

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSA17674

Date ISDS Prepared/Updated: 25-Mar-2016

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I. BASIC INFORMATION

1. Basic Project Data

Country:	Madagascar	Project ID:	P150116
Project Name:	Public Sector Performance Project (P150116)		
Task Team Leader(s):	Anne-Lucie Lefebvre		
Estimated Appraisal Date:	21-Mar-2016	Estimated Board Date:	13-Jun-2016
Managing Unit:	GGO13	Lending Instrument:	Investment Project Financing
Sector(s):	Central government administration (25%), Sub-national government administration (25%), Public administration- Education (25%), Public administration- Energy and mining (25%)		
Theme(s):	Other public sector governance (100%)		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	40.00	Total Bank Financing:	40.00
Financing Gap:	0.00		
Financing Source			Amount
BORROWER/RECIPIENT			0.00
International Development Association (IDA)			0.00
IDA Grant			40.00
Total			40.00
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

2. Project Development Objective(s)

The Project Development Objective (PDO) is to improve revenue management, and local service delivery nationwide and in the education sector in Selected Regions.

3. Project Description

Component 1: Improving Revenue Management (US\$16.8 million)

1. This component seeks to address a number of functional problems that limit the efficiency of revenue generation and collection in key revenues agencies (tax, customs, and mining). These includes (a) weaknesses in revenue agencies' capacity, as documented in recent IMF (2014 and 2015) and TADAT reports; (b) declining domestic revenues that leaves limited fiscal space for service delivery; (c) overly cumbersome controls with limited results in preventing fraud and leakages; (d) lack of efficient internal controls resulting in collusion and favoring corruption; (e) human resources and behavior challenges undermining performance; (f) insufficient transparency and accountability regarding activities and reporting; (g) limited enforcement of the mining code undermining the management of mining revenues at both the central and local levels; and (h) a high degree of informality, especially with respect to ASM of gold.

2. The results to be achieved through this component are (a) the availability of improved integrated revenue information management systems and (b) enhanced operational efficiency of revenue agencies.

3. The following intermediate indicators and/or DLIs will be used to monitor the performance of this component:

- DLI 1.1: Modernization of the Integrated Tax Administration System (ITAS)
- DLI 1.2: Increased rate of confirmed suspicious customs transactions (in case of physical examination)
- DLI 1.3: Number of revenue offices that have been subject to an external evaluation of their performance contracts/programs
- Improved taxpayers' registration
- Establishment of a unique administrative identification number for taxpayers
- Improve formalization of small-scale gold miners

4. With respect to improving revenue management, this component will support the following activities through a combination of TA (US\$4.8 million) and results-based financing (RBF) (US \$12.0 million) (for details, please see annex 2): (a) improvement and consolidation of taxpayers registration and identification; (b) modernization of the ITAS; (c) strengthening of audit function and control; (b) the creation of an enabling environment for performance-based management at the Tax and Customs Departments; (e) improvement of revenue collection in the mining sector; (f) improvement of accountability and transparency of revenue agencies; and (g) leadership, change, and knowledge management.

5. The eligible expenditure programs (EEPs) to be financed under this component are the ITAS rollout, salaries, and purchase of equipment.

Component 2: Improving Service Delivery Capacity of Local Governments (US\$12.00 million)

6. This component seeks to address a number of functional problems that undermine service delivery and resilience at the local level. These include (a) challenges in identifying and collecting revenues; (b) poor awareness and enforcement of sectoral regulations; (c) delays by the central government in the refund of selected local taxes to regions and communes due to treasury cash flow challenges; and (d) limited management capacity challenges in M&E.

7. The results to be achieved through this component are (a) an improved local governance performance management system through the IGL and (b) greater efficiency of local governments' financial flow.

8. The following intermediate indicators and/or DLIs have been suggested to monitor the performance of this component:

- DLI 2.1: Improved timeliness of fiscal transfers to local governments
- Improved recovery of revenue (not including grants) by local governments

9. With respect to improving the capacity of local governments, this component will support the following activities through a combination of TA (US\$1.0 million) and RBF (US\$11.0 million) (for details, please see annex 2): (a) providing grants to communes and strengthening of grant transfer and equalization mechanisms; (b) developing a strategy and review of legal, institutional, and technical framework of revenue collection and developing pilots to secure revenue collection; and (c) reinforcing knowledge management for local governance, including selected impact evaluations.

10. The EEP to be financed under this component is local government grants.

Component 3: Improving Governance Mechanisms in the Education Sector (US\$7.80 million)

11. This component seeks to address a number of functional problems that affect budget execution and service delivery at the local level and in the education sector, including (a) delays in the payment of key expenditures such as payment of subsidies to community teachers and school grants; (b) absence of sound budget planning that limits the ability of the MEN for implementation; (c) constrained and inefficient budget execution; and (d) limited operationalization of the revised school committees (Farimbon'Ezaka ho Fahombiazan'ny Fanabeazana eny Ifotony, FEFFIs) and the school plans (Plan d'école contractualisés, PECs) that have recently been defined by law.

12. The results to be achieved through this component are (a) improved budget planning, monitoring, and execution mechanisms; (b) improved efficiency in procurement and transfer of funds to the local level; (c) operational FEFFIs (in project-supported areas) and increased use of accountability mechanisms at the local level.

13. The following intermediate indicators and/or DLIs have been suggested to monitor the performance of this subcomponent:

- DLI 3.1: Share of schools targeted by the component with an operational FEFFI and planning and implementing PECs (citizens' engagement DLI)
- Percentage of parents' association (Fikambanan'ny Ray Aman-drenin'ny Mpianatra, FRAM) teachers in the areas targeted by the component receiving subsidies with less than two months of delay

14. With respect to improving service delivery and governance in the education sector, this component will support the following activities through a combination of TA (US\$2.3 million) and RBF (US\$5.5 million) (for details, please see annex 2): (a) strengthening the budget planning and monitoring system at the local and central levels; (b) improving budget execution mechanisms in procurement and the management of subsidy transfers for community teachers and school grants; and (c) supporting the implementation of the FEFFI and the development of PECs through a combination

of TA and incentive processes.

15. The EEP to be financed under this component is the payment of school grants.

Component 4: Improving Controls and Performance Monitoring (US\$3.4 million)

16. This component seeks to address a number of functional problems that undermine the efficient use of scarce resources. These include (a) weaknesses in budget execution internal and external oversight and (b) lack of transparency, accountability, and participation in budget debates and management.

17. The results to be achieved through this component are (a) more efficient use of resources as well as reduced fraud and fund misuse resulting from improved control, oversight, and budget transparency and (b) improved leadership and sectoral dialogue.

18. The following intermediate indicators have been suggested to monitor the performance of this component:

- Timely availability of the auditor general public report (process indicator)
- Number of high/substantial risk audits completed by Internal Audit Departments
- Semiannual public debates on the Budget Law (annual budget law and loi de règlement) and on the performance of revenue agencies (citizens' engagement indicator)

19. With respect to improving performance in the management of expenditures, this component will support the following activities: (a) strengthening controls and oversight mechanisms; (b) promoting transparency, accountability, participation, and media access to information; and (c) project coordination and performance monitoring.

20. There will be no EEP financed through this component.

4. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Project will have a nationwide coverage with a specific focus around the large cities in throughout the country.

5. Environmental and Social Safeguards Specialists

Paul-Jean Feno (GEN07)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project has a category B safeguards rating. The investments under this project will focus on the improvement of the delivery of basic services and will result in improved living conditions. As such, the investments are likely to be sectorally varied given that they will be determined by local level priorities, which will differ from one local government to another. The types of investment are common community development projects (e.g. market places, schools, community clinics,

		<p>public offices, feeder roads, etc.) whose potential environmental and social effects are well understood, unlikely to be significant due to their site specific nature, and are readily manageable.</p> <p>The potential social and environmental issues associated with the project include soil erosion, health effects to workers and surrounding beneficiary communities related to construction, land disturbance during construction, waste management for the schools, markets places, and community clinics, and noise primarily during physical construction.</p> <p>As stated above, the potential sub-projects to be financed will be selected after community grants are allocated via participatory budgeting processes. Hence, at this very time of the preparation of the project, these sub-projects have not yet been clearly identified, nor have the exact characteristics (nature, type and scope) and physical locations of sub-projects can be clearly determined prior to appraisal; therefore, the borrower has prepared an Environmental and Social Management Framework (ESMF) in compliance with the Environmental Law in Madagascar and the Environmental Assessment Operational Policy (OP/BP 4.01).</p>
Natural Habitats OP/BP 4.04	No	The policy is not triggered as following the National Law on Protected Areas, it is not possible to build infrastructure within the protected areas in Madagascar; therefore, no direct impacts on the protected areas and/or natural habitats are anticipated.
Forests OP/BP 4.36	No	The policy is not triggered. None of the proposed project activities/sub-activities will be implemented in a forest or nearby a forest, nor have an irreversible negative impact on project areas.
Pest Management OP 4.09	No	The policy is not triggered. There is no indication of activities that would lead to the use of pesticides.
Physical Cultural Resources OP/BP 4.11	No	The policy is not triggered despite the foreseen construction and debilitation works expected to occur during the project implementation stage; nonetheless, the ESMF will make provision of the use of Chance-Finds approach to adequately guide client on the proper way of handling such encounters.
Indigenous Peoples OP/ BP 4.10	No	Though the project will have a national coverage, the proposed activities are not expected to impact on the Mikea community mostly living in the north-easter part of the country. Moreover, according to a recent WBG re-

		assessment of the existence of IPs in Madagascar, the Mikea community no-longer fits the WBG description of IPs, and therefore, the policy is not triggered.
Involuntary Resettlement OP/BP 4.12	Yes	Land acquisition, compensation and resettlement of people may be inevitable for certain categories of sub-projects. This is a social issue of critical concern to the Government and the World Bank as its impact on poverty if left unmitigated, is negative, immediate, and can be wide spread. The infrastructure projects developed in several localities by the “collectivités territoriales” could result in involuntary resettlement and land acquisition. Such relocation could occur during the process of widening the roads, with the construction of markets, or the rehabilitation of schools or community clinics. In addition, the Ministry of Decentralization could rely the National Law on Land Acquisition, which is different from the Bank Policy on Involuntary Resettlement OP 4.12. the Resettlement Policy Framework has been prepared for the community development activities under the decentralization component and to incorporate the local development fund (FDL).
Safety of Dams OP/BP 4.37	No	Land acquisition, compensation and resettlement of people may be inevitable for certain categories of sub-projects. This is a social issue of critical concern to the Government and the World Bank as its impact on poverty if left unmitigated, is negative, immediate, and can be wide spread. The infrastructure projects developed in several localities by the “collectivités territoriales” could result in involuntary resettlement and land acquisition. Such relocation could occur during the process of widening the roads, with the construction of markets, or the rehabilitation of schools or community clinics. In addition, the Ministry of Decentralization could rely the National Law on Land Acquisition, which is different from the Bank Policy on Involuntary Resettlement OP 4.12. Therefore, it is proposed to prepare a Resettlement Policy Framework for the community development activities under the decentralization component and to incorporate the local development fund (FDL).
Projects on International Waterways OP/BP 7.50	No	The project activities do not involve international waterways.
Projects in Disputed Areas OP/BP 7.60	No	The activities under this project do not involve disputed areas.

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

<p>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</p>
<p>Social Benefits: Cost of education has considerably increased for families as they directly support community-based teachers. By improving the payment mechanism for community-based teachers in primary education, it is expected that the cost of access to education will decrease. In parallel, quality of education is expected to increase through better teacher performance. Overall, this will contribute to improving the learning outcomes and bolstering the country's human capital.</p> <p>The Project is classified as category B in the World Bank's Environmental Assessment classification due to the low size and site specific nature of its foreseen social and environmental risks and impacts. The environmental and social Safeguard Policies triggered by this operation are: OP/BP 4.01 (Environmental Assessment) and OP/BP 4.12 (Involuntary Resettlement).</p> <p>There are no potential large scale, significant and/or irreversible impacts expected to arise from this project. The investments under this project will focus on the improvement of the delivery of basic services and will result in improved living conditions such as the construction/rehabilitation of market places, schools, community clinics, public offices, feeder roads, etc. The potential environmental and social effects are well understood, unlikely to be significant due to their site specific nature and readily manageable. The proposed project requires no exceptions to the World Bank's policies on environmental and social safeguards.</p>
<p>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</p>
<p>No long term risks or impacts are anticipated as a result of potential future project activities. Overall project impacts are considered modest and will be site specific. No potential indirect and/or long term impacts could be induce on the anticipated future activities to this proposed operation.</p>
<p>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</p>
<p>There are no alternatives to the present project design.</p>
<p>4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.</p>
<p>At the national level, Madagascar has a legislative and regulatory framework which is conducive to good environmental management. In compliance with the Malagasy Environment National Law under Décret N°2004-167 (MECIE, with the small size of potential social infrastructures to be financed, It was recorded the no specific Environmental and Social Management Plan is necessary to be prepared. The national environmental law will be reinforced by the World Bank safeguard policies for this proposed project. The project has engaged the services of a consultant to prepare two separated safeguards instruments. These instruments have assessed the potential impacts of all activities to be supported by the proposed operation, the expected adverse environmental and social impacts, and identified mitigation measures, including the principles, procedures to be followed for the safeguards policies triggered: OP/BP 4.01 (Environmental Assessment) and OP/BP 4.12 (Involuntary Resettlement).</p> <p>An Environmental and Social Management Framework (ESMF) has been prepared to be used to screen sub-project proposals for environmental, social, gender, and health and safety impacts by using the ESMF screening form and checklist. The ESMF includes an Environmental and Social Management Plan (ESMP) for each subproject could be financed by the project. Due to the small size of sub-projects, the impacts and risks are of site specific nature and easily manageable.</p>

In line with GOM and World Bank policies, the ESMF/ESMP outlines guidelines: (i) an environmental and social screening process, (ii) generic mitigation measures for each potential eligible subprojects, (iii) principles and dispositions to be followed and adopted during civil works and exploitation phase of subproject to reduce risks, impacts to acceptable level. The screening outcomes will determine the kind of Environmental and Social Management Plan (ESMP) to be adopted and a Resettlement Action Plan (RAP) or if no action will be needed. The screening of the sub-projects will be done by the FDL technical team during subprojects identification. In frame of this proposed operation, the technical studies of future subprojects will be prepared or updated when the financing are available. The ESMF has considered a specific ESMP by subproject build from the previous FDL's support with similar subprojects. FDL with the commune will be responsible for the selection and development of ESMP when subproject site identified. No archaeological vestiges could be met and selected by the commune to identify their subprojects to be financed by the project. For more assurance, the ESMF has made provisions for cultural resources management in the event the Physical Cultural Resources OP 4.11 is triggered during the implementation phase and includes "chance finds" procedures for inclusion in the contractors' contract.

Since the precise physical locations and impacts of the small infrastructures are unknown at this stage and the acquisition of land, loss of assets and/or means of livelihood are not characterized at this stage, the Borrower has prepared a detailed Resettlement Policy Framework (RPF) that sets forth the basic principles and procedures that both the Borrower and the World Bank must follow to mitigate any potential adverse social impacts. Because some project activities may lead to the acquisition of land, loss of assets and/or means of livelihood that could result in the involuntary resettlement of people. The RPF includes details information on legal and institutional framework, eligibility criteria, assets evaluating methods, implementation arrangements, grievances redress mechanism, resettlement budget totally covered by the Government and monitoring and evaluation. The RPF contains the basic principles and procedures/directives to be followed by the Borrower for the preparation of the Resettlement Action Plan (RAP) once the physical locations of the proposed activities are known. The RPF has proposed specific RAP ToR.

FDL technical team will be in charge of the project safeguard environmental and social compliance. This department will carry out ESMP/RAP, to ensure that the mitigation measures are being effectively implemented, and will conduct field visits on a regular basis. Monitoring checklists will be prepared on the basis of the mitigation plans for this purpose. Progress Reports (PR) shall document the progress of ESMF implementation.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

With respect to the applicable safeguards policies and instruments, the project preparation process sought to identify and analyze the interests, concerns, and effects of project activities on major stakeholders and vice-versa. During project preparation, the GoM throughout PREA and a Consultant has conducted public consultations and meetings on the project in the regions. Extensive public consultations were also conducted during the preparation of ESMF and RPF to take into account the local populations and communities views on the project activities and impacts.

Likewise, during project implementation, FDL is expected to consult project-affected groups with active participation of local governmental and nongovernmental organizations on all

environmental and social aspects of the project and take their views into account accordingly. Public consultations will be carried out as early as possible and provide, in a timely manner prior to consultation, all the relevant materials in the form and language(s) needed to be understandable and accessible to the groups being consulted. The draft ESMF and RPF have been received at the Bank in January 20th, 2016. All the environmental and social safeguards instruments will be approved by the Bank and disclosed in-country and at Infoshop, before appraisal, on February XX, 2016 in compliance with the relevant World Bank safeguards and national policies and Disclosure Policies.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	20-Jan-2016
Date of submission to InfoShop	15-Mar-2016
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
Madagascar	15-Mar-2016
<i>Comments:</i>	
Resettlement Action Plan/Framework/Policy Process	
Date of receipt by the Bank	20-Jan-2016
Date of submission to InfoShop	22-Feb-2016
"In country" Disclosure	
Madagascar	15-Mar-2016
<i>Comments:</i>	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment	
Does the project require a stand-alone EA (including EMP) report?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
Are the cost and the accountabilities for the EMP incorporated in the credit/loan?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
OP/BP 4.12 - Involuntary Resettlement	
Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]
If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?	Yes [<input checked="" type="checkbox"/>] No [<input type="checkbox"/>] NA [<input type="checkbox"/>]

Is physical displacement/relocation expected? Provided estimated number of people to be affected	Yes [] No [<input checked="" type="checkbox"/>] TBD []
Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods) Provided estimated number of people to be affected	Yes [] No [<input checked="" type="checkbox"/>] TBD []
The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [<input checked="" type="checkbox"/>] No [] NA []
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [<input checked="" type="checkbox"/>] No [] NA []
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [] NA []
Have costs related to safeguard policy measures been included in the project cost?	Yes [<input checked="" type="checkbox"/>] No [] NA []
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input checked="" type="checkbox"/>] No [] NA []
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input checked="" type="checkbox"/>] No [] NA []

III. APPROVALS

Task Team Leader(s):	Name: Anne-Lucie Lefebvre	
Approved By		
Practice Manager/ Manager:	Name: Guenter Heidenhof (PMGR)	Date: 13-Apr-2016