



DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
MADAGASCAR FINANCIAL INCLUSION PROJECT  
APPROVED ON FEBRUARY 28, 2018  
TO  
REPUBLIC OF MADAGASCAR

FINANCE, COMPETITIVENESS AND INNOVATION

AFRICA EAST

Regional Vice President:	Hafez M. H. Ghanem
Country Director:	Zviripayi Idah Pswarayi Riddihough
Regional Director:	Asad Alam
Practice Manager/Manager:	Douglas Pearce
Task Team Leader(s):	Maimouna Gueye, Noro Aina Andriamihaja



I. BASIC DATA

Product Information

Project ID P161491	Financing Instrument Investment Project Financing
Original EA Category Financial Intermediary Assessment (F)	Current EA Category Financial Intermediary Assessment (F)
Approval Date 28-Feb-2018	Current Closing Date 31-Jul-2022

Organizations

Borrower Republic of Madagascar	Responsible Agency Ministère de l’Economie et des Finances, Ministère de l’Economie et des Finances
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Project Development Objective (PDO)

Original PDO

The development objective of this project is to promote the financial inclusion of individuals and MSMEs in Madagascar.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-61890	28-Feb-2018	19-Apr-2018	27-Sep-2018	31-Jul-2022	45.00	22.84	21.11

Policy Waiver(s)

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

No



## II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

The project has a moderately satisfactory rating for PDO and IP, as of the most recent supervision mission, which occurred in February 2022. The project underwent two restructurings in December 2020 and October 2021, respectively as a result of the impact of the COVID 19 pandemic and also due to the need to cancel an activity and reallocate the funds.

Following the cancellation of the activity to digitize teachers' salaries and students grants in component 1, heavy procurement activities were launched, which has lowered the disbursement rate temporarily but which will result in a significantly higher level of disbursement in Q3 and Q4 this fiscal year. Despite this, key achievements in Component 1 can be noted: i) The National Switch implementation was launched with selected provider "BPC Payment Services" ii) All the 10 agreements were signed for microfinance front office digital services. iii) Tax digitization has exceeded its target by 202%, including for women owned businesses.

Component 2 records a 72.7% disbursement against forecast annual budget of \$17.7 million. Progress is remarkable with performance of the Partial Portfolio Guarantee Fund that continues to show a good performance despite the pandemic, 7744 MSMEs have benefited from the Guarantee Fund, through the MSME Window. The target was set for 5000 MSMEs.

Nonetheless, the project has been severely impacted by the Pandemic which led to delays in the procurement of critical financial infrastructure, which carry high value contracts : the national payments switch (\$3.9m), the Microfinance mutualized platform and decentralized services (\$4.9m), the collateral registry(\$1m) and the Treasury platform (\$5.9m). Seven contracts under components 1 and 2 are expected to be concluded by end March 2022 for a value of \$7 million, which is expected to shift the disbursement rate substantially.

However, delays in the global supply chain of specialized materials needed for the national payments switch have recently been announced by the Provider (BPC), which will delay implementation and operationalization by several months after the scheduled closing date of July 31, 2022. Prior to this announcement, the Minister of Economy and Finance had sent a letter to the WB country office on January 25, 2022, requesting to extend the closing date of the PIFM from July 31 to December 2022.

The team has examined the Government 's request. Two major issues have been identified : First, procurement delays for several remaining contracts and second, the implementation and launch of the national switch platform.

In order to meet the July 31, 2022 closing date, the team assessment is that all contracts must be signed by the end of April 2022. However, it was identified that 9 contracts may not be signed by the April 30 cut off, for a total value of \$6 026 518 . The PIU is preparing the procurement for these contracts, which will take several weeks to be completed. With the new closing date of December 2022, the new cut-off date for these contracts will be July 2022.

The related contracts are listed below :

- 5 contracts with the Treasury : Total Value : \$ 5 122 660 { 1.Purchase of material, 2.Purchase of software, 3.Change management,4. Implementation support with BP(TA) 5.Treasury Bills application}
- 2 contracts with the Central Bank : 1 regarding the work on cybersecurity, the other aims to acquire to software for the TEG. Total value :\$200 000
- 1 contract with the Tax Department aiming to launch a communication campaign : Total Value : \$403 858
- 1 contract with the Treasury for a communication campaign Total Value : \$ 300 000

In addition to the above, implementation support for the national will require at least 4 months after the delivery date of the material (November 2022 + 4 months). Therefore the post closing implementation support would be provided under the "Pôles Intégrés de Croissance" (PIC 3). Upon delivery of the material in November, the provider will receive payment. Cost of implementation and acquisition of the national switch is :\$ 3 676 214.



The above mentioned activities will not be finalized by July 2022.

In this regard, a 6 month extension would allow smooth closing of the project and only the switch implementation will migrate to the PIC3 at the time of the new closing date of December 31, 2022.

### III. DETAILED CHANGES

#### LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-61890	Effective	31-Jul-2022		30-Dec-2022	30-Apr-2023