

**U.S. Position on the World Bank's
Interim Strategy Note for Madagascar
February 21, 2012**

The United States appreciates the role the Bank Group could potentially play in improving governance and private sector opportunity and addressing poverty in Madagascar. However, the United States continues to view the *de facto* government in Madagascar as an illegitimate regime, and has serious concerns about the steady deterioration in the rule of law, as reflected, among other things, in the alarming increase in the problem of human trafficking. Moreover, there is a risk that World Bank support could be misconstrued as a signal of support to the *de facto* regime, and could allow the *de facto* leaders to divert resources away from their intended use while continuing to profit from illicit activities. For these reasons, the United States intends to oppose new World Bank financing and/or engagement in Madagascar.

The combination of chronic political instability and declining economic trends is contributing to the steady deterioration of key social and economic indicators in Madagascar, dealing a significant blow to poverty reduction efforts. The World Bank has an understandable interest in ensuring that the performance of its limited existing portfolio in Madagascar stays on track and does not degrade to an irreversible level. The United States notes the Bank's painstaking efforts to ring-fence new projects to keep funds from the *de facto* regime, and appreciates staff's candor in describing the Bank's ongoing challenges in dealing with the *de facto* regime, especially as dialogue remains constrained among the parties at the senior policy levels.

However, these factors must be measured against the actions of the illegitimate regime. Most notably, the scale and impact of human trafficking in Madagascar have reached alarming proportions, and those who victimize women and children appear to operate with impunity. These practices are not only morally abhorrent, but also have severe economic consequences. They undermine the rule of law, seriously harm the health and welfare of victims, permanently damaging their productivity, and fuel the growth of criminal gangs and instability. Yet, Madagascar has failed to address this issue, as laws are not enforced and prevention measures have been allowed to slip.

In sum, while the Bank's rationale for advancing programs that address the dire poverty in Madagascar is clear, the United States cannot support and will seek to prevent the Bank's reengagement in Madagascar until and unless there is a legitimate government in place and such government takes substantial steps to address the growing problem of human trafficking.