentially the domestic architecture of the man of taste in the 18th century who sought to build homes, on a large scale perhaps, but not to emulate royal and ducal palaces. It is Williamsberg, not Ludwiglust or Blenheim.

Leclerq found *Le Réduit* " the centre of the highest colonial elegance ". Dinner each evening was reminiscent of West End society. It was there that he met Admiral Kennedy, who described his ascent of *Pieter Both*, in 1861, when a naval climbing party had left a flag on the summit.

During the governorship of Sir John Chancellor (1911-1916) the famous French Garden, which had been subject to neglect in the past, was obliterated. The two large ponds were filled in; material from rockeries, stone bridges and terraces were used for this purpose. Water channels were either diverted or filled in. Trees were cut down because they obstructed the view. The whole area was planted with *herbe bourrique*. That the garden had been sadly neglected during the 19th century is indicated by the Annual Report of Forests and Gardens for 1880. This report records that " A portion of what is termed the Old French Garden was cleared from the scrub which covered the ground and the climbers which encumbered the trees ". The paths were tidied up. Shrubs and trees were planted. It was noted, however, that the work would take several years to complete. In 1902 " two small gangs were employed in widening the path from the lower lake in the French Garden to the rustic seat overlooking the ravine ". During this year it was also necessary to employ labour on clearance after the hurricanes which occured in February.

In 1913, the Department of Agriculture was brought into existence by Ordinance and the grounds of *Le Réduit* became the responsibility of the new department.

After the first World War, efforts were made to recapture and emphasize the 18th century traditions of *Le Réduit*, which was described by the Mauritian poet, Robert-Edward Hart, as the symbol of a century of Franco-British tradition. Sir Hesketh Bell (1916-1925) designed the slightly puckish *temple d'amour* at the edge of a lily pool on the lawns below *Le Réduit*. This structure was dedicated

To M. Barthélemy David
Gouverneur de l'Ile de France, 1746
the creator of Le Réduit.
His grateful successors.

The tribute is deserved, though the Chevalier de la Brillane rather than Barthélemy David was the creator of *Le Réduit* as it stands today.

In July, 1938, a *chasse* in the grand style, though perhaps not on the grand scale, was organised by Sir Bede Clifford. The account in *Le Radical*, of the 20th July, 1938, is of interest as a period piece, seen over the gulf that is the second World War.

" His Excellency the Governor and Lady Clifford invited yesterday a number of sportsmen to shoot deer in the magnificent park of *Le Réduit*.

In the superb rides, bordered by century-old trees, very comfortable stands were constructed where the guns could shoot downwards without any danger.

This shoot, which was one of the season, was organised by Captain Pirie, whose competence in the chasse is beginning to develop most satisfactorily.

The ladies took no part in the shoot but shared in the exquisite lunch that was served afterwards.

Through the kindness of Lady Clifford, the guns were pleasantly surprised to see, towards 9 o'clock in the morning, a fine car tour the rides, stopping at each stand to offer sandwiches and iced beer to the guns.

I think I can add that this is the first time that nimrods have been treated with delicate hospitality.

The result of the battue would have been better if the guns had been more numerous. Many deer escaped between the lines and plunged into the ravines where they quickly disappeared. Four animals were killed.

The rules were strictly observed. Each gun was strictly limited to one old doe or an old stag.

The party broke up towards 3 o'clock in the afternoon after a gay and most cordial occasion".

Deer exist no longer in the *Le Réduit* grounds in a more utilitarian age. Poaching became difficult to control and the depredations of the animals in the gardens of the agricultural station were expensive. After extensive thinning-out of the *Le Réduit* woods, between 1945-1947, the deer finally disappeared. The grounds, however, have been improved since the dilapidations of the 19th century and are again worthy of Aublet and Poivre. Nutmeg, cinnamon, pimento, cocoa, coffee and avocado pear grow among the giant eucalyptus and statuesque kauri pines. The drive is flanked by the strong, rough trunks of the camphor. Flowering trees abound; cassias, callistemons, spathodeas, bauhinia, flamboyants, largers-troemias, jacarandas. White-tailed tropic birds still sparingly nest in the gorges. Between September and March, sandpipers among the rocks and pools of the guardian rivers bring a touch of northern streams. Monkeys still emerge from the gorges to raid the mangoes and litchis. At certain seasons the big fruit-bats hang, swaying, from the topmost branches of the eucalyptus across the Profonde River.

Towards evening the terrace and its flowers, its urns and balustrades, glow with a mellow, suffused light. From the terrace the eye follows the lawns sloping seawards, flanked by massed foliage and the rustling bamboos, past the clumps of Hong Kong pines and beyond the *Bout du Monde* to the long line of the Indian Ocean that brought old fleets to Mauritius: Portuguese, Dutch, French and British. As the sun sinks lower, the rocks on the mountain slope to the south-west become black against the sky and the *Corps de Garde* assumes, momentarily, a living form, watching over *Le Réduit*.

At this hour the ballroom, the heart of *Le Réduit* and the shrine of its traditions, lies quiet in the golden light as if listening for the long-silent echoes of violin and spinet. The ghosts of the 18th century stir. The dust in the sunbeams breathes of gauze and muslins, taffeta and tulle :

" Dust in the air suspended
Marks the place where a story ended. "

THE BALLROOM

The portraits in the dining room

1. Bertrand François Mahé de Labourdonnais

Born at St. Malo, 1699. Entered the service of the *Compagnie des Indes* in 1719. Later he went adventuring on his own in Bengal. In 1731, he entered the Portuguese service and commanded an expedition against the pirates of the Malabar coast. Returned to France in 1733. Married Ann-Marie Le Brun de la Franquerie. In 1735, Labourdonnais arrived at Port Louis, Mauritius, as Governor-General of the Mascareignes. A man of vision, energy and great administrative ability, Labourdonnais was the maker of Mauritius. He transferred the administrative headquarters of the Island to Port Louis where he built Government House, developed the port and constructed forts, a hospital and an aqueduct bringing water from the Grand River North West. He constructed the first sugar mill in the Island, at Ville Bague, and introduced manioc, cotton, indigo and other agricultural crops. His wife died in 1738. In 1740, he ıeturned to France where he married his second wife, Charlotte de Combault d'Auteuil, and drew up plans for the use of Mauritius as a naval base. Returned to Mauritius in 1741. In 1746, he defeated the British in a naval action at Negapatam and captured Madras. In 1747, Labourdonnais left the Ile de France after a quarrel with Dupleix, Governor of Pondicherry, and reached Paris, in 1748, after being captured by the British en route. At the instance of Dupleix, various charges were brought against Labourdonnais on his return to France and he was confined in the Bastille for three years. He was exonerated and released but died in 1753 aged fifty-four.

2. Pierre Poivre

Born at Lyon, 1719. Educated for the Church. In 1744, he was imprisoned by the Chinese in Canton, where he was training as a missionary. In 1745, he was captured at sea by the British, after an action in which Poivre lost his right arm, and was taken to Batavia, where he studied the Dutch spice trade. Reached the Ile de France via Pondicherry in 1746 and returned to France with Labourdonnais in 1747. In 1749, he was back in the Ile de France, where he was active in introducing useful plants, such as rice from Cochin China. In 1753, he made an adventurous voyage to the Spice Islands. He undertook another expedition in 1754-55. As a result of these voyages he introduced cloves and nutmegs into Mauritius. Returned to France in 1756 and received a pension from Louis XV. Married Françoise Robin in 1756. In the same year he was appointed Intendant of the Ile de France. Returned to the Ile de France, in 1767, where he proved himself an able administrator though he was also quick-tempered and touchy. He continued to introduce spices into the Island. He reformed the finances, improved Port Louis, encouraged education and scientific activities and was the creator of the famous gardens at Pamplemousses around Mon Plaisir, formerly the house of Labourdonnais. Left the Ile de France in 1778 and died at Hyères in 1786.

3. Anne Joseph Hippolyte de Maurès, Comte de Malartic

Born at Montauban, 1730. Commissioned as sub-lieutenant in the Régiment de la Sarre, 1745. Transferred to the Régiment de Béarn with which he served in Flanders, Italy and Provence during the war of the Austrian Succession. In 1755, he went to Canada, where he took a distinguished part in military campaigns under Montcalm during the Seven Years War. Returned to France in 1763 and was promoted as colonel of the Vermandois Regiment. Governor of Guadeloupe in 1769. Returned to France and promoted Maréchal de Camp in 1780. In 1792, he was appointed governor of the Ile de France and of all French territories east of the Cape of Good Hope.

The impact of the French Revolution on the Ile de France placed Malartic in a precarious position, especially as he had been appointed as a royal governor. He maintained order, and survived several dangerous crises, by the exercise of tact, firmness and patience. He made himself greatly beloved in a factious island and was widely mourned when he died, aged 70, in 1800. He was buried in the Champ de Mars, Port Louis, the British blockading squadron, under Commodore Hotham, being represented at his funeral.

4. Sir Robert Townsend Farquhar

Born 1776, second son of Walter Farquhar (physician to the Prince of Wales, later Prince Regent and George IV). Lieutenant-Governor of Penang, 1800. In 1810, Farquhar was selected by Lord Minto as Governor of Bourbon and the Ile de France in the event of the islands being captured by the expedition that was then being planned. Bourbon (Réunion) was captured in July, 1810, and Farquhar assumed office as governor. After the capitulation of the Ile de France (henceforward Mauritius) in December 1810, Farquhar took over the civil administration. In 1811, Farquhar was replaced by General Warde as governor of Mauritius for a few months but remained governor of Réunion during this period. Returned to England in 1817 and was again appointed governor of Mauritius in 1820. He served in this capacity till 1823. Farquhar did much to promote the prosperity of the island during the difficult transition period after the conquest and was at pains to cultivate good relations with the French inhabitants. He was an urbane, able to cultured man of the world who could depend on backing from Court circles in England. He also pursued an energetic forward policy in Madagascar, where he endeavoured to extend British influence. He became a member of the British Parliament in 1825 and continued to interest himself in Mauritian affairs. Farquhar died in 1830, aged 57.

5. Sir Nesbit Josiah Willoughby

Born 1777. Entered the Royal Navy in 1790. A harsh disciplinarian, brave, headstrong and narrow-minded, Willoughby had a stormy career in the Navy. He continually quarrelled with his captains and was court-martialled five times, on the first two occasions after having unsuccessfully applied for a court-martial against his captain. He served under Nelson at Copenhagen and was dismissed from the service for insolence. He then rejoined the Navy as a volunteer. In 1808, he was promoted commander. After his fourth court-martial, in 1808, he returned in the following year to the squadron blockading the Ile de France and Ile de Bourbon, where he took a leading and successful part in commando raids. In June, 1810, he was nearly killed by the bursting of a musket. In August, 1810, after a series of commando raids on the Ile de France, Willoughby was defeated at the battle of Grand Port, where he lost an eye and was captured. This action led to the loss of 4 British frigates, the Nereide, Iphigenia, Magicienne and the Sirius, and endangered the forthcoming expedition, which was to capture Ile de France. Willoughby was released when Ile de France capitulated. He then served with the Russian army against Napoleon's Grand Army in 1812. He was captured and imprisoned at Péronne but escaped. Awarded the C.B.., in 1815, he served in Ireland and the West Indies. Knighted in 1827, he was again knighted, apparently by mistake, in 1832. In his last years he became religiously minded and wrote a book of prayers and meditations for soldiers and seamen. In 1841, he was appointed Naval A.D.C. to Queen Victoria. Promoted rear-admiral in 1847. Died, aged 71, in 1849.

6. Sir James Higginson

Born 1805 and entered the Indian Army, A.D.C. to Lord William Bentinck, Governor-General of India 1833-1835. Private Secretary to Lord Metcalfe, in India, Jamaica and Canada. Governor of the Leeward Islands, 1846-1850. Governor of Mauritius 1850-1857. Awarded the

C.B. in 1859 and was knighted in the same year. During Higginson's governorship the Mauritius Dry Dock was opened, in 1857; various improvements were made to the harbour of Port Louis and the Sailors' Home was built. Trade was opened with Aden by means of a steamer, the " Governor Higginson ", which was built in Mauritius. 1855 saw the arrival of Bishop Ryan, the first Anglican Bishop of Mauritius. Serious outbreaks of cholera occurred in 1854 and 1856. Higginson married as his first wife, in 1835, Louisa Shakespear. His second wife was Alison Dobbs, of Co. Antrim, Ireland, whom he married in 1854. He settled in Wicklow and died, aged 80, in 1885.

7. Sir William Stevenson

Born in Jamaica, 1805. Called to the bar in 1837 and became an assistant judge in Jamaica in 1841. In 1854, he was appointed as administrator of British Honduras. Appointed Governor of Mauritius, 1857. Described as a " very good, clever, clear-headed and kind-hearted man, an excellent Governor, who overworked himself ". C.B. in 1859 and K.C.B. in 1862. Stevenson's administration was a period of administrative reform and progress, especially in the social field. He initiated improvements in the health and sanitary services, reformed the quarantine regulations and the Royal College, Curepipe. The police were reorganised. Schools were built and laws for the protection of immigrants enforced under Stevenson's personal supervision. The amenities of Port Louis were improved. Railway construction was pushed forward. Stevenson was subject to virulent attacks in the local press and these were alleged to have undermined his health. He died at *Le Réduit* in 1863 and was buried at St. John's, Moka. A statue was erected in his memory, the work of the distinguished Mauritian sculptor, Prosper d'Epinay.

8. Sir Henry Barkly

Born 1815. M.P. in 1845, Governor of British Guiana, where his family owned property, 1848-1853. K.C.B. in 1853 and Governor of Jamaica, 1853-1856. Governor of Victoria, Australia, 1856-1863. Governor of Mauritius 1863-1870. Governor of the Cape Colony 1870-1877. G.C.M.G. in 1874. Member of the London Library Committee and the Royal Geographical Society. Barkly was a scholar and naturalist and became Fellow of the Royal Society in 1864. His governorship was a period of successive disasters. Floods due to heavy rain in February, 1865, caused twenty-one deaths and heavy material damage. From 1866-1867 a catastrophic outbreak of malaria led to 31,920 deaths, including over 18,000 in Port Louis or over one third of the total population of the town at that time. In March 1868, a hurricane lasting for three days caused serious damage and blowing down two spans of the Grand River railway bridge. *Le Réduit* was seriously damaged in this storm. Queen Victoria's second son, the Duke of Edinburgh and Saxe-Gotha, visited Mauritius in 1870 shortly before Barkly left for the Cape.