



DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER
ON A
PROPOSED PROJECT RESTRUCTURING
OF
SUSTAINABLE LANDSCAPE MANAGEMENT PROJECT
APPROVED ON MARCH 23, 2017
TO
REPUBLIC OF MADAGASCAR

ENVIRONMENT, NATURAL RESOURCES & THE BLUE ECONOMY
EASTERN AND SOUTHERN AFRICA

Regional Vice President:	Victoria Kwakwa
Country Director:	Zviripayi Idah Pswarayi Riddihough
Regional Director:	Holger A. Kray
Practice Manager/Manager:	Africa Eshogba Olojoba
Task Team Leader(s):	Andrew Zakharenka, Mampionona Amboaraso, Maud Juquois

**I. BASIC DATA****Product Information**

Project ID P154698	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 23-Mar-2017	Current Closing Date 01-Aug-2023

Organizations

Borrower Republic of Madagascar	Responsible Agency Ministry of Agriculture and Livestock, Ministry of Environment and Sustainable Development, Ministry of Water, Sanitation and Hygiene, Project Implementation Unit-PADAP
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Project Development Objective (PDO)

Original PDO

The Global Environmental Objective is: To increase access to improved irrigation services and agricultural inputs, and strengthen the integrated management of natural resources in the Selected Landscapes by the local actors and, to provide immediate and effective response to an Eligible Crisis or Emergency.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
COFN-C1540	23-Mar-2017	21-Jun-2017	26-Oct-2017	01-Aug-2023	26.35	12.13	15.59
IDA-D8740	30-Jun-2021	21-Jul-2021	27-Jul-2021	01-Aug-2023	40.00	0	36.87
IDA-59790	23-Mar-2017	20-Apr-2017	26-Oct-2017	01-Aug-2023	65.00	67.84	.26
TF-A4482	15-Feb-2017	20-Apr-2017	26-Oct-2017	01-Aug-2023	13.70	6.84	6.86



Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

A. STATUS

1. The Project Restructuring seeks approval from the Country Director to extend the closing date of four grants (IDA-D8740, IDA-59790, TF-A4482, COFN-C1540) financing the Sustainable Landscape Management Project (Projet Agriculture Durable par une Approche Paysage PADAP) from August 1, 2023 to April 30, 2024. The project also seeks to adjust the allocations between the project components, see Table 1 below. There are no other changes.
2. The Project was approved by the Board on March 17, 2017. It was initially co-financed by an IDA grant IDA-59790 in the amount of US\$65.00 million, a grant from the Global Environment Facility (GEF, TF-A4482), in the amount of US\$13.70 million, and a grant from French Agency for Development (FRDE) COFN-C1540 in the amount of US\$26.35 million equivalent. On June 30, 2021, the Project received an Additional Financing IDA-D8740, in the amount of US\$40.00 million equivalent. The initial closing date of all grants was August 1, 2022, and the closing date of all grants was extended once by 12 months, to August 1, 2023. This will be the second extension of closing date.
3. Project Components. The project supports the strengthening of institutional capacity to develop sustainable landscape management plans and to finance productive investments identified in the plans. The project has four components: (1) Information and planning; (2) Investments and capacity building in the selected landscapes; (3) Project Management Coordination and Monitoring and Evaluation; and (4) Contingent Emergency Response (CERC). The GEF funds are particularly being invested in activities that would ensure or restore the integrity of healthy ecosystems within productive agriculture and forest landscapes. In particular, the GEF funding supports investments in the “upstream units” in the landscape, in four areas relevant to GEF priorities: (i) sustainable forest management; (ii) land degradation; (iii) climate change; and (iv) biodiversity conservation. The GEF grant is crucial to ensuring the positive sustainable long-term impacts and benefits of the Project while not compromising the economic return rate of IDA and AFD investments particularly in agriculture and infrastructure.
4. Status of the Project by component.

Component 1: Information and planning. Physical progress of the activities under this component is 83 percent, the financial progress is 67 percent. The major activities under this component include (a) collecting information and developing a decision-making support tool; (b) preparation of landscape development and management plans and (c) development of landscape management policies. These activities are currently being finalized. It is expected that all of these activities will be completed by the proposed closing date.

Component 2: Investments and capacity building in the selected landscapes. Physical progress of the activities under this component is 32 percent, the financial progress is 27 percent. The major activities under this component include (a) capacity building of infrastructure management structures and natural resource management, (b) infrastructure development and (c) support for local producers. The key issues related to this component include delays in



construction work. These issues are being addressed through close monitoring of major infrastructure contracts. It is expected that majority of these activities will be completed by the closing date.

Component 3: Project Management Coordination and Monitoring and Evaluation. Physical progress of the activities under this component is 89 percent, the financial progress is 89 percent. It is expected that majority of these activities will be completed by the closing date.

Component 4: Contingent Emergency Response (CERC). The IDA financing was restructured following the provision of Additional Financing that was approved by the Board on June 30, 2021, to replenish US\$40 million that was allocated to the CERC and the closing date was extended by approximately 12 months to August 1, 2023. Physical progress of the activities under this component is 100 percent, the financial progress is 98 percent.

5. Overall, the project has increased the implementation pace through closer supervision of the contractors and more robust monitoring and reporting. The project's progress towards achievement of PDO rated Satisfactory and Overall Implementation Progress rated Satisfactory according to the recent ISR. Project achievements include: over 8,800 ha of farmland (44 percent of the target) is benefiting from improved irrigation, 1,000 ha of land is under active rehabilitation and over 12,000 ha are in the process of procurement, concluding technical and environmental and social studies; the rehabilitation of a major feeder road (32km, RIP117) is progressing and on track to be completed as planned and an additional 120 km feeder roads have been identified from the landscape plans for which technical and environmental and social studies are ongoing, and should soon be concluded after which procurement will be launched to complete the works; land area under sustainable landscape management practices has made significant progress, currently covering 660 000 ha, over 100 percent of the target.

6. The Financial Management performance is Moderately Satisfactory. The financial management arrangements in place are broadly adequate. Interim Financial Reports (IFRs) are received in time and are acceptable in quality. Low execution of the FY22 annual work plan and budget (AWPB) is noted and the FY23 AWPB was prepared with delay. The project encountered payment issues due to lack of adherence to Ministry of Economy and Finance requirements, causing disbursement delays. Discussions are underway with the MoEF to resolve these issues. As a result, the project experienced slow disbursement process at the early stages while enhancing the implementation capacity and awaiting the preparation of landscape management plans. Ongoing issues with budget regularization at the level of the Ministry of Economy and Finance affected the project too, and that ultimately also affected the disbursements. This issue has been largely resolved.

7. The Environmental and Social management is Satisfactory. Activities are implemented in compliance with Environmental and Social Management Plans (ESMPs) approved by the World Bank, building capacity was achieved at local level, the grievance mechanism is functional and respects the processing time and the Project Implementation Unit (PIU) developed and has implemented an action plan. As an example, all PIU staff and contractors signed code of conduct. However, some issues were raised from last supervision such as (i) lack of safety on site during civil works and (ii) lack of the action plan implementation as well. Mitigation measures are being applied, including the site-specific plans.

Status of the Project by financing

8. The project has recently improved disbursements in spite of challenges, including those related to the COVID-19 pandemic. Cumulative project disbursement for IDA is 64 percent (US\$67.5 million of US\$105 million), GEF is 50 percent (US\$6.8 million of US\$13.7 million total). Recent disbursement dynamics are very encouraging as the project



disbursed US\$14.7 million only in the last 12 months, and high rates of disbursements are being sustained. Disbursement of the AfD funds is 36 percent (US\$9.9 million of US\$26.6 million). The following table provides status of disbursements by financing, US\$ million:

Ln/Cr/Tf	Net Commitment	Disbursed	Undisbursed	
COFN-C1540	26.35	9.99	17.09	65%
IDA-D8740	40.00	-	36.87	92%
IDA-59790	65.00	67.56	0.53	1%
TF-A4482	13.70	6.81	6.89	50%
Total	145.05	84.36	61.38	42%

9. AFD - COFN-C1540. Approximately US\$17.1 million or 64 percent remain undisbursed. The key activities funded through this financing include construction of irrigation infrastructures, support to local producers, management, monitoring and evaluation of the Project. The remaining bottlenecks, including the delay in the progress of infrastructure development and the operationalization structures which ensures sustainability will be mitigated through collaborations with the Intervention Fund for Development (FID) and United Nations Office for Project Services (UNOPS). It is expected that 100 percent of this financing will be utilized by the new closing date.

10. IDA D8740. Approximately US\$36.9 million or 92 percent remain undisbursed. The key activities funded through this financing include construction of irrigation infrastructures, support to local producers, management, monitoring and evaluation of the Project. The remaining bottlenecks, including the delay in the progress of infrastructure works and the operationalization structures which ensures sustainability will be mitigated through collaborations with the FID and UNOPS. It is expected that 100 percent of this financing will be utilized by the new closing date.

11. IDA-59790. All funds under this financing had been utilized. The key activities funded through this financing included construction of irrigation infrastructures, support to local producers, management, monitoring and evaluation of the Project.

12. TF-A4482 (GEF). Approximately US\$6.9 million or 50 percent remain undisbursed. Utilization of this financing got delayed mainly because of slow progress of activities related to protected area management. The key activities funded through this financing include management of critical ecosystems and Protected Areas, reforestation, forest restoration and stabilization of hillside against erosions. The remaining bottlenecks, including delays of the contracting process with protected area managers will be mitigated through intensified meeting with protected area managers to finalize the technical details of protected area management activities in a very limited time. It is expected that 100 percent of this financing will be utilized by the new closing date.

B. PROPOSED CHANGES

13. The Project Restructuring seeks to extend the closing date from August 1, 2023 to April 30, 2024 for all four sources of the financing (IDA-D8740, IDA-59790, TF-A4482, COFN-C1540), i.e. for the overall project cost of US\$145.05 million, including co-financing from the French Development Agency (AfD) and counterpart contributions. The new closing date April 30, 2024 will accommodate completion of the project activities and fully achievement of the PDO. The restructuring and extension of the closing date will allow the project additional time needed to complete the ongoing irrigation rehabilitation works in Marovoay and Bealanana districts that were affected by delays in



contracting, inclement weather conditions, and recent price escalations which required contract amendments). The PDO remains aligned with Government priorities, particularly to achieve self-sufficiency in food production by increasing the irrigated area by 100 000 ha. The project extension will also enable the PIU and relevant authorities to ensure that the civil works are carried out in compliance with quality and operational standards.

14. The project seeks to change the allocations between the project components, see below.

Table 1. Reallocation of cost by component, US\$ million

Components/Sub-Components	Current Costs	Restructured Costs	Difference	
1 Information and planning	4.20	4.33	0.13	3.16%
2. Investments and capacity building in selected landscapes	93.40	91.80	-1.60	-1.72%
3. Project Management, Coordination and M&E	9.45	10.92	1.47	15.55%
4. Unforeseen Emergency Response (Budget 0)	40.00	40.00		
Total Project Cost	147.05	147.05	0.00	0%

15. Environmental and Social. No changes in the E&S instruments or implementation modalities are introduced. All the project activities would remain covered by the current E&S instruments in satisfactory manner.

III. DETAILED CHANGES

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
COFN-C1540	Effective	01-Aug-2022	01-Aug-2023	30-Apr-2024	30-Aug-2024
IDA-59790	Effective	01-Aug-2022	01-Aug-2023	30-Apr-2024	30-Aug-2024
IDA-D8740	Effective	01-Aug-2023		30-Apr-2024	30-Aug-2024
TF-A4482	Effective	01-Aug-2022	01-Aug-2023	30-Apr-2024	30-Aug-2024