



1. Project Data

Project ID P113971	Project Name Integrated Poles and Corridor Project 2	
Country Madagascar	Practice Area(Lead) Finance, Competitiveness and Innovation	
L/C/TF Number(s) IDA-55640	Closing Date (Original) 30-Sep-2019	Total Project Cost (USD) 46,389,113.54
Bank Approval Date 18-Dec-2014	Closing Date (Actual) 30-Sep-2019	
	IBRD/IDA (USD)	Grants (USD)
Original Commitment	50,000,000.00	0.00
Revised Commitment	50,000,000.00	0.00
Actual	46,389,113.54	0.00

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2. Project Objectives and Components

a. Objectives

According to the Financing Agreement (page 5), the project development objective (PDO) of the Second Madagascar Integrated Growth Poles and Corridor Project was "to contribute to increased economic opportunities and access to enabling infrastructure services, as measured by an increase in jobs and formal firms in targeted regions" of the country. The project had the same objective as the first operation, the First Madagascar Integrated Growth Poles and Corridor Project.



b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

Strengthening the Enabling Environment for Entrepreneurship and Investment (US\$11 million estimated at appraisal, US\$6 million at restructuring, and US\$4.6 million disbursed by closing) aimed to accelerate economic recovery by enhancing investor confidence in the economy and strengthening economic governance. The component supported: (a) improving the enabling environment for entrepreneurship and investment; (b) strengthening the country's capacity to attract private investment in infrastructure and services delivery; and (c) creating and operationalizing the Madagascar Business and Investment Facility (MBIF) as a matching-grants facility to raise productivity and competitiveness in the tourism, agribusiness, light manufacturing, and services sectors.

Sector-Based Growth in the Diana, Atsimo-Andrefana, and Anosy Regions (US\$35.5 million estimated at appraisal, US\$37.4 million at restructuring, and US\$36.6 million disbursed by closing) aimed to develop the tourism and agribusiness sectors, as well as to improve service delivery to the poor. The component supported: (a) strengthening local governance to improve service delivery and ensure the sustainability of the project outcomes; (b) strengthening regional and inter-regional governance and coordination; (c) improving infrastructure --- urban roads, water, and sanitation; (d) developing sustainable tourism by enhancing the business environment for tourism, improving competitiveness in the air transportation industry, and developing and promoting regional tourist destinations; and (e) developing sustainable agribusiness by improving the business environment for agribusiness and enhancing coordination in selected value chains.

Project Implementation, Monitoring and Evaluation, Safeguards, and Impact

Evaluation (US\$3.5 million estimated at appraisal, US\$4.3 million at restructuring, and US\$4.1 million disbursed by closing) supported the implementation, monitoring, and evaluation of the project.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost: The cost of the project was estimated US\$50 million at appraisal. The actual cost was US\$46.4 million (ICR, Data Sheet).

Financing: The project was financed with a credit of SDR 33.8 million (equivalent to US\$50 million) from the International Development Association. The amount of US\$46.4 million was disbursed by closing (the lower US\$ value was due to the devaluation of the SDR against the US\$).

Borrower Contribution: There was no contribution to the project by the Borrower.

Dates: The project was approved on December 18, 2014, became effective on March 9, 2015, was restructured on May 17, 2018, and closed as scheduled on September 30, 2019.

Restructuring: The restructuring in May 2018: (a) changed parts of the MBIF, eliminating the first window of



the matching grants facility --- that for private commercial projects with grants up to US\$150,000 --- as no eligible proposals were submitted; (b) revised several results indicators, including some quantitative targets, while keeping the project development objectives unchanged; (c) reallocated costs across components, and across disbursement categories. The project's level of ambition in terms of jobs created and new businesses registered in target poles was raised considerably, although the PDO indicators for access to solid waste management and improved water sources were logically redefined as intermediate outcome targets. Based on these changes in the PDO indicators, there was no justification for a split rating of outcomes.

3. Relevance of Objectives

Rationale

This project, and its predecessor, the First Madagascar Integrated Growth Poles and Corridor Project, were designed to follow a “growth poles” economic and regional development strategy --- integrated, multi-year, multi-sector, public-private investments that aim to overcome barriers to investment and advance the agglomeration of economic activity by jointly fostering private investment in and directing public interventions --- business environment, infrastructure spending, access to finance, governance reform --- to competitive industries and geographic locations in which an economy has comparative advantage. While the first project focused on the export manufacturing, tourism, and mining sectors in the Antananarivo-Antsirabe, Taolagnaro (Fort Dauphin), and Nosy Be regions, this second project was directed at the tourism and agribusiness sectors in the Diana, Atsimo-Andrefana, and Anosy regions.

The project development objectives were substantially relevant to the Madagascar's national development priorities at appraisal.

- The *Plan National de Developpement 2015-2019 (PND)* articulated five strategic axes of development. The program objectives were relevant to the third of the five axes: “inclusive growth and the territorial anchoring of development”.
- The *Madagascar 2017-2019 Economic Development Paper (DDE)* pinned the country's poverty reduction strategy on 14 national priorities. The program objectives were relevant to four of these priorities: (a) an appropriate investment climate to stimulate private sector interest and promote growth; (b) governance and institutional strengthening; (c) rehabilitation and development of infrastructure to ensure access to markets; and (d) improved access to water, sanitation and hygiene.

The project development objectives were substantially aligned with the strategies of the World Bank Group in Madagascar at appraisal and at closing.

- The *Country Assistance Strategy for the Republic of Madagascar for FY2007-2011* committed Bank Group support to Madagascar organized around two pillars: (a) remove the bottlenecks to investment and growth in rural and urban areas; and (b) improve access to, and quality of, services to the people. The objective were aligned with the first pillar, specifically with the goal to “reduce regulatory burdens”, and with the second pillar, specifically with the goal to “gradually move service



delivery closer to the people" by "assigning revenue expenditure responsibilities to different levels of government".

- The *Country Partnership Framework for the Republic of Madagascar for the Period FY17-FY21* committed Bank group support to Madagascar organized around two pillars: (a) increase resilience and reduce fragility; and (b) promote inclusive growth. The objectives were aligned with the second pillar, specifically with the goals to "improve the business environment" and "increase the fiscal capacity to finance priority social and infrastructure spending".

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To contribute to increased economic opportunities in targeted regions of the country .

Rationale

Theory of Change: Investment climate policy reforms, doing business regulatory reforms, access to finance initiatives, and value chain development activities would raise economic opportunities in the tourism and agribusiness industries in the Diana, Atsimo-Andrefana, and Anosy regions. Better economic opportunities in tourism --- evidenced by increases in air passenger traffic and in hotel rooms --- and in agribusiness --- evidenced by increases in smallholder producer revenues and export receipts in agricultural value chains --- would lead to more business formation and job creation in the three regions.

Outputs: Seven of eight output targets were met or exceeded (based on information in the ICR, Annex 1)

- The number of recommended reforms or policies that were adopted by 2019 was 18, meeting the target of 18. Two of the reforms were related to tourism, and five to agribusiness. The 11 other reforms pertained to the overall investment climate --- taxation, public-private partnerships, special economic zones, and commercial justice. To implement these reforms, the government: (a) established two regional one-stop-shops for business registration in Diana and Atsimo-Andrefana; (b) established three business centers to support start-ups and small- and medium-enterprises in Diana and Atsimo-Andrefana; and (c) signed 109 grant agreements with young entrepreneurs under the MBIF program.
- The increase in the annual municipal revenues collected in the target poles was MGA9.22 million by end-2019, exceeding the target for an increase of MGA7.3 million. It is difficult to ascertain whether the increases were due to the improved capacity of the municipalities to collect revenue from existing economic activity, or simply due to the growth of economic activity in the municipalities



- The increase in revenue for urban municipalities was MGA6.5 million, exceeding the target of MGA4.9 million.
- The increase in revenue for rural municipalities was MGA2.7 million, exceeding the target of MGA2.4 million.
- In the tourism sector, passenger air traffic increased from 1,144,000 in 2014 to 1,347,000 in 2019, missing the target for an increase of 1,576,000. The output pertains to the sum of the number of arrivals and departures (not "tourist arrivals" as conventionally used in tourism statistics) at the Diego, Nosy Be, Fort Dauphin, Tulear, and Ivato airports.
- The number of hotel rooms in the target poles increased from 4,694 in end-2013 to 5,967 by end-2019, exceeding the target of 5,150. There are attribution issues with this outcome. In general, there could have been economic factors that drove the opening of new hotel rooms other than the project interventions. The measurement of this output at the regional level (across the three regions) further complicates the attribution issue. The project's tourism activities in the Diana region were focused on Diego, hence the output indicator could have been measured for Diego alone rather than for the larger Diana region or the combined Diana and Atsimo-Andrefana regions.
- In the agribusiness sector, the increase in the export value of selected crops was US\$6.8 million, exceeding the target for an increase of US\$4.4 million. The increases were notable for the cocoa value chain in Diana, although less pronounced for the *ylang-ylang* value chain in Diana, and for the sea cucumber and seaweed value chains in Atsimo-Andrefana.
- The increase in smallholder revenues from cash crop production in the target corridors and poles was MGA 15.17 million in 2019, from 2014, exceeding the target for an increase of MGA 9.6 million. The gains were significant for the pink pepper value chain in Anosy, where smallholder revenues in 2019 were 30 times those in 2014. Revenues in the cocoa value chain in Diana and in the cotton and sea cucumber value chains in Atsimo-Andrefana quadrupled in 2019 from their levels in 2014 for Diana and 2016 for Atsimo-Andrefana.

Outcomes: Four of six outcome targets were exceeded and one was nearly met (based on information in the ICR, paragraphs 32 to 41, and Annex 1).

- The number of formal jobs created in the target poles and corridors rose from 4,346 in end-2014 (baseline) to 35,224 in end-2019 (project closing), missing the target of 39,346 formal jobs. There is an attribution problem, however, with this outcome, as it pertains to: (a) jobs that were created as a direct or indirect result of the project activities; and (b) jobs that were created without any link to the project activities. Note that the number of formal jobs measured here is not equal to the sum of formal jobs in the tourism and agribusiness sectors (i.e., it includes formal jobs in other sectors of the economy). Formal jobs are defined as employment reported by employers to the National Social Security Fund.
- The number of formal jobs created in the tourism sector (in Diana and Atsimo-Andrefana) rose from 690 in end-2014 to 4,975 in end-2019, close to the target of 4,985 (revised from the original target of 1,100).
- The number of formal jobs created in the agribusiness sector (in Diana, Atsimo-Andrefana, and Anosy) rose from 1,089 in end-2014 to 8,595 in end-2019, exceeding the target of 7,589 (original and not revised).
- The number of formal businesses newly registered in target poles and corridors rose from 3,259 in end-2014 to 28,584 in end-2019, exceeding the target of 21,000 formal businesses. There is an attribution problem with this outcome as it includes: (a) formal business that were newly created as a



direct or indirect result of the project activities; (b) businesses that existed in the informal sector prior to the project that were newly registered as a result of the project activities (i.e., transitioned from the informal to the formal sector) --- mobile registration, one-stop-shop registration); and (c) formal businesses that were newly registered, but without any link to the project activities. Note that the number of newly registered formal businesses measured here is not equal to the sum of newly registered formal businesses in the tourism and agribusiness sectors (i.e., it includes formal businesses in other sectors of the economy).

- The number of formal businesses newly registered in the tourism sector rose from 620 in end-2014 to 4,335 in end-2019, exceeding the target of 4,020.
- The number of formal businesses newly registered in the agribusiness sector rose from 420 in end-2014 to 2,830 in end-2019, exceeding the target of 1,460.
- With the foregoing outcomes, which are essentially macroeconomic in nature, the ICR (pages 14-16) raises the question of attribution ---namely whether the results achieved could be attributed to the project activities or to fundamental macroeconomic factors. The ICR provides no assessment of this issue, but in terms of the wording of Objective 1, it is almost certainly correct to conclude that the project "contributed to", even if it was not totally responsible for, "increased economic opportunities in targeted regions"

Rating

Substantial

OBJECTIVE 2

Objective

To contribute to access to enabling infrastructure services in target regions of the country.

Rationale

Theory of Change: Improving key local infrastructure and strengthening governance at the municipal and regional levels would ease the infrastructural impediments to business activity in the tourism and agricultural sectors and enable municipal and regional governments to deliver basic services to businesses and residents in the Diana, Atsimo-Andrefana, and Anosy regions. Greater access to enabling infrastructure --- evidenced by higher investment spending by municipalities, the construction or rehabilitation of roads, water, and sanitation systems, and the wider coverage of the local population by transport, water, and sanitation services --- would lead to more business formation and job creation in the three regions.

Outputs: All four output targets were met or exceeded (based on information in the ICR, Annex 1).

- The percentage of municipal budgets spent on investment by the target municipalities was 15 percent by end-2019, meeting the target of 15 percent. This outcome indicator was defined to reflect improvements in fiscal revenues, local governance, and the capacity to maintain rehabilitated infrastructure.
- The length of roads rehabilitated was 13.45 kilometers (km) by end-2019, exceeding the target of 12 km. All roads rehabilitated were urban or peri-urban roads.



- The number of people provided with access to solid waste collection was 193,000 by end-December 2019, exceeding the target of 162,000.
- The number of people provided with access to improved water resources was 306,400 by end-December 2019, exceeding the target of 250,000. A total of 26 km of water mains lines were laid or replaced in Diego and 10 km in Tulear. A new water treatment plant was constructed in Diego and another, with four new pumps, was rehabilitated in Tulear.

Outcomes: No outcome indicators or targets were defined separately for this objective. Nevertheless all four target outputs (predominantly access to infrastructure services) for this objective were successfully implemented.. Since access to enabling infrastructure services was the objective a substantial achievement toward this objective was to be expected. The overall efficacy of the project's achievement of its second objective was therefore rated substantial..

Rating
Substantial

OVERALL EFFICACY

Rationale

The project achieved seven of eight output targets and four of six outcome targets for the objective to contribute to increased economic opportunities in the Diana, Atsimo-Andrefana, and Anosy regions. The project achieved all four output targets for the objective to contribute to access to enabling infrastructure services in the Diana, Atsimo-Andrefana, and Anosy regions. Access to infrastructure in the project area was the outcome and therefore this part of the project's objectives was also achieved.

Overall Efficacy Rating

Substantial

5. Efficiency

Economic Efficiency: A cost-benefit analysis of two sub-components of the project --- based on costs incurred and revenues generated by promoting sustainable tourism development and sustainable agribusiness development --- yielded an economic rate of return (ERR) of 14 percent and a net present value (NPV) of US\$8 million at appraisal and 22 percent and an NPV of US\$10.4 million at closing (ICR, Annex 4). Both analyses covered a ten-year period and used a 10 percent discount rate. The activities covered by the analyses comprised about a quarter of the project (in terms of project cost). The cost-benefit analysis at appraisal was confined to the Diana and Atsimo-Andrefana regions, that at closing was expanded to include the Anosy region, as additional data had become available after project implementation.



Operational Efficiency: The project was completed and closed as scheduled. On the other hand the actual cost of Project Implementation (M&E, Safeguards, Impact Evaluation) accounted for 8.5% of actual total project costs. This was 21% higher than estimated at appraisal. The ICR noted (para 76) that there was a freeze in the salaries of PIU staff after a review of salaries across all World Bank funded PIUs in Madagascar initiated in March 2018. While PIU costs of 8.5% of total costs (on the high side when compared with similar Bank-financed projects) may have been partly due to higher than usual PIU salaries, it does not necessarily mean that the PIU was inefficient. .

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	14.00	24.00 <input type="checkbox"/> Not Applicable
ICR Estimate	✓	22.00	24.00 <input type="checkbox"/> Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The program development objectives were substantially relevant to the development strategies of Madagascar and to the Bank Group assistance strategy and partnership framework in Madagascar at program appraisal and closing. The degree of achievement of the objective to contribute to increased economic opportunities and access to enabling infrastructure services, as measured by an increase in jobs and formal firms as well as infrastructure development in targeted sectors and regions of the country, is assessed by this ICR Review as substantial. The efficiency of the project is also assessed as substantial, based on an economic rate of return of 22 percent for investments accounting for a quarter of the project cost for which a formal cost-benefit analysis was conducted, but with concerns regarding the high overhead costs incurred during implementation. The outcome of the project is rated as satisfactory.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

Political risk. Political commitment to reforms at the local level --- related to revenue collection and capital spending --- are likely to be difficult to maintain, in part because potential political and economic pressure



from local vested interests --- businesses and landowners --- could be more powerful than most mayors and officials of small towns and municipalities could withstand. The pressure would probably become severe during electoral cycles. These political pressures would risk eroding political support for municipal governance reforms which provided the enabling environment for this project's achievements.

Financial risk. Financing for the operation and maintenance of infrastructure is far from assured in Madagascar, particularly for local facilities. The ICR (page 42) notes that Jiro Sy Rano *Malagasy* (JIRAMA), the state-owned electric utility and water services company, will likely find it difficult to maintain the electricity and water infrastructure that was built by the first project. Funding for road maintenance and repair remains scarce too. The Bank and the government are exploring the possibility of creating community funds to maintain roads that are not eligible for maintenance funding from the national government. Moreover, the Bank also plans to raise the maintenance issue in its policy dialogue on infrastructure with the government and JIRAMA.

Macroeconomic risk. International prices for agricultural commodities are often volatile, potentially exerting pressure on the agricultural value chains assisted by this project. Financial hedging strategies may be available to some large producers. Diversification across products, including by inter-cropping, would also be helpful and might be more practical.

8. Assessment of Bank Performance

a. Quality-at-Entry

As evidenced in the PAD (pages 84-89), the Bank vetted the choices of industries and regions thoroughly.

- The tourism and agribusiness sectors were selected because they represented "good prospects for promoting private investment and job creation", were export-oriented, and were labor-intensive. Tourism accounted for over 5 percent of GDP (15 percent if indirect and induced impacts were included) and 7 percent of the formal workforce (13 percent if direct and indirect jobs were counted). Some 250,000 tourist arrivals in 2012 remained below potential and could be raised to 400,000 if the investment climate improved, strategic investments were coordinated, and supply chains and logistics networks were upgraded. The agriculture and agro-processing sector accounted for 20 percent of GDP and employment in this sector is estimated to support 70 percent of the population. The country was a major exporter of cocoa, sugar, cotton, and groundnut; agriculture exports had increased 267 percent over 2008-13 in Diana, 228 percent in Atsimo-Andrefana, and 57 percent in Anosy. Still, the sector operated below capacity and could attract more investment and generate more jobs if the regulatory environment improved, value chains were better organized, and quality control, sanitary and phyto-sanitary standards, and logistics facilities were improved.
- The regional choices for this project's focus were justified as follows: (a) Diana was the most visited region, after the national capital; (b) Antananarivo-Toliara in Atsimo-Andrefana was the second most-visited circuit; (c) Diana was central to the cocoa value chain with 33,000 producers, and with pepper and vanilla inter-cropped with cocoa; (d) Atsimo-Andrefana was central to the



cotton value chain with 50,000 producers; and (e) Anosy was central to the pink pepper and dry beans value chains with 5,500 producers.

The project benefited from inheriting the institutional arrangements and operating procedures from the first operation. The Project Implementation Unit, which reported to the Minister of State for Infrastructure, Equipment and Land Management, had eight years of project experience implementing the growth poles strategy in other industries and regions in the country. The project implementation arrangements, including those for procurement, financial management, environmental and social safeguards risk assessment and management, and monitoring and evaluation, had been learned from the first operation and could be applied for this second project.

The PAD (in “Operational Risk Assessment Framework,” pages 79-82) identified seven sets of implementation risks, described and rated each, and proposed mitigation measures that could be adopted by the Bank and the government. The overall implementation risk, the project design risk, and the social and environmental risks were all rated as substantial. To address the design risk, defined as the complexity of upstream activities in the value chains, the project teams (in the capital and in the regions) would conduct daily dialogue with public and private partners to address issues with developing and managing the value chains. Meanwhile, the Environmental and Social Management Framework, the Resettlement Policy Framework, and the Pest Management Plan, which had been prepared and publicly disclosed, would help address social and environmental risks.

The ICR (pages 39-40) argues that several design issues were not addressed at appraisal: (a) the Economic Development Board of Madagascar was given the lead role in coordinating the investment climate and doing business reforms, but the agency’s institutional capacity was limited and distracted by multiple other mandates, including for investment promotion; (b) although the government passed the laws on public-private partnerships and special economic zones, the legislation lacked support from other stakeholders; and (c) the market demand for Window 1 of the MBIF was not well vetted.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

According to the ICR, the Bank fielded regular implementation supervision missions, which filed nine Implementation Status and Results Reports (ISRs) over the five-year life of the project, or twice a year, the average for most Bank investment financing operations.

The first World Bank Task Team Leader participated in the design of the project and served through the first six months of project implementation. The second Task Team Leader served until project closing, and was based in Madagascar, assisted by a multi-sectoral technical team, assuring more immediate interaction with the government.

The mid-term review in March-April 2017 identified gaps in project implementation, including the inability of Window 1 of the MBIF to attract eligible applications for private commercial projects for matching grants valued up to US\$150,000. The mid-term review confirmed the need for a restructuring of the project,



including a revision of the results indicators, which, however, was not completed under a year later in May 2018.

The ICR (page 41) also notes that the project team was proactive in exploring opportunities to link the project with other Bank and donor operations in Madagascar. As a result, tax simplification activities were shifted to the Bank-assisted Public Sector Performance Project, and other investment climate reform activities were coordinated with the IFC's assistance program..

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The PAD (pages 30-34) defined 13 output indicators (with 21 sub-indicators, typically breaking down the indicators by region) and two outcome indicators (with 11 sub-indicators) to measure the achievement of the project objectives, including at the sector and regional levels. The Restructuring Paper (pages 7-9): (a) dropped 6 output indicators; (b) revised 4 output indicators; (c) added 3 output indicators; (d) dropped 1 outcome indicator; and (e) revised 2 outcome indicators. The ICR (page 36) adds that the changes showed “an effort to make the indicators measure more accurately the impacts being achieved.”

Nonetheless, while assessing the efficacy of the project objectives, the ICR (pages 14-16) repeatedly raises the issue of “attribution” --- whether the results achieved could be attributed to the project activities and interventions. This ICR Review agrees with this observation, considering that many macroeconomic variables which were used to measure project outputs and outcomes --- jobs created, businesses formed, industry revenues earned, exports values reached --- could be driven by macroeconomic factors, including domestic and foreign demand, as well as influenced by the project interventions. The PAD and the Restructuring Paper could have made forecasts of these variables over the life of the project. The forecasts would reflect the influence of underlying macroeconomic factors, including possibly a time trend. Results achieved over-and-above the forecasts could then be attributed to the project interventions.

The PAD and the Restructuring Paper also missed defining an outcome indicator(s) for the objective “to contribute to access to enabling infrastructure services in target regions of the country.” Four output indicators were defined for this objective, but not an outcome indicator(s).

b. M&E Implementation

The M&E was implemented as planned. The M&E design called for the Project Implementation Unit, which reported to the Minister of State for Infrastructure, Equipment and Land Management, to monitor and report the results indicators, and submit the data to Bank implementation support



missions. According to the ICR (page 37), the indicators were “well tracked throughout project implementation.” The results were reported in 9 ISRs filed by the Bank between June 2015 and June 2019.

c. M&E Utilization

According to the ICR (page 37), it was “not clear whether the indicators helped to inform the changes made to the design of the project.” The ICR noted that the project restructuring came late, a year after the completion of the mid-term review. Presumably, the project could have been restructured as soon as the indicators signaled problems with the project design.

The PAD (page 54) cited plans for a “rigorous impact evaluation” to measure, investigate and explain the intended and unintended benefits of the project interventions, particularly in the informal sector, and to help determine whether the constraints identified as limiting the ability of project beneficiaries to “materialize their commercial and professional potential” were effectively addressed by the project activities. According to the ICR (page 34), the National Statistics Institute of Madagascar conducted an impact evaluation to measure formal and informal wage jobs generated by the project and to evaluate the impact of the project on households in the target areas. The findings of the evaluation are not cited in the ICR, although the ICR (page 44) recommends the conduct of “more in-depth evaluations” on: (a) how the project interventions strengthened the competitiveness of the agriculture value chains; (b) what works in, and what can be improved with, the regional business centers; and (c) how cohorts of entrepreneurs supported by the MBIF have fared over time.

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

Environmental Safeguards: The project was classified as an environmental assessment category “B” at appraisal, and triggered four environmental safeguards policies: (a) OP/BP 4.01 - Environmental Assessment; (b) OP/BP 4.04 – Natural Habitats; (c) OP/BP 4.09 – Pest Management; and (d) OP/BP 4.11 – Physical Cultural Resources.

In response, the government: (a) prepared an Environmental and Social Management Framework, publicly disclosed in November 2014, to guide the screening of sub-projects for environmental, social, gender, health and safety impacts and to govern the preparation, if needed, of Environmental and Social Impact Assessments, Environmental and Social Management Plans, and the implementation of a Pest Management Plan; (b) determined that no natural habitats would be affected by tourism investments supported by the project; and (c) prepared a Pest Management Plan, publicly disclosed in September 2014, to guide the reduction or mitigation of exposures to pesticides used in agricultural production, including strengthening the capacity of the Plant Protection Services to control pesticide usage, and to guide the implementation of an integrated pest management program.



The ICR does not report on the extent of compliance to these safeguards. On the other hand, compliance with OP/BP 4.01, 4.04, 4.09, and 4.11 were all rated satisfactory in the last ISR for the project in June 2019.

Social Safeguards: The project triggered one social safeguards policy: (a) OP/BP 4.12 – Involuntary Resettlement: investments in tourism, agribusiness, and infrastructure would likely lead to some acquisition of land. In response, the government prepare a Resettlement Policy Framework setting the principles and procedures for the preparation of Resettlement Action Plans once project sites were known.

Resettlement Actions Plans were prepared for urban road rehabilitation in Diego and for drinking water infrastructure construction and rehabilitation in Diego and Tulear. Urban and rural electrification in two regions, financed by the OPEC Fund for International Development but implemented through the project and subject to Bank safeguards rules, resulted in involuntary resettlement and land acquisition. Safeguards documents were prepared and validated, albeit after some delay. The environmental and social safeguards risk rating was raised to substantial in late 2017 because of the expected land acquisition and involuntary resettlement. The risk rating was downgraded to moderate in late 2018 after it was determined the mitigation measures were adequate following the implementation of the related Environmental and Social Management Plan and the Enterprise Environmental and Social Protection Plan for the civil works.

The Grievance Redress Mechanism received 66 complaints between 2016 and mid-2019, some 80 percent from beneficiaries and 20 percent from the heads of *fokontany*, the political subdivisions that are equivalent to villages or groups of villages. Water projects in Tulear drew 22 complaints, most requesting additional infrastructure that however fell outside the scope of the project. Aquaculture projects, also in Tulear, drew 18 complaints, mainly about thefts and “disrespect of production areas”. A Bank review in late 2018, resulted in better reporting procedures after it was previously determined that documentation and resolution of the complaints were inadequate. No procurement process was cancelled or sanctioned as a result of the complaints.

Compliance with OP/BP 4.12 was rated satisfactory in the last ISR of June 2019.

b. Fiduciary Compliance

Procurement: According to the PAD (page 26), an assessment at appraisal determined that the Project Implementation Unit had the capacity to carry out the procurement activities of the project and rated the procurement risk as moderate.

The ICR does not cite any issue with procurement during project implementation, but notes that the Project Implementation Unit collaborated closed with line ministries in the procurement process. Procurement was rated satisfactory in the last ISR of June 2019.

Financial Management: According to the PAD (page 25), an assessment at appraisal determined that the financial management arrangements for the project complied with OP/BP 10.0 – Bank Policy on Investment Project Financing and the Financial Management Practices Manual and rated the financial management risk as moderate.



The ICR does not cite any issue with financial management during project implementation. Financial management was rated satisfactory in the last ISR of June 2019.

c. Unintended impacts (Positive or Negative)

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

Three lessons are drawn from the ICR (pages 16-21, 23-26, and 43-44), with some adaptation.

Successful institution building is a necessary requirement in growth pole projects to enhance private sector development and to strengthen public-private cooperation. This project spearheaded the creation of the National Cocoa Council, composed of private and state stakeholders, and assisted the Council to implement the National Cocoa Plan, drafted in 2018. It also helped establish the inter-professional Cotton Committee, a private body, and the inter-ministerial Cotton Council, a public agency. In tourism, this project supported the operationalization of the Tourism Confederation of Madagascar and planned for the creation of the Route Development Committee, composed of private and state stakeholders in the industry. These institutions either served as platforms for dialogue between the government and the private sector or represented the interests of private industry in negotiations with the government over policy, regulation, industry programs. Building these institutions were crucial to ensuring the sustainability of public-private sector cooperation in these industries.

Funding for the operation and maintenance of municipal infrastructure projects is often overlooked in regional infrastructure development programs within a country. In this project, no provisions were made for the future financing of the operating and maintenance costs of the local roads, water, and sanitation systems built under the project by local governments. The ICR observes that certain construction standards were upgraded during project implementation in an attempt to lessen future maintenance costs of the infrastructure facilities. Such measures to reduce maintenance, however, cannot be a sustainable solution to the maintenance problem. The national



and local governments must design collaborative plans to meet the operating and maintenance costs of local infrastructure that are not covered by the national budget and agree on options at project preparation and appraisal.

Projects that use macroeconomic variables as results indicators can forecast these variables and use deviations from forecasts as measures of project efficacy. In this project, jobs created, businesses formed, revenues earned, and exports earned were used as measures of the achievement of the project objectives. But these macroeconomic variables are also driven by factors other than those introduced by the project, including market demand, commodity prices, population growth, and even a time trend, as well as, potentially, by project-specific interventions. Project management can assess these impacts. One approach is to forecast the macroeconomic and project variables using statistical methods. The effects that are not due to fundamental macroeconomic factors can arguably be credited to the project.

13. Assessment Recommended?

Yes

Please Explain

The ICR (page 44) recommends the conduct of a more in-depth evaluation on how cohorts of entrepreneurs supported by the MBIF have fared over time. This could be a topic for future assessment.

14. Comments on Quality of ICR

The ICR (pages 16-21) presents fairly detailed data on the results indicators, beyond that required by the Restructuring Paper for assessing the efficacy of the objectives. Some of these “sub-indicators” had been dropped at restructuring, but are nevertheless useful for constructing a more robust picture of the project results --- the number of people trained as tourist guides, agricultural smallholder revenues by commodity, agricultural export receipts by commodity, the number of jobs created in the informal sector (versus formal sector) under Window 2 of the MBIF, the number of jobs created for women, the percentage of grants awarded to start-ups (versus to established businesses), and the percentage of grants awarded to women entrepreneurs, among other details. An outcome indicator for the second objective of providing access to enabling infrastructure services in target regions was still not available.

The ICR is candid about its assessment of the project results, repeatedly raising the issue of attribution of the outputs and outcomes to the project activities. However, it falls short of recommending what might have been a better alternative to setting targets and measuring efficacy by the simple incremental value of the indicators over baseline. The ICR (pages 42-43) is also candid about its assessment of the risks to the sustainability of the development outcomes of the project, raising questions about operating and maintenance costs of the infrastructure projects and their financing, and citing the formidable pressures that municipal mayors would likely face sustaining governance reforms.



The ICR (pages 23-26) correctly credits the project for the extensive efforts at institution building, both by creating new and strengthening existing structures to advance and sustain the project reforms. Apart from the national public-private cocoa and cotton bodies, the project also established management structures for various tourism sites and established platforms for some agricultural value chains.

a. Quality of ICR Rating
Substantial