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The World Bank

Report No: ICR00003290

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-44110)
ON A
CREDIT
IN THE AMOUNT OF XDR 19.1 MILLION
(US$ 28.8 MILLION EQUIVALENT)

TO THE
REPUBLIC OF MADAGASCAR
FOR THE
SECOND GOVERNANCE AND INSTITUTIONAL DEVELOPMENT PROJECT

April 30th 2015

Governance Global Practice
Country Management Unit, AFCS2
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective December 1st, 2014)

Currency Unit = Malagasy Ariary (Ar.)
US$ 1.00 = Ar 2,600

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AFD	*Agence Française de Développement* (French Development Agency)
ANSA	African Network of Social Accountability
ARMP	*Autorité de Régulation des Marchés Publics* (Procurement Oversight Authority)
Ar.	Ariary (Madagascar currency)
BCM	Central Bank of Madagascar
BdG(PCU)	*Bureau de Gestion du projet* (Project Coordination Unit)
BIANCO	Bureau Indépendant Anti-Corruption - Independent Anti-corruption Bureau
BP	*Budget Participatif* (Participatory Budgeting Process)
CAS	Country Assistance Strategy
CDE	*Contrôle des Dépenses Engagées* (Commitment Control)
CGF	*Index Comptabilité et Gestion Financière communale* (Municipal Financial Management Index)
CMU	Country Management Unit
CNFA	*Centre National de Formation Administrative* (National Center for Administrative Training)
COS (POC)	*Conseil d'Orientation et de Suivi* (Project Oversight Committee)
CPAR	Country Procurement Assessment Report
CSI	*Comité pour la Sauvegarde de l'Intégrité* (Integrity Safeguard Committee)
CSO	Civil Society Organization
DO	Development Objectives
ENAM	*Ecole Nationale d'Administration de Madagascar* (National School of Administration)
ENMG	*Ecole Nationale de la Magistrature et des Greffes* (National School for Magistrates and Clerks of the Court)
EITI	Extractive Industries Transparency Initiative
EU	European Union
EUR.	Euro
FDL	*Fonds de Développement Local* (Local Development Fund)
FM	Financial Management
FY	Fiscal Year
GDLN	Global Development Learning Network

GDP	Gross Domestic Product
GMP	(*Indicateur de) Gestion et Mise en oeuvre de Projet* (Project Management and Implementation indicator)
GPSA	Global Partnership for Social Accountability
GoM	Government of Madagascar
IGE	*Inspection Générale de l'Etat* (General Government Inspectorate)
IGF	*Inspection Générale des Finances (*General Inspectorate of Finance)
IGL	*Indice de Gouvernance Local* (Local Governance Index)
ICR	Implementation Completion and Results Report
IDA	International Development Association
IEG	Independent Evaluation Group
IFR	Interim unaudited Financial Report
IFMIS (SIGFP)	Integrated Financial Management Information System *(Système Intégré de Gestion des Finances Publiques)*
INDDL	*Institut National de la Décentralisation et du Développement Local* (National Institute of Decentralization and Local Governance)
INSTAT	*Institut National de la Statistique* (National Institute of Statistics)
IP	Implementation Progress
ISN	Interim Strategy Note
ISR	Implementation Status and Results Report
LdR	*Loi de Règlement* (Annual Budget Execution Law)
IST	In-Service Training
ISR	Implementation Status and Results report
IT	Initial Training
MAP	Madagascar Action Plan
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
MFB	Ministry of Finance and Budget
MS	Moderately Satisfactory
MTR	Mid-Term Review
MU	Moderately Unsatisfactory
NLIM	National Leadership Institute of Madagascar
OBI	Open Budget Index
OCAI	*Opération Communale d'Appui Intégré* (Operation for Integrated Municipal Support)
OF	*Observatoire du Foncier* (Land Observatory)
OP/BP	Operational Policy/Bank Procedure
PAD	Project Appraisal Document
PDO	Project Development Objectives
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PGDI	*Projet de Gouvernance et de Développement Institutionnel* (Governance and Institutional Development Project)
PGE	*Politique Générale de l'Etat* (General State Policy)
PIC	*Pole Intégré de Croissance* (Integrated Growth Pole)
PCU(BdG)	Project Coordination Unit (*Bureau de Gestion*)
PLOF	*Plan Local d'Occupation Foncière* (Local Land Occupation Plan)

PNE	Public National Enterprises
PNF	*Programme National Foncier* (National Land Management Program)
POC (COS)	Project Oversight Committee (*Comité d'Orientation et de Suivi*)
PREA	*Programme de Réforme pour l'Efficacité de l'Administration* (Reform Program for the Efficiency of the Administration)
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PSIA	Poverty and Social Impact Analysis
PURSAPS	*Projet d'Urgence pour la Sécurité Alimentaire et la Protection Sociale* (Emergency Project for Food Security and Social Protection)
QEA	Quality at Entry
QSA	Quality of Supervision
RBM	Results Based Management
RCU	Reform Coordination Unit at the MFB
SMART	Specific, Measurable, Attributable, Results-Oriented and Time Bound
SNISE	*Systeme National Intégré de Suivi-Evaluation* (National Integrated Monitoring and Evaluation System)
TAL	Technical Assistance Lending
ToRs	Terms of Reference
U	Unsatisfactory
UNOPS	United Nations Office for Project Services
USD	United States Dollar
VAT	Value Added Tax
XDR	Special Drawings Rights

Vice President:	Makhtar Diop
Country Director:	Mark Lundell
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REPUBLIC OF MADAGASCAR

SECOND GOVERNANCE AND INSTITUTIONAL DEVELOPMENT PROJECT

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Datasheet

A. Basic Information

Country:	Madagascar	Project Name:	Governance and Institutional Development Project II
Project ID:	P103950	L/C/TF Number(s):	IDA-44110
ICR Date:	Apr 30th , 2015	ICR Type:	Core ICR
Lending Instrument:	TAL	Borrower:	Government of Madagascar (GoM)
Original Total Commitment:	XDR 24.30M	Disbursed Amount:	XDR 16.68M
Revised Amount:	XDR 19.10M		
Environmental Category: C			
Implementing Agencies: *Programme des réformes pour l'efficacité de l'administration* (PREA), *Bureau de gestion Unité de gestion de projet* in the Prime Minister's Office			
Cofinanciers and Other External Partners: None			

B. Key Dates

Process	**Date**	**Process**	**Original Date**	**Revised / Actual Date(s)**
Concept Review:	11/21/2007	Effectiveness:	09/01/2008	10/13/2008
Appraisal:	03/26/2008	Restructuring(s):		08/15/2012
Approval:	06/03/2008	Mid-term Review:	09/2010	02/28/2014
		Closing:	08/31/2012	08/31/2014

C. Ratings Summary

C.1 Performance Rating by ICR

Outcomes:	Moderately Unsatisfactory
Risk to Development Outcome:	High
Bank Performance:	Moderately Unsatisfactory
Borrower Performance:	Moderately Unsatisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)

Bank	**Ratings**	**Borrower**	**Ratings**
Quality at Entry:	Moderately Unsatisfactory	Government:	Moderately Unsatisfactory
Quality of Supervision:	Moderately Unsatisfactory	Implementing Agency/Agencies:	Moderately Unsatisfactory
Overall Bank Performance:	Moderately Unsatisfactory	Overall Borrower Performance:	Moderately Unsatisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating**
Potential Problem Project at any time (Yes/No):	Yes	Quality at Entry (QEA):	Moderately Unsatisfactory
Problem Project at any time (Yes/No):	Yes	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Moderately Unsatisfactory		

D. Sector and Theme Codes		
	Original	**Actual**
Sector Code (as % of total Bank financing)		
Central government administration	82	82
General public administration sector	10	10
Law and justice	5	5
Sub-national government administration	3	3

Theme Code (as % of total Bank financing)		
Administrative and civil service reform	25	25
Managing for development results	13	13
Other accountability/anti-corruption	24	24
Other public sector governance	13	13
Public expenditure, financial management and procurement	25	25

E. Bank Staff		
Positions	**At ICR**	**At Approval**
Vice President:	Makhtar Diop	Obiageli Katryn Ezekwesili
Country Director:	Mark Lundell	Dirk Reinermann
Practice Manager	Guenter Heidenhof	Anand Rajarman
Project Team Leader:	Anne-Lucie Lefebvre	Guenter Heidenhof
ICR Team Leader:	Michel Mallberg/Hugues Agossou	
ICR Primary Author:	Michel Mallberg/Hugues Agossou	
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F. Results Framework Analysis

Project Development Objectives (PDO) - from Project Appraisal Document

"*To improve the efficiency and transparency of government and selected public services in Madagascar in line with the Madagascar Action Plan (MAP)".*

Revised Project Development Objectives - as approved by original approving authority

"*To strengthen the Recipient's public financial management and social accountability at the central government and at the Municipal levels*".

The Results Framework presented in the data sheet below combines indicators and expected results agreed during the project appraisal and the project restructuring in August 2012. At restructuring the four original PDO indicators were replaced by four new PDO indicators. Concerning the intermediate outcome indicators, 15 of the original indicators were dropped, two indicators were revised and 11 new indicators were added.

Proportion of expenditures paid prior to and after the restructuring:

- 43 percent prior to the restructuring
- 57 percent after the restructuring

(a) PDO Indicator(s)

a1. Prior to project restructuring:

Outcome/ Impact Indicator	**Baseline Value**	**Original Target Values (from approval documents)**	**Formally Revised Target Values**	**Actual Value Achieved at Completion or Target Years**
Indicator 1	Number of Indicators under the Public Expenditure and Financial Accountability Assessment (PEFA) rated 'B 'and above			
Value (quantitative or qualitative)	13 (2008)	21 (2012)	Dropped at restructuring	
Date achieved				
Comments (incl. % achievement)	According to the PEFA self-assessment report issued in August 2014, five indicators were rated B and above.			
Indicator 2	Percentage increase in tax/GDP ratio			
Value (quantitative or qualitative)	11.10% (2008)	13.00% (2012)	Dropped at restructuring	
Date achieved				
Comments (incl. % achievement)	This indicator seems to have been dropped as an indicator used to monitor results. However, it is not mentioned in the restructuring paper as formally dropped. The ICR team has considered that the indicator was dropped. According to the IMF 2014 Article IV consultation report, the tax/GDP ratio in 2012 was 9.1%.			

Indicator 3	Percentage of population satisfied with the quality of services provided by the selected prioritized public institutions. The following services used as reference points are: (i) land titling agency in Antananarivo; (ii) customs office in Toamasina; and (iii) lower court in Antananarivo			
Value (quantitative or qualitative)	All 2008 (i) land titling agency in Antananarivo: 58% (ii) customs office in Toamasina: 27% (iii) lower court in Antananarivo: 36%	All 2012 (i) land titling agency in Antananarivo: 85% (ii) customs office in Toamasina: 80% (iii) lower court in Antananarivo: +20%	Dropped at the restructuring	
Date achieved				
Comments (incl. % achievement)	Formally dropped at project restructuring. No data is available to assess the achievement of the indicator.			
Indicator 4	Number of corruption cases effectively adjudicated by the judiciary or through administrative procedures			
Value (quantitative or qualitative)	190 (2007)	+20% (annual increase 2009-2012)	Dropped at the restructuring	
Date achieved				
Comments (incl. % achievement)	Formally dropped at project restructuring. No data is available to assess the achievement of the indicator.			

a2. PDO indicators as per project restructuring:

Outcome/Impact Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator 1 :	Number of selected indicators that increase their rating in the self-evaluation[1]			
Value (quantitative or qualitative)	0	3		1
Date achieved	07/15/2012			08/31/2014
Comments (incl. % achievement)	According to the final PEFA report issued in August 2014: • The indicator PI-26 has increased its rating from D to D+ • Three indicators (PI-11; PI-19 and PI-21) have their ratings decreased. • Four indicators have kept their ratings constant.			
Indicator 2 :	Number of Ministries publishing budget quarter budget execution report through media or internet			
Value (quantitative or qualitative)	1	10		40
Date achieved	07/15/2012			06/30/2014
Comments (incl. % achievement)	100%. This indicator has been achieved. However there was no requirement regarding the quality or the content of the reports prepared and published. Moreover, technical issues of the website limited the publishing of the reports on internet. The technical issues were only resolved in December 2014. The reports are posted on the Directorate of budget website http://www.dgbudget.mg/index.php?option=com_content&view=article&id=45&Itemid=38.			
Indicator 3 :	The Local Governance Index (IGL) average is increased in targeted local governments			
Value	3.9/10	4.5/10		5.13/10
Date achieved	07/15/2012			08/31/2014
Comments (incl. % achievement)	100%. The indicator has been achieved.			

[1]Selected indicators will include at least 5 core PEFA indicators linked to Transparency, (PI-10), and Budget Cycle PI-11; PI-15; PI-19; PI-21; PI-23; PI-24; PI-26)

Indicator 4 :	Direct Project Beneficiaries			
Value	Persons trained [6800] Of which female less than 30% of beneficiaries Municipality benefitting from municipal grants [0] CSO benefitting from Social Accountability grants [0]	8000 Of which female 50% of new beneficiaries 100 45		8,589 40% 120 72
Date achieved	07/15/2012			08/31/2014
Comments (incl. % achievement)	The indicator has almost been achieved except for the percentage of the women trained which is below the expectation. This indicator measures an output rather than an outcome.			

(b) Intermediate Outcome Indicator(s)

b1. Prior to project restructuring:

Indicator	**Baseline Value**	**Original Target Values (from approval documents)**	**Formally Revised Target Values**	**Actual Value Achieved at Completion or Target Years**
Component 1: <u>Improvement of Public Expenditure Management</u>				
Indicator 1.1:	Number of PEFA budget preparation and execution indicators (indicators 1 through 17) rated 'B ' and above			
Value	10 (2008) (revised baseline as per restructuring paper: 9 in 2008)	14 (2012)	11 (Though, the restructured paper also indicates that this indicator was dropped)	
Date achieved				
Comments (incl. % achievement)	The indicator was dropped at project restructuring. However, according to the PEFA report issued in 2014, five out of these 17 indicators were rated B and above.			

Indicator 1.2:	Number of PEFA indicators measuring the efficiency of internal control mechanisms and budget reporting (Indicators 18 through 25) rated "B" and above			
Value	1 (2008) (revised 2008 baseline in 2012 restructuring)	5 (2012)	5 (though is indicated as dropped)	
Date achieved				08/31/2014
Comments (incl. % achievement)	The indicator was dropped at project restructuring. However, according to the PEFA report for 2014, none of the concerned indicators were rated B and above.			
Indicator 1.3:	Percentage of bids awarded under open competition			
Value	58% (2008)	85% (2012)	75%	
Date achieved				
Comments (incl. % achievement)	The indicator was reformulated at the project restructuring (See revised indicator 1.3)			
Component 2: <u>Strengthening the efficiency of government operations</u>				
Indicator 2.4	Percentage of sector Ministries that meet 100% of their annual work plans targets under the PGE			
Value	50%	90% (2012)	Dropped at restructuring	
Date achieved				
Comments (incl. % achievement)	No data is available to assess the indicator.			
Indicator 2.5	Number of students successfully completing training courses at NLIM, ENAM, CNFA, ENMG, GDLN (IT: Initial Training and IST: In-Service Training)			
Value				
NLIM	IT: 32 (2008)	IT: 30	Dropped at restructuring	
	IST: 7101 (2008)	IST: 7220		
ENAM	IT: 23 (2008)	IT: 155		
	IST: 18155 (2008)	IST: 1645		
CNFA	IST: 80 (2008)	IST: 150		
ENMG	IT: 142	IT: 150		
	IST: 700	IST: 1500		
GDLN	IT: Missing baseline	Missing		
	IST: Missing baseline	Missing		
Date achieved				
Comments (incl. % achievement)	No data is available to assess the indicator.			

Indicator 2.6	Percentage of sector Ministries timely submitting reports for incorporation into the MAP progress report			
Value	50 (2008)	90 (2012)	Dropped at restructuring	
Date achieved				
Comments (incl. % achievement)	No data is available to assess the indicator.			
Component 3: <u>Rule of Law and fight against corruption (dropped at restructuring)</u>				
Indicator 3.8	Average days required to process a case at the level of lower courts			
Value	Missing baseline	Missing targets	Dropped at restructuring	
Date achieved				
Comments (incl. % achievement)	No data is available to assess the indicator.			
Indicator 3.9a	Frequency of bribes paid by users to obtain licenses and permits in the city of Antananarivo			
Value	57% (2006)	20% (2012)	Dropped at restructuring	
Date achieved				
Comments (incl. % achievement)	No data is available to assess the indicator.			
Indicator 3.9b	Proportion of average expenditure paid by household as bribes for accessing selected public services			
Value	3.1% (2008)	2% (2012)	Dropped at restructuring	
Date achieved				
Comments (incl. % achievement)	No data is available to assess the indicator.			
Indicator 3.10	Number of PEFA indicators measuring the external control mechanisms (indicators 26 through 28) rated 'B' and above			
Value	0	2	Dropped at restructuring	
Date achieved				
Comments (incl. % achievement)	According to the PEFA 2014 report, none of the indicators were rated B and above.			

Component 4	**Transparency and social accountability (dropped at restructuring)**			
Indicator4.11	Number of social accountability (community score cards, participatory budgeting) completed			
Value	7	20	Reformulated at restructuring – see new indicator 2.6	
Date achieved				
Comments (incl. % achievement)	Activities fostering enhanced transparency and social accountability were mainstreamed across the components 2 and 3 of the restructured project.			
Indicator 4.12	Percentage of users that are satisfied with the selected public services (health, education) in the regions of ANOSY and DIANA			
Value	No baseline	No targets	Dropped at restructuring	
Date achieved				
Comments (incl. % achievement)	No data is available to assess the indicator.			
Component 5	**Monitoring and Evaluation (dropped at restructuring)**			
Indicator 5.13	Population census 2010 completed and percentage of data published			
Value	0%	100 % (2010)	Component dropped/ cancelled	
Date achieved				
Comments (incl. % achievement)	The component was dropped at restructuring. Prior to restructuring, the decision was made to cancel the population census, the major activity financed by the component: 0.1% of the allocation was spent prior to the cancellation of the activity.			
Component 6	**Program Coordination**			
Indicator 6.14a	Timely submission of progress reports			
Value	Yes	Yes	Dropped	
Date achieved				
Comments (incl. % achievement)	Progress reports were not submitted on a quarterly basis. However interim unaudited financial reports were issued quarterly.			
Indicator 6.14b	Satisfactory rating of annual implementation progress by the World Bank and the Malagasy Government			
Value	Yes	Yes	Dropped	
Date achieved				
Comments (incl. % achievement)	Annual progress reports were produced and submitted to the Bank.			

b2. Intermediate Outcome Indicators as per project restructuring:

Indicator	**Baseline Value**	**Original Target Values (from approval documents)**	**Formally Revised Target Values**	**Actual Value Achieved at Completion or Target Years**
<u>Revised Component 1: Improvement of public financial management</u>				
Indicator 1.1:	Number of PEFA audited self-evaluation reports published and discussed			
Value	0	2		1
Date achieved	07/15/2012			08/31/2014
Comments (incl. % achievement)	This indicator has been partially achieved with a 50% achievement rate: • A national-level PEFA self-assessment was carried out in December 2013 and the report published in August 2014. http://www.mefb.gov.mg/images/files/PEFA-2014-VF.pdf • At sub-national level, a PEFA was carried out for the city of Antananarivo. As of November 15, 2014, the report was not published. • A sub-national PEFA assessment was carried out for Mahajanga. As of November 15, 2014, the draft report was not issued. The formulation of the indicator is not explicit as to whether only national PEFA reports, or both national and sub-national PEFA reports, would be considered in achieving the target. However, the achievement rate was not affected as none of the sub-national PEFA reports were published as of November 15, 2014.			
Indicator 1.2 :	Number of IFMIS Centralization/integration indicators rated « satisfactory »			
Value	1	8		1
Date achieved	07/15/2012			08/31/2014
Comments (incl. % achievement)	0%: The indicator has remained unchanged. The full integration of the IFMIS has not been achieved.			
Indicator 1.3 :	Number of bids of the central Government, awarded under open competition			
Value	58%	85% (2012)	75% (2014)	85.51%
Date achieved	07/15/2012			08/31/2014
Comments (incl. % achievement)	0%: The ICR team considers the indicator as not achieved even if the project reported it as achieved. The wording of the indicator and the methodology of calculating the values of the indicator were not sufficiently clear. The reported value consequently included procurement activities carried out through quotation (a procurement method with limited competition). In the computation of the values, the contracts below the threshold for competitive procurement as well as the contracts at decentralized level were excluded. An increasingly common approach is to split contracts to avoid full competitive procurement. In 2013, 10.69% of the total value of contracts was undertaken through open competition. The figure was 32% in 2011 and 26% in 2012 showing deterioration with time. In fact, a recent procurement post review has confirmed the practice of splitting contracts to avoid competition.			

Revised Component 2: Improvement of local governance				
Indicator 2.1:	Percentage of FDL municipalities with an improved CGF score (D+) (FDL municipalities)			
Value	39%	50%		91%
Date achieved	07/15/2012			08/31/2014
Comments (incl. % achievement)	100%. The indicator has been fully achieved. CGF stands for *comptabilité et gestion financière* (accounting and financial management). It includes management of the municipalities' internal resources as well as resources provided by PGDI-II.			
Indicator 2.2:	Percentage of FDL municipalities with an improved GMP (*Gestion et Management de Proje*t) score (D+) (FDL municipalities)			
Value	55%	65%		45%
Date achieved	07/15/2012			07/31/2014
Comments (incl. % achievement)	As of July 31, 2014, the indicator was behind the target and even below the baseline. The team was also informed that further improvements in the indicator was unlikely as the support to the municipalities was insufficient to build broad and lasting capacity.			
Indicator 2.3 :	Percentage of municipalities publishing information on public service in compliance with BIANCO recommendations			
Value	0	100%		70%
Date achieved	07/15/2012			07/31/2014
Comments (incl. % achievement)	70%. The indicator has not been achieved.			
New indicator 2.4:	Number of land parcels recorded for local taxation			
Value	3000	8,000		537,314
Date achieved	07/15/2012			08/31/2014
Comments (incl. % achievement)	100%. The indicator has been exponentially exceeded. The baseline and the target were underestimated because the underlying hypothesis was that land parcel recording for local taxation was to be done on a pilot basis. Following a successful pilot phase, the PGDI-II provided support to significantly scale up the activity which resulted in a value of the indicator significantly higher than the target value.			
New indicator 2.5	Number of land parcels with secured ownership rights registered			
Value	2,500	7,500		15,837
Date achieved	07/15/2012			08/31/2014
Comments (incl. % achievement)	0%: The team considers the indicator as not achieved even if the project reported it as achieved. In reality, the 15,837 requests were processed, but, as of December 1st, no land certificates were issued due to the government decision to no longer issue land certificates prior to the approval of the Municipal Land Development Plan.			
New indicator 2.6	Number of social accountability initiatives implemented at the local level			
Value	169	450		506
Date achieved	07/15/2012			08/31/2014
Comments (incl. % achievement)	100%. The indicator has fully been achieved			

New Component 3: Institutional Strengthening and Knowledge Management				
New intermediate indicator 3.1:	The number of public institutions that endorse, publicly, the “Access to information and Knowledge Sharing Charter”			
Value	0	60		239
Date achieved	07/15/2012			08/31/2014
Comments (incl. % achievement)	100%.The number of institutions that have endorsed publicly the Charter exceeds by far the target. However, the implementation of the provisions in the charter is not binding and there is no operational M&E system to verify the degree of implementation of the Charter.			
New intermediate indicator 3.2:	Percentage of GDLN budget that is covered by own resources			
Value	40%	60%		29.11%
Date achieved	07/15/2012			08/31/2014
Comments (incl. % achievement)	Although the indicator has not been achieved, the financial sustainability of GDLN is likely better than the reported target value. The target value was computed based on the status of the GDLN as an Association that implied that the GDLN had operating expenses as a private operator. It also limited the collaboration with national educational institutions. By the Decree N° 2014-902 of June 24, 2014**, t**he legal status of GDLN has changed (from an Association to Commercial Public Enterprise). The GDLN has also significantly improved its revenue prospects through partnerships with national and international educational institutions. With the new status, the GDLN will also be allowed to issue State recognized diplomas.			
New intermediate indicator 3.3:	Number of visitors of the INSTAT website			
Value	40,000	90,000		136,000
Date achieved	07/15/2012			12/31/2013
Comments (incl. % achievement)	100% achieved.			
New intermediate indicator 3.4:	Knowledge management database available and accessible via internet			
Value	No	Yes		Yes
Date achieved	07/15/2012			08/31/2014
Comments (incl. % achievement)	The indicator has been achieved. The set-up of the knowledge management database was completed on August 31, 2014, the closing date of the project. However, no decision was made as to the determination of the entity that would be in charge of managing the platform. www.geco-gouvernance.mg			

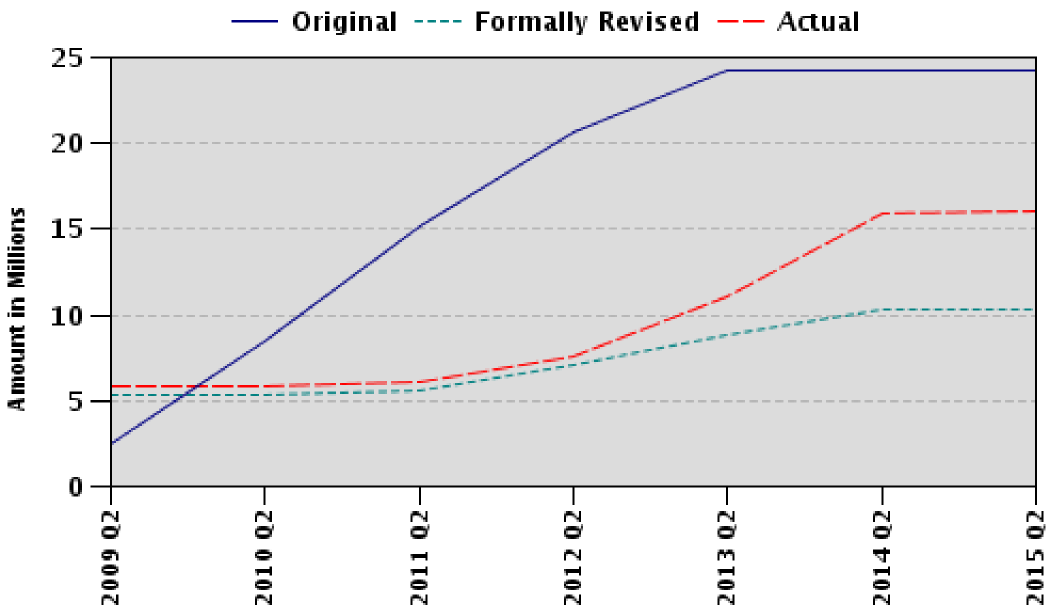
G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	12/27/2008	Satisfactory	Satisfactory	8.85
2	06/25/2009	Moderately Unsatisfactory	Moderately Unsatisfactory	8.85
3	12/31/2009	Moderately Unsatisfactory	Moderately Unsatisfactory	8.85
4	06/30/2010	Unsatisfactory	Unsatisfactory	8.85
5	05/04/2011	Unsatisfactory	Unsatisfactory	9.33
6	08/09/2011	Unsatisfactory	Unsatisfactory	9.33
7	01/27/2012	Unsatisfactory	Unsatisfactory	11.61
8	08/03/2012	Unsatisfactory	Unsatisfactory	12.40
9	03/13/2013	Moderately Unsatisfactory	Moderately Unsatisfactory	17.04
10	12/09/2013	Unsatisfactory	Unsatisfactory	24.31
11	06/21/2014	Moderately Unsatisfactory	Moderately Unsatisfactory	24.31

H. Restructuring (if any)

Restructuring Date(s)	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring in USD millions	Reason for Restructuring & Key Changes Made
		DO	IP		
08/31/2012	Yes	U	U	USD 12.4 million (43%)	1- Most of the activities funded under the project had experienced substantial delays in implementation and slow disbursements as the consequence of: (i) the political crisis prevailing in the country, (ii) the suspension of all disbursement to the project account, and (iii) the application of the OP/BP 7.30 dealing with de facto government. 2- The project had to be aligned with the country and sector context as well as with the Bank Interim Strategy (ISN) for Madagascar. 3- Changes introduced during the restructuring of the project included: (i) extension of the closing date from August 31st, 2012 to August 31st, 2014 (ii) revision of the project development objective (PDO) and the results framework; (iii) modification of the components and activities; (iv) revision of the implementation arrangements; and (v) reallocation of proceeds.

I. **Disbursement Profile**



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

Country Context

1. **With the end of the 2002 political crisis and a new President, Madagascar experienced a period of growth and poverty reduction from 2002 to 2006**. The implementation of the government's strategy resulted in an average annual growth of five percent and poverty declined to 67.5% in 2006 from its peak of 80% in 2002. Governance and social indicators also improved. The President was reelected in December 2006 and subsequently developed a new government strategy, the Madagascar Action Plan (MAP 2007-12).

2. **The MAP, launched in 2006, was a bold poverty reduction strategy developed under strong leadership of the president and underpinned by broad stakeholder consultations.** Organized around eight commitments, the MAP was an ambitious development strategy, targeting the reduction of the poverty level to 50% between 2007 and 2012, supported by the promotion of strong growth, high levels of investments, improved governance, and significant improvements in social and economic indicators. The MAP adopted a leadership-centered approach to development to achieve its ambitious targets, but also emphasized the need to strengthen institutional capacity. National and regional stakeholder consultations were also organized.

3. **In March 2009, an unconstitutional change of government led to a protracted crisis.** The change in power led to sanctions by the international community. Crisis mediation was undertaken by international institutions and, after several unsuccessful attempts, a roadmap to exit the crisis was agreed upon in May 2011. After several postponements, which added to the uncertainty, elections were finally held in December 2013. The newly elected President took office in January 2014 and appointed a new government in March 2014. From the onset of the crisis until the election of the new President, the country was under the World Bank OP/BP 7.30. Over this period of time, the government *de-facto* abandoned the MAP as a strategy to orient its policies.

Sector Context

4. **Between 2002 and 2007, governance gains were fragile, although some improvements were made.** In 2007, the Country Policy and Institutional Assessment (CPIA) had an overall score of 3.7, with the quality of public administration, accountability and transparency in the public sector rated 3.5. The index of perception of corruption of Transparency International improved from 2.6 in 2003 to 3.2 in 2007. However, these improvements were considered as insufficient and governance challenges were deemed substantial and included: i) low transparency of government operations; ii) weak public expenditure management; low state revenues; iii) under-performing public administration; iv) poorly functioning, difficult to access, and costly legal and judicial system; (v) insufficient (decentralized) service delivery; vi) low level of executive and social accountability; and vii) institutions and ministries with insufficient capacity to design, implement, coordinate, monitor and evaluate policies and reforms.

5. **The reform process launched in 2002 had created some reform momentum but efforts were sometimes undermined by vested interests.** The reform process launched with the preparation of the MAP built some reform space, including through stakeholder consultations, leadership and building capacity. Furthermore, there was popular demand for more accountability as "it (*the population*) supports institutional reforms that ensure government accountability and that extend political and civic space for personal freedoms." (See Project appraisal document –

PAD, The World Bank, (a-iv), May 2008, page 3). However, high levels of rents, especially in the area of natural resources, limited political competition, and close ties between the political and economic elite limited the feasibility of reforms. Furthermore, government institutions remained subservient to their leaders and rule of law was limited and personalized. Madagascar's civil society was described as nascent, at best, and accountability mechanisms remained weak. There were also concerns that concentrating power in the presidential administration had led to weakening of line Ministries, and that rebalancing the power between the Office of the President and the Ministries was a priority.

6. **Addressing the governance challenges was considered necessary for a successful MAP implementation.** Thus, the MAP had governance - including Public Financial Management (PFM), judicial reforms, anti-corruption, decentralization and the provisions of public service - as the first of its eight commitments. Social accountability was part of the eight commitment of the MAP.

7. **All governance indicators deteriorated during the crisis.** In retrospect, it can be observed that while some indicators, such as on perception of corruption, improved, governance indicators overall stagnated between 2003 and 2007 and started to decline afterwards. Hence the World-Wide Governance Indicator average stood at the 46-47th percentile between 2003 and 2007 before dropping to the 38th percentile in 2008. Following the 2009 change in power, the indicator further slipped to the 30th percentile in 2009 and the 24th percentile in 2012.

8. **Previously identified governance challenges, seen as a cause of the latest political crisis, have further aggravated during the transition.** The political economy dynamics and poor governance are identified as underlying causes of the political crisis that started in 2009 (cf. The World Bank (a.iii), July 2007 and The World Bank (a.ix), December 2010). During the transition, mechanisms to ensure accountability, such as oversight institutions were further weakened. Corruption, illegal logging and other traffics increased and the judicial system worsened. Transparency and participation remained low. Service delivery including at the decentralized level significantly deteriorated. In general, PFM did not decline sharply, as the system in place before the crisis continued to operate. Yet, by 2010, it was considered that without reforms and investments including in the IFMIS, it was likely that PFM would rapidly deteriorate.

9. **The reform space was very limited and volatile during the transition.** With no elected Parliament and no international recognition, the transition government, despite its expressed commitment to improve governance, had no mandate to lead deep, long lasting reforms. Furthermore, support for reforms was difficult to gather from an elite that was at the center of the crisis, enjoying very high levels of unchecked rents. Nevertheless, during the crisis, the space for dialogue on transparency, accountability and participation was enhanced in the absence of a strong power structure. At the municipal level, most elected mayors stayed in power although some of them were replaced by non-elected officials. This, combined with the need to improve service delivery, created some space for decentralization reforms. Still, there was an ambivalent commitment to decentralization. At the policy level, the transition government expressed commitment to decentralization, but budgetary transfers to municipalities did not match these commitments. In the area of PFM, by 2010, the transition authorities expressed some commitment to reforms to avoid a further decline in the system. However, this commitment was also ambivalent as exemplified by the absence of an updated PFM strategy/action plan and an IFMIS blueprint.

Rationale for Bank involvement

10. **The Country Assistance Strategy 2007-2011 (CAS) emphasized the importance of responsible governance and accountabilit**y. Endorsed by the Board in April 2007, it was designed to help achieve the MAP objectives and took into account the lessons learned from the implementation of the previous CAS. It was organized around two main pillars: i) remove key bottlenecks to investment and growth in rural and urban areas; and ii) improving access to, and quality of, services. Improving governance and accountability was seen as key to create an enabling environment for growth and investment, as well as to improve services to the people. Furthermore, it stressed the need to improve the monitoring & evaluation (M&E) system of the Government.

11. **The Bank had a longstanding record of supporting governance reforms in Madagascar and was seen as an important partner by the Government.** The World Bank provided support to governance and institutional reforms through various instruments, including the PRSC series (2004 to 2008) and the first Governance and Institutional Development Project (PGDI-I) (P074448) approved by the Board in October 2003 and closed in June 2009. Through the PGDI-I, the Bank adopted the approach of a close collaboration with the government. The project was designed to accommodate the priorities of the Government. Furthermore, the Bank produced extensive analytical work in the area of governance including PFM, public expenditure, local development/decentralization, leadership, political economy, statistics and investment climate which was used to inform policy dialogue and the PGDI-II preparation.

12. **Following the experience with the first PGDI, the Government requested the Bank's support for a second governance and institutional development project.** At the time of appraisal, the PGDI-I was still being implemented. According to the PGDI-II PAD (The World Bank (a.xvi), page 7) the PGDI-I was rated "satisfactory" both with regard to implementation progress and to achieving the development objectives. Furthermore, the "2007 QEA review of the additional financing for the project emphasized that strong political backing and government ownership of the reform process, combined with Bank responsiveness, was the strongest contextual aspect of the additional financing and the project itself" (PAD page 7). The achievements of the PGDI-I were also presented in detail (PGDI-II PAD page 7 and Annex 1). According to the PGDI-II PAD (page 8), "the new PGDI should enhance and further deepen the first generation of reforms under the first project; it should also assist the Government to address some additional cross-cutting issues which are considered critical for the MAP implementation, in particular the proposed complementary support for decentralization, for the development of a public sector pay and incentive system and for the population census. The Implementation Completion Report (ICR), prepared in 2010, rated the project as moderately unsatisfactory. The ICR lessons were used to inform the restructuring of the PGDI-II.

1.2 Original Project Development Objectives (PDO) and Key Indicators (*as approved*)

13. The original PDO was "to improve the efficiency and transparency of government and selected public services in Madagascar in line with the MAP". The PDO indicators were: i) Number of indicators under the public expenditure and financial accountability assessment (PEFA) rated 'B' and above; ii) percentage increase in tax/GDP ratio; iii) percentage of population satisfied with the quality of services provided by selected prioritized public institutions (a) land titling agencies in Antananarivo; b) customs office in Toamasina; and c) lower court in Antananarivo;

and iv) number of corruption cases effectively adjudicated by the judiciary or through administrative procedures.

1.3 Revised PDO (as approved by original approving authority) and Key Indicators, and reasons/justification

14. The formally revised PDO was "to strengthen the recipient's public financial management and social accountability at the central government and at the municipal levels." Following a level 1 project restructuring in August 2012, two indicators were revised and a set of 15 new intermediate indicators was introduced (cf. ICR section F and The World Bank (a.xvi), August 2012), to reflect the changes in the project. The revised PDO indicators were: i) Number of selected (PEFA) indicators in the self-evaluation (see Section F and World Bank 2012); ii) Number of Ministries publishing quarterly budget execution reports through media or internet; ii) The Local Governance Index (IGL) average in targeted local governments; iv) Number of Direct Project Beneficiaries (number of people trained, number of civil society organizations (CSO) and municipalities benefiting from the grants).

1.4 Main Beneficiaries

15. **The PAD indicated broadly the target beneficiaries**. These included: the Presidency, the Ministry of Finance and Budget (MFB), sector Ministries and Departments, the National Statistics Office (INSTAT), the Global Development Learning Network (GDLN), the Land Administration, the Local Development Fund (FDL), the Ministry of Justice, the Ministry of Decentralization, anti-corruption institutions (BIANCO, Observatory of Integrity), local organizations and institutions (CSOs– and municipalities).

16. **At restructuring,** the Presidency, the Ministry of Justice and BIANCO were no longer direct beneficiaries. Still, BIANCO continued to be involved in the restructured project on anti-corruption activities at the local level. The ombudsman was added as direct beneficiary.

1.5 Original Components (*as approved*)

17. At approval in 2008, the project was a four year Technical Assistance Loan (TAL) of XDR 24.3 million (US$ 40 million equivalent) with five components plus an additional component to support overall project coordination, monitoring and evaluation (see Annex 10 for a detailed presentation of the original project components and PAD).

- **Component 1 - Improvement of public expenditure management (IDA US$ 14.0 million) -** aimed at supporting the reform of the public expenditure management system, and comprising four sub-components: (i) improving budget preparation and execution processes (including an IFMIS element); (ii) strengthening internal control mechanisms; (iii) institutionalizing public procurement reforms; and (iv) increasing performance of revenue agencies.
- **Component 2 - Strengthening the efficiency of government operations (IDA US$8.0 million)** - targeted support to change management and institutional development processes in the context of the implementation of the MAP. It covered leadership training for senior officials, support to the GDLN, and reforms of the public sector pay and incentive system.
- **Component 3 - Rule of Law and Fight against Corruption (IDA US$ 2.5 million) –** intended to assist Government in promoting transparency, accountability and good governance; and in particular, by tackling corruption. The focus was on: (i) improving the quality of legal and

judicial services, (ii) strengthening the regulatory and institutional framework to fight corruption, (iii) and strengthening external oversight institutions.

- **Component 4 - Transparency and Social Accountability - (IDA US$ 4.0 million) -** designed to foster increased involvement of civil society in State affairs and to improve “social accountability”. Activities included pilot social accountability interventions and support aimed at creating an enabling environment for social accountability practices.

- **Component 5 - Monitoring and evaluation - (IDA US$ 7.0 million)** - supported Government efforts to strengthen the monitoring and evaluation system that underpinned the MAP. The key activities included: (i) strengthening capacity of INSTAT; (ii) modernizing the procedural and institutional framework for monitoring and evaluation; and (iii) supporting a partial census.

- **Component 6 - Program Coordination - (IDA US$ 2.5 million) -** supported the management and implementation of the Project. It included assistance to the GoM to effectively manage donor and government funds committed to financing public expenditure management reforms.

Part of the loan, (US$2 million), was unallocated in anticipation of contingencies and to respond flexibly to additional demands emerging during the implementation of the project (see PAD, page 12).

1.6 Revised Components (see annex 10 for a detailed presentation)

18. **Following the unconstitutional change in power in March 2009, the Bank applied Operational Directive OP/BP 7.30 (Dealings with De Facto Governments),** suspended disbursements, and limited its dialogue with the GoM to technical discussions. In May 2011, following the adoption of a roadmap that was expected to lead to the end of the crisis, the Bank authorized the resumption of disbursements for all projects approved prior to March 2009.

19. **In February 2012, the Board endorsed the FY12-FY13 Interim Strategy Note (ISN), which was based on the findings in the 2011 World Development Report on Conflict, Security and Development** (cf. page 16 of the ISN, The World Bank (a.xv))**.** As recommended by the ISN (cf. page 24 of the ISN), it was decided to use the existing portfolio strategically to achieve greater impact, through restructurings and analytical efforts. This was also expected to raise awareness, and prepare for reengagement. Emphasis was put on staying engaged, supporting bottom-up state-society relations, PFM, accountability and improve service delivery. To mitigate the risks of political interference, the Bank’s approach was to “work at arm’s length” with the GoM. The ISN paved the way for the project restructuring.

20. **At restructuring, in 2012, there was a high level of uncertainty.** The MAP and accompanying sector programs were no longer officially guiding the government policies and program, and no updated strategy had been developed. Leadership at the political and technical level was lacking, while priorities in beneficiary institutions were continuously changing. There were significant uncertainties as to when the political and institutional situation would be normalized.

21. **In June 2012, the Bank and the government agreed on the restructuring principles.** The decision to keep or drop components and activities took into account the political context and what the project could achieve in that context. In August 2012, the World Bank Board of Directors approved the project restructuring (Level 1 restructuring).The revised project components were:

- **Revised Component 1: Improvement of Public Financial Management - (US$ 13.33 million).** Key activities under the original Component 1 were kept but re-focused to allow the implementation of priority PFM reforms activities, including increasing performance of revenue agencies. New activities to enhance budget transparency were introduced to support citizen's access to budget data and inform debate on public policy.
- **Revised Component 2: Improvement of Local Governance - (US$ 8.38 million)**. Emphasis was put on supporting selected cross-cutting reforms, such as decentralization and land management reforms, with a view of improving, through an integrated approach, municipal taxation, land tenure rights, local government management and social accountability.
- **New Component 3: Institutional Strengthening & Knowledge Management - (US$ 4.90 million).** This new component focused on: (i) strengthening the capacity of selected State and non-State actors to enhance social accountability, access to information and knowledge sharing; and (ii) supporting the GDLN to ensure sustainability of the Network by the end of the project.
- **New Component 4: Project Coordination - (US$ 2.26 million).** This new component hosted activities implemented under the original component 6. The original component 'Transparency and Social Accountability' was dropped and funds were transferred to the revised components 2 and 3.

1.7 Other significant changes

22. **Significant changes included**: i) a change of the institutional anchoring of the project from the Presidency to the Prime Minister's office; ii) the competitive recruitment of the project coordinator; and iii) the extension of the closing date from August 31, 2012 to August 31, 2014.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

23. **The project incorporated the following lessons learned from other projects including the experience of the PGDI-I:** i) significant capacity building and institutional development support is necessary to ensure design and institutionalization of key reforms; ii) harmonization of the reform agenda with other development partners is critical to ensure implementation progress; iii) government ownership is critical to ensure that reforms are sustainable; iv) capacity building projects must have clear linkages with policy-based operations and other projects in order to achieve synergies.

24. **The PAD states that the "proposed lending instrument should therefore continue to support the implementation of the policy agenda outlined by the PRSCs".** However, the PAD does not clearly establish how the project links with the PRSCs. It does, nonetheless, present the linkages between the PGDI-II and other Bank funded projects as well as to other donor activities.

25. **The project preparation was informed by extensive analytical work including political economy analysis** (see Annex 9 (b) for a list of the supporting documents used in the preparation for the PGDI-II). The PAD comprehensively presented key country and sector issues in all the areas covered by the project, including issues related to weak PFM, low revenue levels, concentration of power in the presidential administration, weak line Ministries, and dysfunctional mechanisms of accountability, low capacity, resistance to change and poor service delivery.

26. **The PGDI-II was aligned with the priorities of the MAP and the accompanying sector programs.** The objectives and activities of the PGDI-II reflected the MAP priorities. The MAP spelled out high-level strategic directions. It had been declined in medium-term sector programs/action plans though, of variable quality. Certain sector policies including the 2005 land tenure policy, the 2006 good governance policy and the 2006 national decentralization and de-concentration program were also in place. Nevertheless, an annual action plan prepared by the MFB - rather than the medium-term action plan in the MAP sector program or a long term strategy - guided PFM reform implementation. The preparation of the annual action plan involved few stakeholders, including the technical levels in the MFB and sector Ministries (see AfdB and MFB, June 2013). Furthermore, there had been no assessment of the quality of the existing system and there was no updated blueprint/IFMIS strategy.

27. **The PGDI-II institutional set-up was based on that of the PGDI-I but included important changes.** The project continued to be implemented by the *Programme des réformes pour l'efficacité de l'administration (PREA)*, anchored at the Presidency, with the project coordination unit responsible for coordination, administrative and fiduciary management and M&E; and the Oversight Committee (chaired by the General Secretary of the Prime Minister's office and included General Secretaries of beneficiary ministries, representatives from other line beneficiaries including the FDL and CSOs representatives). Changes were also introduced to improve stakeholder participation in the project implementation, including a reform coordination unit in the MFB made responsible for the implementation of the PFM component though not for the fiduciary management of the component.

28. **Except for the component on social accountability, the PAD does not mention stakeholder consultations to promote government ownership of the reforms supported by the project activities.** The PAD indicates that the activities under the component transparency and social accountability (initial component 4) were developed following a comprehensive consultation process including a nation-wide social accountability workshop. The PFM component was based on the Annual Reform Plan of the MFB but the PAD does not specify whether or not prior consultations were conducted.

29. **A Quality at Entry Review (QER) highlighted the following concerns**: the broad scope of the project; the need to better justify certain components and reduce the complexity of the project; the need to improve linkages between the components; and the need to be more specific about activities and risk management of the transparency and social accountability component, including establishing an independent management mechanism for the proposed social accountability grants.

2.2. Implementation

30. **The project has had a difficult implementation history.** The project's implementation period had originally been estimated at four years but finally took six years, including a 2-year suspension period (March 2009 to May 2011) when all Bank projects were suspended due to unconstitutional change of government. The implementation of the project had four different phases, as outlined below (see also Annex 11 for an overview of the implementation history):

- **First phase (June 2008 – Mars 2009) began with the project approval and ended with the unconstitutional change of power**. This phase was an intensive period of project implementation and rapid disbursement after the project became effective in October 2008 (US$5 million spent during the five months following the effectiveness. This came in addition to reimbursement of expenditures pre-financed by the government). Project implementation dialogue was sustained, the leadership of the Presidency was strong and all parties were committed to the implementation of the project. The departure of the President in 2009, contributed *de facto* in weakening the leadership of the reforms supported by the PGDI-II.

- **Second phase (March 2009 – August 2012) started with the unconstitutional change of Government and ended with the project restructuring.** The change of power in March 2009 resulted in the application of the directive OP/BP 7.30 (dealing with *de facto* government), the suspension of all disbursements to the project account and the restriction of dialogue with GoM to technical discussions. The crisis significantly restricted reform implementation. The suspension of disbursements reduced the project's ability to implement activities (although US$ 8.9 million representing 22% of the total credit had been released in the project designated account at project effectiveness, 64% of this amount had already been spent prior to the suspension of disbursements on March 17, 2009.). In May 2011, the Bank resumed disbursements. However, no new activities took place because the focus was on the restructuring, including negotiations on the proposed components/activities and the revision of the institutional anchoring. In August 2012, the project was restructured to better reflect the country and sector context and to align it with the ISN.

- **Third phase (August 2012 – December 2013), marked by the difficulties in implementing the project activities and getting the project back on track**. The third phase started with a long delay to fully re-staff the project coordination unit. The protracted crisis also resulted in little space for reforms, changes in priorities, and resistance to change from the project stakeholders. Consequently, the implementation of the activities agreed upon at project restructuring became so challenging that the Bank and the GoM agreed to reprogram the activities. In late 2013, following extensive stakeholder consultations, the Oversight Committee approved a new set of activities, but this came only nine months before project completion.

- **Fourth phase (January 2014 to August 2014) was an intensive period of project execution with the view of achieving the project objectives as measured by the PDO indicators**. It was a significant challenge to implement the considerable volume of complex activities within a nine-month period and in a difficult political context. Delays in procurement procedures amplified the challenge. The mid-term review (MTR) carried out in February 2014 highlighted that the difficult context and the delay in implementing activities could undermine project performance. It noted that the rushed implementation due to insufficient time to implement key activities could result in the lack of ownership, and reduced appropriation of the process by the beneficiaries.

The factors that affected the project implementation and performance were the following:

(i) **The political turmoil** greatly affected the project. The political turmoil began in March 2009 and ended in March 2014, representing five of the six years of project implementation. This resulted in a very limited and volatile reform space which significantly affected the project implementation. The recurring uncertainty on when elections would take place also had an adverse impact on project design (at restructuring) and implementation.

(ii) **Time constraints**. A new work plan resulting from the reprogramming of activities following the project restructuring was approved, barely nine months before the project closing. Hence, the implementation of many key activities was rushed, leading to poor quality and lack of sustainability of some interventions including the following:

- Institutional and system reforms in PFM such as: the integration of the public financial management system and the organizational reform of the customs administration were not achieved.
- Over 500,000 land parcels were recorded for local taxation (target of 8,000) but very little or no secured ownership rights registered were issued. In addition, and due to the lack of dialogue between the key players many Local Land Occupation Plans (known under the acronym PLOFs: *Plan Local d'Occupation Fonciere*) were of poor quality.
- Many municipality officials were trained to mitigate corruption risks in compliance with the independent Anti-Corruption Bureau standards. However accompanying material, equipment and tools required to communicate on corruption were not delivered to the municipalities prior to the closing of the project.
- Some sub-projects that had been submitted by the municipalities after having gone through a participatory approach were rejected for not meeting the selection criteria because the required training prior to the submission of sub-projects had not been provided.
- Roles and responsibilities between service providers funded by the project, municipalities and technical Ministries, and agencies, were not clearly defined. As a result, the municipalities, technical Ministries and agencies were not sufficiently involved in the process to ensure appropriation, ownership and sustainability.
- A knowledge management website was set up and managed directly by the PCU. Following project closing, arrangements for the management and maintenance of the website were not defined. Consequently, while the platform currently exists, it is not updated anymore.

(iii) **Insufficient commitment to reforms in the Ministry of Finance and Budget (MFB):** Through the first component, the MFB was the largest beneficiary of the project in terms of financial volume. Most of the original allocation to the MFB was preserved during the project restructuring despite the cancellation of 21% of the credit. However, this component had the poorest performance with respect to achieving results. During post-restructuring project implementation, the MFB showed limited interest and even resistance to engage in an open dialogue on several important areas such as PEFA and IFMIS. Regarding the IFMIS, the MFB's focus was more on technical solutions and investments in hardware, rather than on required policy and behavioral changes. The reform process was also hampered by the absence of both an initial PFM reform plan, and an IFMIS master plan. A supervision mission in October 2010 stressed the absence of technical dialogue with the MFB, which made it impossible to evaluate the achievement of the component outcomes. Furthermore, the PFM reform coordination committee never met during the course of project implementation, which seriously hampered the dialogue among PFM reform stakeholders.

(iv) **Change in the Bank approach of overseeing the client requests submitted for no objection:** The Bank's management of the project changed with the application of OP/BP 7.30. Under the PGDI-I as well as the first phase of the PGDI-II, focus was on the achievement of project objectives and much flexibility was given to the client on the transactions. In the OP/BP 7.30 context, and given some procurement issues mentioned in several mission aide-memoires, the Bank increased its level of scrutiny. Many beneficiaries reported that this change in the

Bank's approach affected the relations with the client, and undermined the implementation of the project activities.

2.3. Monitoring and Evaluation (M&E) Design, Implementation and Utilization

Original project

31. **Initially, the PGDI-II was intended to enhance and use the national Monitoring and Evaluation (M&E) system for its own M&E arrangements.** At project approval, the GoM M&E system of the MAP was not operational. The project was to support its operationalization and improvement while using it as its M&E system. However, due to the crisis, this did not materialize and the M&E system remained ineffective to track project results. The PAD had also stressed the complexity and challenges related to the coordination and M&E of reforms due to the lack of clarity of the role of the Presidency, the Prime Minister's Office, and the sector ministries. In the absence of clarity of role among key players, it would be difficult to gather inputs and relevant information to monitor the project.

32. The results framework in the original PAD articulated connections between intermediate outcome and PDO indicators. All the indicators were clearly formulated and had ambitious time bound targets. However, some of the intermediate outcome and PDO indicators were the same (PDO indicator 1 and intermediate outcome indicator 1.1 and 1,2) and two outcome indicators lacked baseline data.

Restructured project

33. **Following the restructuring, a project specific M&E system was developed but was not fully used to generate timely and reliable information as well as to inform decisions.** The February 2014 midterm review established that partners and entities in charge of collecting data did not provide their inputs in a timely manner, which led to delays on M&E reports and updates. The M&E system was used for the monitoring of the implementation of the project and was focused on data collection. There were issues concerning the quality of the data. Evaluations of the project activities were not undertaken. Consequently, the M&E system was not used to inform decisions related to the implementation of the project. The implementation support mission carried out in July 2014 concluded that the M&E performance was unsatisfactory.

34. **The revised results framework articulated connections between intermediate outcomes and PDO indicators.** The indicators had ambitious and time bound targets. However, some of the indicators were output indicators (#4 and #3.1) and others lacked a clear measurement methodology. Indicator #1.3 did not mention whether the sub-national PEFA should be considered and indicator #1.5 was not consistent with the PEFA procurement indicator, making it difficult to collect data and measure performance.

2.4. Safeguard and Fiduciary Compliance

Financial Management.

35. **The financial management of the project was rated as moderately satisfactory at the project closing date.** Overall, the project had appropriately qualified and experienced personnel directly contracted by the PCU. The project had adequate financial management arrangements over the course of the implementation period. The quarterly financial reports and annual audit reports with clean opinion were submitted to the Bank on a timely basis and recommendations made subsequent to implementation support missions were appropriately implemented. However, prior to the project restructuring, the project had failed to properly monitor and communicate on

the impact of the depreciation of XDR, the loan currency, against USD. The loss of resources resulting from this depreciation was US$ 3.3 million, representing 8 percent of the credit. The intense project activities during the last months toward project closure posed significant challenges to the quality of the expenditures. The final audit report due at the end of February 2015 was submitted on time.

Procurement.

36. **Procurement implementation was challenging during the 12 months preceding project closure.** There were intense procurement activities during this period. Many ToRs and technical specifications of poor quality were submitted to the Bank and needed significant revisions, thereby delaying project implementation. At project closing, more than 600 requests had been handled through the Procys Procurement System against an average of 150 per project in Madagascar.

37. **Procurement performance was moderately satisfactory (MS) during project implementation.** No complaint was filed during the project implementation. Post procurement reviews were conducted for the project in 2012 and 2014. The overall risk rating in both cases was moderate. No major weaknesses in procurement were identified.

Disbursement.

38. **The overall disbursement rate at the closing of the PGDI-II was 84.10%. The amount approved under the original IDA Credit was XDR24.3 million of which XDR5.2 million was cancelled.** The cancellation was related to the National Population and Habitat Census, the main activity of the M&E component (XDR4.25 million). Part of funds allocated to the initial Component 3 (US$0.95 million) were also cancelled. The overall disbursement rate as of December 31st, 2014 was 87.3%

39. **The original counterpart fund amounted to US$ 4 million.** This contribution was reviewed at project restructuring. The actual counterpart fund amounted to US$ 50,000. The PCU tried without success to obtain from the GoM an additional Ar140 million (US$ 56,000 equivalent) to cover for the project operating costs, up to December 2014.

Environmental management.

Not applicable; the project is environmental category C.

2.5. Post-completion Operation / Next Phase

40. **The proposed next steps aim at building on the achievements of the PGDI-II.** The Bank is preparing a public sector performance program where PFM reforms will be one of the focus areas. In the National Development Plan, the GoM has expressed its commitment to tackle governance issues such as fraud and corruption, weak judicial system, control and oversight.

41. **The integration of the Financial Management Information System is far from being completed, as the system is currently composed of 11 non-integrated sub-systems.** The 2013 PEFA self-assessment and the in-depth study on PFM completed in 2014 (See: the Government of Madagascar, Ambre Consortium (a.i), October 2014) have paved the way for the development of a strategy and an action plan for PFM reforms. The recommendations of these studies provide for a roadmap for future system integration and PFM at large. Future engagement in the PFM sector, funded by the Bank and other partners will benefit from the lessons learned under the PGDI-II and the analytical work completed under the project.

42. **PFM engagements have so far focused at the MFB level without including reforms in line Ministries and on improved service delivery.** Reforms have been focused on improving PFM systems rather than on improving quality and quantity of public goods and services delivered by the PFM system. The MFB centered approach to PFM reforms can partially be explained by the initial need to build a functioning core PFM system and partially by the relatively strong position of the MFB compared to other institutions, which led to a focus on reforms and accompanying resources oriented towards the MFB rather than weaker line ministries. The original PAD did plan to support reforms in line ministries but, with the crisis the reforms and the support did not materialize. The Bank's decision to "work at arm's length" with the GoM limited the possibility for policy dialogue that could have resulted in increased support to line ministries and reforms promoting improved service delivery. Consequently the MFB-centered approach to PFM reforms was continued following project restructuring. Going forward, it will be necessary to ensure that reforms go beyond the MFB and include the line ministries, as they are the main users of the public funds and providers of public services and goods. Moreover reforms and accompanying support will have to focus beyond results in the form of improved, and be oriented to improve quality and quantity in service delivery.

43. **Other Bank and development partners' projects will continue some of the innovative approaches piloted under the PDGI-II.** Given the limited space for reforms at the central level during the crisis, the project initiated and tested some innovative PFM approaches with local governments. Some of these approaches such as the Operation for Integrated Municipal Support (*Opération Communale d'Appui Intégré* – OCAI) will be pursued by other Bank-financed projects such as the PIC 2 (*Pôle Intégré de Croissance*), PURSAPS (*Projet d'urgence sur la Securité Alimentaire et la Protection Sociale*), as well as AFD (*Agence Francaise de Développement*) funded projects. The analytical work and the reforms undertaken under the PGDI-II have informed the new land tenure policy.

44. **PGDI-II has increased interest in continuing support to CSOs and contributed to improve access to information.** CSOs in Madagascar have contributed to the strengthening of demand for good governance and will need further support to enhance transparency and accountability. The GoM's decision to join the Global Partnership for Social Accountability (GPSA) in late 2014 is a promising sign of interest for continued support to civil society. The project also improved access to legal information through the Legis platform and improvement of data access on the INSTAT website. Access to information and transparency remains nevertheless limited, and will need to be further strengthened, given its importance for improving the governance environment.

3. Assessment of Outcomes

Rating: Moderately Unsatisfactory (MU)

45. The overall rating is based on the findings in the following paragraphs.

3.1 Relevance of Objectives, Design and Implementation

Initial PDO

Rating: ***Moderately unsatisfactory (MU)***

46. **The relevance of initial objectives, design and implementation is moderately unsatisfactory**. The initial objectives were relevant and aligned with the MAP and were also in line with the FY07-11 CAS for Madagascar. Both strategies stressed the importance of improved

governance. Yet, the design of the operation was complex and the objectives were broad in scope, resulting in a lack of clarity and difficulties to measure results. The design of the operation was weakened by the vast quantity of activities supported by the project and the number of beneficiaries. The implementation arrangements were relevant given the country context but could have been more ambitious in terms of delegating full implementation responsibility of project components, including fiduciary management, to the relevant line ministries and agencies. Relevant risks were identified but, rated overall as moderate, were underestimated.

Revised PDO

Rating: ***Moderately unsatisfactory (MU)***

47. **Relevance of revised objectives, design and implementation is moderately unsatisfactory**. The revised objectives were relevant and in line with the ISN with governance (PFM, social accountability, land tenure and transparency) as its main pillar, and thus called for the promotion of transparency, access to information and the strengthening of accountability mechanisms. The PDO continues to be relevant given Madagascar's current governance situation. At restructuring, the results framework involved many time-bound targets, most of them ambitious. The objectives, despite their revision, remained too ambitious after restructuring given the difficult country and sector context. The design of the operation was relevant but was weakened by the vast quantity of activities supported by the project and the number of beneficiaries. The causal chain between funding, outputs and outcomes lacked clarity. While overall risk was rated high at restructuring and some relevant risks were identified, several important risks - such as resistance to change, insufficient commitment to reforms and delays in reform and project implementation - were not included. The revised implementation arrangements were relevant given the country context, but still showed weakness, as exemplified by the fact that the PFM steering committee only met after the end of the project. While the reprogramming exercise between January 2013 and December 2013 put the project on track by improving the relevance of project activities and planning, it also resulted in a significantly reduced project implementation period.

3.2 Achievement of Project Development Objectives (PDO)

Initial PDO

Rating: Unsatisfactory (U)

48. **The achievement of the initial PDO is unsatisfactory as at the time of the restructuring, none of the initial PDO results indicators were achieved.** The achievement of the PDO was undermined by several factors discussed above, most notably the unconstitutional change of the Government in March 2009, the subsequent protracted political turmoil, and the application of the OP/BP 7.30. Thus, reform implementation stopped and project implementation was significantly impacted. At restructuring, none of the indicators had been achieved and most were either dropped or revised. The M&E framework was weak as the PCU did not collect any data to measure the indicators.

49. **The application of OP/BP 7.30 six months after project effectiveness affected considerably the project's ability to achieve results.** Very few activities were implemented. Under Component 1 on the reform of public expenditure management, the project carried out a set of activities, including setting the basis for the roll-out of an integrated public financial

management system, but these activities achieved no results. The decentralization process and land management reforms were initiated, but not achieved prior to the project restructuring.

Revised PDO

Rating: Moderately Unsatisfactory (MU)

50. **The achievement of the revised PDO has been rated moderately unsatisfactory although three out of four PDO indicators were achieved**. One of the PDO indicators -the number of project beneficiaries - is more an output indicator than an outcome indicator. Hence, even if the number of beneficiaries is marginally above the target, the indicator has a limited value in measuring the achievement of the PDO. The indicator measuring PFM strengthening was not achieved, as only one instead of three of the targeted indicators increased its rating in the PEFA self-assessment. This is a significant shortcoming given that improving PFM was a significant aspect of the PDO. Several key technical activities and analytical work in the area of PFM were undertaken, which most likely limited the deterioration of the PFM system and established the basis for future reforms. The indicator measuring transparency was achieved. Technical problems that were only solved in December 2014 resulted in limiting the publication of new quarterly budget reports on MFB website. The indicator measuring local governance was achieved. However, the ICR team was informed by several stakeholders that the improvement in local governance as measured by the indicator is not likely to be sustainable given that the support provided by the PGDI-II was insufficient in quantity and duration.

51. **At the component level mixed results can be observed** (see Annex 12 for an overview of the achievement of the project objectives by components and Annex 2 for a presentation of the outputs by components). For the first component on Public Financial Management, none of the intermediate indicator results were achieved. The country's political context, the resistance to change in the MFB, the absence of a PFM strategy and of an IFMIS blueprint of quality prevented the component from achieving its objectives. The component, however, contributed to limiting the deterioration of the PFM system in a context of general governance decline. This was achieved through investments in the IFMIS hardware, capacity building activities and technical assistance. The investment in IFMIS hardware was important to limit deterioration of the system as no investments in IT equipment had been made between 2009 and 2012. The equipment was consequently aging and the system was experiencing an increasing number of system failures.

52. **The second component achieved slightly better results.** Out of six results indicators, three have partially achieved their targets while three others have fully achieved their targets. At the local level, the implementation of innovative solutions such as the Operation for Integrated Municipal Support contributed to strengthening the managerial capacity, service delivery capacity and accountability of local governments. However, the support was limited to a short period (less than one year) and the process was managed through external contractors with limited collaboration of the existing government institutions, thus raising concerns regarding the sustainability of the results after the project closure.

53. **The third component achieved many of its intermediate indicator targets.** Access to, and dissemination of, information was strengthened through an improved INSTAT webpage and the establishment of a legislation platform (Legis). The project also provided grants to CSOs to promote transparency and participation at the local level. The knowledge platform was developed but not operational prior to the closing of the project.

3.3 Efficiency

Rating: Moderately Unsatisfactory (MU)

The rating is based on the following factors:

At appraisal

54. **Economic and financial analyses carried out during appraisal concluded that the project would significantly improve economic management in Madagascar** through better allocation and use of resources. The total benefits generated by the activities supported by the project would reach a net value of US$446 million over 10 years (PAD Annex 9, Table 2).

At restructuring

55. **The economic and financial analysis was updated at restructuring. The revised total benefits generated by the activities supported by the project would reach a net value of US$420 million over 10 years.** This represented a diminution of $US26 million compared with the benefits that were expected prior the crisis. The diminution of the expected benefits was explained by the decline in fiscal revenues between 2008 and 2011. Additional project investment to support the roll-out of the Integrated Financial Management System (IFMIS) was expected to generate substantial savings in operating cost.

56. **A cost-benefit analysis was not undertaken at project closure.** The ICR team did not get the necessary data to undertake a cost-benefit analysis during the preparation of the ICR as this data was not collected by the PCU.

57. **With a moderately unsatisfactory achievement of the PDO and total cost of US$25.20 million, the efficiency of the project has significant shortcomings.** The largest component of the project, component 1, Improvement of Public Financial Management with financing of US$10.0 million did not achieve its PDO despite numerous outputs, The two other components, with a total financing of US$ 12.1 million only partially achieved their objectives. Total project management cost were 38 percent higher than estimated at restructuring and represented 12.4 percent of total cost. The ICR team is therefore of the view that overall value for money was low.

Preparation and supervision cost

58. **The project preparation and supervision actual cost increased by 25% compared to the initial estimate and totaled US$1 million.** Given the time needed for preparation, the extension of the project execution period with 50% (2 years) and the need for significant supervision efforts including the restructuring, the costs are reasonable.

3.4 Justification of Overall Outcome Rating

Rating: Moderately Unsatisfactory (MU)

59. **The overall rating takes into account the project performance before and after restructuring.** Before restructuring, the rating of the project was unsatisfactory. It had disbursed 43% of the funds, yet few results had been achieved. The only exception was the component Transparency and Accountability which had a moderately satisfactory performance. Following the restructuring, the overall performance of the project improved to moderately unsatisfactory. The project achieved three out of four PDO indicators and 7 out of 13 intermediate indicators. Based on available information, the ICR team considers that two of the achieved PDO indicators had shortcomings (cf. Para 50). Some intermediary indicators, such as improvement in tax collection and reducing the rate of single source contracting, were reported achieved but based on available

information, the ICR team was not able to confirm this assessment. Finally, time constraints led to the rushed implementation of many key activities leading to poor quality and lack of sustainability of some interventions (cf. Para. 30.ii) and, consequently of some of the outcomes.

60. Combining results before and after restructuring weighted according to the disbursement level (in percentage) results in an overall rating of Moderately Unsatisfactory (see table 1).

Table 1

	Against original PDO	**Against revised PDO**	**Overall**
Rating	Unsatisfactory	Moderately Unsatisfactory	
Rating value	2	3	
Weight (% disbursed before/after PDO change)	43%	57%	100%
Weighted value	2x0.43 = 0.86	1.71	2.57
Final rating (rounded)			Moderately Unsatisfactory

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

Not Applicable.

(b) Institutional Change/Strengthening

61. **The institutional anchoring of the project had a significant impact on its implementation**. Initially, the project benefited from strong leadership given its anchoring at the PREA and President's office. But the centralization of the project implementation, including its fiduciary management, in a PCU reduced ownership and increased resistance to reforms and project activities among the intended beneficiaries of the project (including the line ministries). It also exposed the project implementation to a risk: with the crisis, the legitimacy of the Presidency to lead and implement reforms was significantly weakened and this significantly reduced the feasibility of the project to continue its implementation during the crisis. Moving the institutional anchoring to the Prime Minister's office, perceived as more neutral and legitimate for project coordination, during the restructuring was appropriate given the country's context. However, given the institutional position of the Prime Minister's office in Madagascar this also significantly reduced the leadership of the reforms and the project. Maintaining the PCU, although re-staffed, and hence maintaining a centralized project implementation, including its fiduciary management, probably contributed to minimize the fiduciary risk. However, as in the initial design, this reduced ownership and increased resistance to reforms and the project activities which contributed to limit the achievements of the expected results. In January 2015, the government issued a decree to move back the PREA to the Presidency and it is probably a sign of willingness to lead the implementation of reforms. Based on the experience of the implementation of the PGDI-II, the PREA should be given a leadership and coordination role. Reforms, to favor ownership, should be implemented by the relevant line ministries and agencies.

62. **Some of the municipalities that benefited from the project have continued to improve their governance without external support.** Certain municipalities supported by the project have to a certain extent appropriated themselves the tools and methodologies that the project promoted such as the indicators of local governance. This has allowed them to independently take actions to improve their governance.

63. **In a difficult political context, the project promoted several innovative approaches in the area of social accountability, local governance and land management.** Key achievements include the use of the PEFA methodology to undertake self-assessments of PFM performance at both central and local levels, the increased usage of participatory budgeting and the open budget methodology, the improved access to information, the strengthening of selected CSOs and municipalities and land management reforms. It is likely that the use of these approaches will be continued following the closure of the PGDI-II which will contribute to further improve social accountability, local governance and land management in Madagascar.

(c) Other Unintended Outcomes and Impacts (positive or negative)

64. The project was valuable for the Bank to maintain dialogue with the Government during the crisis, even though the dialogue remained limited. Although contacts at ministerial level were not allowed during much of the crisis, the Bank team maintained relationships with staff at the Ministry and PREA, particularly following the restructuring. This benefited the Bank and also other development partners that had little vehicle for dialogue with authorities. This explained the CMU's reluctance to close the project down despite its poor performance, although one can wonder if other types of engagement could have been developed to maintain dialogue without anchoring it in a project.

65. Furthermore, the project contributed to facilitate the Bank's reengagement following the crisis and the studies in PFM, local governance and land tenure funded by the project have contributed favorably to the Bank's policy dialogue in those areas. They have been important contributions to shape Government policies after the crisis.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

66. Stakeholder workshops held in the context of the preparation of the ICR emphasized that the shortened implementation time (most activities were de-facto implemented during the 9 months prior to project closing) significantly affected the ability of the beneficiaries and implementation partners to achieve quality results. Complaints were also formulated against the Bank's procurement processes. Many of the beneficiaries attributed the delays in project implementation to the systematic prior review undertaken by the Bank.

67. **The project did not meet the expectations of some the beneficiaries.** More specifically, the beneficiaries (directorate and department level) of the PFM component noted that even though the project contributed to preparing further reforms in PFM, it did not met the expectations since many of the initially agreed upon activities were not completed.

68. **For the second component (Improvement of Local Governance) the stakeholders welcomed the support provided by the PGDI-II.** The stronger focus on local governance following the restructuring was considered positive according to the stakeholders who also expressed demand for further engagement at the local level. The adoption of innovative approaches such as participatory budgeting has been appreciated by local communities. It was noted that the municipalities are very heterogeneous in terms of size, capacity and commitment to reforms. To

be efficient, the stakeholders advocated that the support to the municipalities should be better tailored to the situation of each municipality. The one size fits all approach (all the municipalities were provided the same capacity building activities and amount of financial resources) adopted by the project was therefore deemed to have limited the impact of the project.

69. **Insufficient involvement of government agencies limited the sustainability of the project's support.** The support to CSOs, local governments and to land management reforms was mainly provided by third party service providers (private firms). Stakeholders reported that government agencies such as the FDL and the agencies in charge of land management reforms were not sufficiently involved during the implementation of the activities. This resulted in limited ownership of the reforms, knowledge transfer and improvement in capacity of the agencies. Hence, the stakeholders believed it would be difficult for the agencies to pursue activities initiated by the project following project closure.

4. Assessment of Risk to Development Outcome

Rating: High

70. Overall, the risk to development outcome is rated as high, as the following issues could limit the sustainability of the project and could even lead to a rollback of results:

(i) **Low level of ownership, transfer of knowledge, increase in capacity, institutional and policy change:** As discussed in previous paragraphs, the project has been implemented with a low level of ownership and several activities encountered quality issues and were of insufficient scale. This has resulted in a limited transfer of knowledge and capacity building. Furthermore, implementation of activities has not been accompanied with necessary policy and institutional change.

(ii) **A challenging country context:** The country emerges from a five year-long political crisis which significantly deteriorated the general governance situation, limited reform implementation and weakened the institutions. The country context had a significant adverse impact on the project implementation and the achievement of results. While the crisis has ended, there is still a high degree of uncertainties and a challenging political situation. The post-crisis transition has not yet been fully completed and could be protracted as well as experience new periods of instability.

(iii) **Uncertainties if the commitment and leadership for reform implementation will be sufficiently strong given the complex political economy situation:** Governance is one of the government priorities highlighted in the National Development Program adopted in 2015. GoM's decision to move the PREA back to the Presidency and changes of the senior management of the MFB can be interpreted as signals of the intention of the GoM to implement reforms and improve governance. However, the political economy in Madagascar is still very complex and strong vested interests remain that will most likely continue to resist reforms. As past experience has showed, implementing reforms in Madagascar is very challenging and requires the investment of a significant political capital in overcoming vested interests and bureaucratic resistance. It remains to be seen if the commitment and leadership of the GoM are sufficiently strong to ensure actual reform implementation and improved governance.

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry

Rating: Moderately Unsatisfactory (MU)

Initial project:

71. **The design of the project was informed by the lessons learned from the PGDI-I and the priorities of the government outlined in the MAP.** The design of the project was sensitive to the client demand and underpinned by analytical work, including political economy analyses. The project was also in line with the CAS and had linkages with other Bank operations in Madagascar. A Quality at Entry Review was undertaken. The design of the project was however informed by limited stakeholders' consultations and this, combined with the absence of sector strategies, probably resulted in limited ownership. The objective and the scope of the project were broad; the project had multiple components with limited connections and a complex implementation mechanism in an environment with limited capacity, weak institutions and a challenging sector context. The M&E framework was insufficiently developed.

Restructured project:

72. **The restructuring was informed by the country context, the ISN and analytical work** (See Annex 9 (b) and (c) for a list of reference documents). However, the design flaws of the restructured project affected the implementation of the project. For instance, the planned activities at entry were not realistic given the limited and volatile reform space. Insufficient stakeholder consultations also constrained ownership of the new activities. Implementation of activities was consequently delayed and accelerated only after a re-planning exercise was completed at the end of 2013. This affected the performance of the project and the achievement of its objectives as the activities had to be carried out within a short time period and with significant bunching towards the end of the project.

(b) Quality of Supervision

Rating: Moderately Unsatisfactory (MU)

Initial project:

73. **Overall, the initial project was well supervised.** Prior to the application of the OP/BP 7.30 in March 2009, Bank provided sound assistance and advice to concerned institutions including implementing agency and the Presidency as part of the regular project implementation support. One supervision mission was undertaken during the six month-period from effectiveness to the triggering of OP/BP 7.30.

74. From March 2009 to August 2012, despite the political context, regular supervisions were undertaken and supervision documents were produced. However, supervision at beneficiary level remained limited due to the OP/BP 7.30.

Restructured project

75. **The Bank provided supervision and monitoring throughout the implementation of the project, but there was limited space for policy dialogue,** as the Bank adopted an approach to work at "arm's length" in line with the 2012 ISN. This approach caused frustration among

beneficiaries at the technical level, due to back-and-forth document exchanges between the PCU, the beneficiaries and the Bank, which created delays in the implementation of activities. The ICR team is of the view that the Bank missed two opportunities for restructuring the project. The first opportunity came following the approval by the authorities of a new program of activities (following a more than a yearlong reprogramming exercise), only nine months prior to project closure. A second opportunity for a project restructuring was missed by the Bank following the mid-term review which highlighted that the delay in project implementation put at risk the achievements of results and the sustainability of the results.

(c) Justification of Rating for Overall Bank Performance

Rating: Moderately Unsatisfactory (MU)

76. In light of the above, Overall Bank Performance is rated moderately unsatisfactory.

5.2 Borrower Performance

(a) Government Performance

Rating: Moderately Unsatisfactory (MU)

77. **1st phase: June 2008 – March 2009**: During the first phase of the initial project, Government showed strong commitment to implement the project. The project was anchored at the Presidency and was an important element of the realization of the Government program (Madagascar Action Plan).

78. **2nd phase: March 2009 – August 2012**: During this phase Government commitment to the implementation of the project was very limited. Government was not very proactive during the restructuring phase. Conflicts between the PCU and beneficiaries slowed down implementation and restructuring. The Oversight Committee had a very limited role during this phase.

79. **3rd and 4th phases (Restructured project): August 2012-August 2014**: During these phases, Government commitment to achieving results and implementing the project was mixed. The Project Oversight Committee (POC) and the PREA were engaged and held regular meetings to discuss project implementation issues. However, focus was more on technical issues and less on implementing reforms and achieving project results. The POC did not manage to solve the many conflicts and issues between the PCU and project beneficiaries. While local governments and institutions involved in the decentralization process showed appetite for the reforms, central institutions such as the Ministry of Finance and Budget lacked commitment. When the project encountered implementation delays the GoM showed little proactivity in obtaining a closing date extension (the MFB even addressed a letter to the Bank stating that it was not interested in prolonging the closing date). It was only in late July 2014, following a decision in the Council of Ministry, that a request to extend the closing date was sent to the Bank.

(b) Implementing Agency or Agencies Performance

Rating: Moderately Unsatisfactory (MU)

Initial project:

80. **Following the crisis in March 2009, the Project Coordination Unit (PCU) continued to operate with a reduced team.** Procurement and financial management systems were in place but the management of the project was of insufficient quality. During the crisis the role of the PCU was unclear. The PCU tried to play a role in determining the strategic directions of reforms and

accompanying project activities. This was contested by several beneficiaries claiming that the PCU had no legitimate role in this process. The tensions between the PCU and the beneficiaries which arose from this situation combined with low capacity of both beneficiaries and the PCU, led to delays in the execution of project activities and in the preparation of the restructuring.

Restructured project:

81. **The PCU was pivotal in ensuring the implementation of the project.** The last component, project management, was difficult to rate, as it did not have results indicators. However, the last ISR indicated that overall performance of the project management was adequate, although it had been negatively affected by the considerable difference between the commitment and disbursement rates, as well as delays in procurement. In spite of initial difficulties, the PCU took the initiative and coordinated the process that led to the reprogramming of the activities. Many stakeholders informed the ICR team that the role of the PCU was unclear. For example, its role in determining project activities was challenged by some stakeholders who claimed that reforms and associated project activities should be determined by the civil servants in charge of the reform, rather than by the PCU, composed of consultants and consequently not representative of the administration. Many stakeholders also had the impression that the PCU was part of the Bank, rather than being the executing agency of the GoM. Lack of clarity in communication between the PCU and project stakeholders was also reported to the ICR team.

(c) Justification of Rating for Overall Borrower Performance

Rating: Moderately Unsatisfactory (MU)

82. In light of the above reasons, the overall Borrower Performance is rated moderately unsatisfactory.

6. Lessons Learned

83. **Key lessons learned from public sector reform efforts in Madagascar include:**

84. **Project design - including restructuring - must better reflect prior analytical work, country and institutional context, existing capacity and the time necessary to implement reforms.** The original design and restructuring of the PGDI-II was informed by extensive analytical work, including political economy analyses, but the findings of these analyses were not sufficiently taken into consideration. The project, comprising six components in its original design and four components following the restructuring, numerous beneficiaries and stakeholders, unrealistic results targets and timeframe (initially four years and extended with two years at restructuring) was too complex and ambitious. The design was also overly optimistic with regard to the actual capacity of stakeholders and the feasibility of rapidly strengthening institutional capacity. Furthermore, the design seems to have underestimated the level of change in behaviors necessary to achieve the objectives of the project. Also, as noted in the WDR 2015, biases in decision making are frequent and need to be better taken into account when designing policy reforms. With only one formal restructuring over the life of the project, its design was not sufficiently adapted to the changing country and institutional context. All these factors undermined project performance. Consequently, given the experience of PGDI-II, when designing and restructuring a public sector reform project the following aspects should be taken into account: i) designing simpler and focused projects with fewer beneficiaries and components with results achievable within the given timeframe; ii) understanding the project context and political economy and how it evolves over the life time of a project and flexibly adapt the project design and the

results framework accordingly; iii) understanding incentives for government and stakeholder buy-in, adapt the project design accordingly and ensure adequate provision for change management; and iv) undertake a comprehensive assessment of actual capacity of stakeholders to avoid over-optimism and an unrealistic design at entry and at restructuring.

85. **Implementation arrangements adapted to the country context over the life of a project and extensive communication are necessary for a smooth implementation of a project.** The implementation arrangements of the PGDI-II caused numerous challenges. The following aspects should be considered when designing implementation arrangements: i) clearly define and communicate extensively to all project stakeholders the role of the Bank, the PCU, the beneficiaries, the project steering committee and the stakeholders; ii) use government structures with a leading and legitimate position in the design and implementation of reforms to execute operations supporting the reform program. If necessary, strengthen the fiduciary capacity of the structure by embedding a PCU rather than by creating a stand-alone PCU; iii). when executing complex and multi-sector operations and reforms, anchor the coordination, oversight (including fiduciary oversight) and M&E of the implementation in a government structure with a leading and legitimate role in the reforms of all the concerned sectors. Minimize the role of this unit in day-to-day implementation of activities (including fiduciary management) and reforms by delegating this responsibility to the concerned line ministries, agencies or institutions and strengthen their fiduciary capacity as necessary ; iv) ensure the existence of effective communication channels during project implementation and communicate extensively on the project including its fiduciary rules and procedures to all stakeholders; and iv) when establishing a stand-alone PCU, weigh the advantage of reduced fiduciary risk against the risk of reduced ownership and increased resistance to reforms, detrimental to achieving expected project results. The use of external service providers in the framework of the PGDI-II implementation was useful to rapidly provide capacity building in a large scale. However, the quality of some of the service providers was poor. The limited involvement of government institutions led to resistance from the government agencies and raises the issue of appropriation and sustainability of reforms following project closing. Consequently, this approach should only be used in exceptional circumstance.

86. **The Bank needs more flexible policies and procedures to adapt project design when the initial project context is changing drastically and the project design proves to be too complex and/or ambitious.** The Bank and the project team could not foresee the major political crisis that took place only a few months after the project effectiveness. The subsequent suspension of disbursements and the application of the OP/BP 7.30 dealing with de facto government significantly reduced the project's ability to implement activities. When the situation evolved positively, the ISN adopted the "work at arm's length" with the GoM approach to mitigate political risk. However, this approach also significantly reduced the possibility of the Bank to engage in the necessary policy dialogue and stakeholder consultations which could have better informed the restructured project design and which could have allowed for a more effective project supervision. Ultimately, the Bank needs more flexible instruments and procedures for countries that are or become fragile.

87. **Leadership and commitment are necessary to implement reforms.** The lack of leadership and commitment due to the political crisis was detrimental to achieving the project's objectives. As highlighted in the 2012 World Bank PFM reforms in post-conflict countries, without political commitment at the highest level it is very difficult to move the reform agenda forward. Furthermore, in a context such as in Madagascar, the leadership of reforms needs to go beyond

individual leaders and needs to be accompanied by effective support to strengthen checks and balances mechanisms including central and local level institutions and civil society.

88. **Projects supporting PFM reforms will have limited or no impact if the following aspects are not taken into account**: i) A PFM strategy/action plan/IFMIS blueprint should be developed based on recent analysis and updated periodically. As noted in the 2012 PFM reforms in post-conflict countries, such plans will help ensure that approaches to PFM reforms and the provision of support are strategic and focused. To build buy-in for reforms the strategy/plan should be prepared involving all concerned stakeholders. Furthermore, (cf. Diamond, 2013) the reform plan, including scope and sequencing should be tailored to the country-specific context; ii) PFM reforms are embedded in a challenging political economy environment that needs to be better understood to manage change and resistance to reform; iii) PFM reforms cannot be achieved focusing only on technical solutions but need to be accompanied by behavioral and policy change; iv) IFMIS reforms are particularly challenging and should go beyond purchasing IT equipment. Also, as noted by Dorintsky and all, 2011, international experience indicates that there is only a limited chance that IMFIS efforts will succeed on time and on budget. Finally, given rapidly changing technology, regular stocktaking and rethinking of the use of technology is needed to ensure that the most adapted and cost efficient technology is utilized; v) PFM reforms need to focus both on building capacity at the center of government such as the Ministry of Finance and in line ministries, agencies and institutions at both central and local level.

89. **Support to CSOs and municipalities during the crisis period yielded better results than support at the central level although its impact was limited by design flaws.** While the political crisis at the central level diverted attention away from public sector reforms, working through local governments as well as non-government entities, showing more appetite for reforms and actions has proven to yield better results than the engagement at the central level. When designing operations to support CSOs and municipalities the following lessons should be taken into account: i) CSOs and municipalities are heterogeneous in terms of absorption capacity and support needs which should be adapted accordingly; ii) specific political economy factors of CSOs and municipalities must be taken into account; iii) CSOs also need capacity building in fiduciary management, transparency and accountability; and iv) transfer of knowledge and capacity building takes time (according to beneficiaries continuous and regular support is necessary for a minimum of three budget cycles to achieve lasting results).

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies

90. The Borrower adopted its ICR on April 3rd 2015. Only 9 of 17 indicators have been fully achieved and the results are fragile (see Annex 7 for a summary of the Borrower's ICR). Key lessons learnt include: i) need to strengthen leadership and commitment to reforms; ii) need to improve donor coordination; iii) need to minimize overseas trainings and favor local trainings; iv) need to be more selective in the use of third party service providers; and v) need to pursue reforms in the area of PFM, land tenure, local governance, social accountability, justice, transparency and access to information to consolidate the achievements of the project.

(b) Cofinanciers

91. A financing, of a total amount of EUR 1,000,000 was made available by the European Union and administered by the IDA under a trust-fund. The funds were supposed to co-finance certain activities supported by PGDI II and to conduct the Phase I Poverty and Social Impact Analysis

(PSIA) in selected mining municipalities. The trust fund was cancelled in August 2011. No activity was financed by the trust-fund.

(c) Other partners and stakeholders

Not Applicable.

Annex 1. Project Costs and Financing (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Cancelled Estimate (USD millions)	Depreciation US$/XDR	Total Estimate (USD millions)
C1: Improvement of Public Investment Management.	14.00		1.15	12.85
C2. Strengthening the Efficiency of Gov. Operations	08.00		0.66	07.34
C3: Rule of Law and Fight Against Corruption	02.50	1.43	0.21	0.86
C4: Transparency and Social Accountability	04.00		0.33	03.67
C5: Monitoring and Evaluation	07.00	6.41	0.58.	0.01
C6: Project Coordination	02.50		0.21	2.29
Total Baseline Cost	**38.00**	**7.84**	**3.14**	**27.02**
Physical/price Contingencies	02.00		0.16	1.84
Total Project Costs	**40.00**	**7.84**	**3.3**	**28.86**

Components	Appraisal Estimate (USD millions)	Disbursed Estimate (USD millions)	Undisbursed Estimate (USD millions)
C1: Improvement of Public Investment Management.	12.85	05.18	7.67
C2. Strengthening the Efficiency of Gov. Operations	07.34	4.35	2.99
C3: Rule of Law and Fight Against Corruption	0.86	0.65	0.21
C4: Transparency and Social Accountability	03.67	0.70	2.97
C5: Monitoring and Evaluation	0.01	0.01	0.00
C6: Project Coordination	2.29	01.33	0.96
Total Baseline Cost	**27.02**	**12.22**	**14.80**
Physical/price Contingencies	1.84		1.84
Total Project Costs	**28.86**	**12.22**	**16.64**

Project Cost by Component as of August 31, 2014

Components	Restructuring Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Restructuring Percentage of Appraisal
C1: Improvement of Public Investment Management	13.33	10.10	75.8%
C2. Strengthening the Efficiency of Gov. Operations	08.38	08.35	99.6%
C3. Institutional strengthening and knowledge management	04.90	03.73	76.1%
C4: Project Coordination	02.26	03.12	133.6%
Total Project Costs	28.86	25.20	87.3%

(b) Financing

Source of Funds	Appraisal Estimate (USD millions)
Borrower	04.00
International Development Association (IDA)	40.00

Source of Funds	Type of Cofinancing	Estimate (USD millions) at Restructuring	Actual/Latest Estimate (USD millions)	Percentage of Restructuring
Borrower		0.05	0.05	100%
International Development Association (IDA)		28.86	25.20	87.3%

Annex 2: Outputs by Component

Area		**Major Outputs**
	Component 1 – Improvement of Public Financial Management	
PFM efficiency and efficacy	Coordination and implementation capacity of PFM reforms	• Public officials trained on PEFA self-evaluation and conducted an evaluation at the national level and in some municipalities (Antananarivo, Mahajanga, Toamasina). • Mastery of tools and methodologies by technicians (PEFA, RBM, etc.) • Studies on reforms consolidation have been done (under validation), and vision, strategy, specifications and master plan for PFM reform have been defined.
	IFMIS intermediate system	• Centralization of revenue accounting for Customs and tax administration, through a collaborative leadership approach, leading to the development of a "Revenue" module under the IFMIS, which has not yet been validated nor implemented. • A study on electric securing of the IFMIS. • Preparation of some of the pre-requisite for the roll out of the IFMIS: installation of WIMAX antenna in the regions, specification of the electric securing, connectivity between offices including fiscal centers, tax treasury offices, public agency, etc.)
	Competitive bidding of central government procurement	• Procurement ex-post control of procurement of operations at national and regional level. • Implementation of resource centers and platform for operational dialogue on public procurement with civil society and the private sector. • Training at national and regional level and implementation of coaching mechanisms on procurement
	Public Enterprises governance	• Training in procurement, IFMIS use and accounting (stock records, administrative account, and management account.) to PNE staff • Acquisition of equipment (computers, connectivity) for the integration of PNE accounting to the Treasure system. • Capitalization of completed training though the development of training engineering work.
	PFM control	• Setting up of a coordination Platform for higher supervisory bodies set up • Strategic orientation on PFM control, identified following the National Workshop • Elaboration of the first public audit report of the Court of Account (still to be published) and a How-to guide for the reading of PLR. • Roll-out of control and audit software for audit for public oversight bodies. • Acquisition and implementation of risk-based audit principles through training of the public oversight body.
	Predictability of budget execution	• Implementation of connectivity for tax centers • Increased enrollment on NIFONLINE (tax online identification/declaration system) • Production of Restructuring Plan for HRM for the Customs administration Customs clearance video control system functional at Toamasina
PFM transparency	Budget transparency	• Publication of budget execution reports on the website of Department of Budget. • Note OBI of Madagascar available and an action plan to improve it is available • Standards for normalization and Computer Program for budget publication are available

Area		Major Outputs
	• ***Component 2 – Improvement of Local Governance***	
Municipal management efficiency and transparency	Integrated support to municipalities	• Scaling-up of tools such as Participatory budget, property tax Census combined with massive land security (OCAI), strengthening OF local governance. • Operationalization of a mechanism of transfer of subvention to municipalities accompanied by a monitoring mechanism (internet and tablet). • Training on standardized notation tools such as the IGL, CGF, GMP and improved capacity of municipalities to take actions to improve the marks without external support (Mirror Effect: from IRR approach and recommendations of IGL).
	Land security	• A new methodology for improving the reliability of PLOFs validated. • Improved MLM software complete (web based). • Restoration of land property book records. Typing and updating of land records. • 50,000 land titles digitalized
	Intervention capacity in supporting municipalities	• Response capability for supporting enhanced Commons: • The FDL has been equipped and trained on specific topics related to its duties of supporting the municipalities. • Districts leaders were trained and supported in achieving their missions as support for municipalities: organizational (action plan, tools harmonization) and financial (visit to local municipalities) • Leadership and involvement of district leaders in the implementation of the IRR on LGL and evidence of the effectiveness of the support mechanism by districts chiefs • Monitoring mechanisms of subsidies by Internet. • Mechanism for monitoring indicators of Commons by operational tablet • Monitoring mechanisms of municipal indicators by tablet system.
Efficiency of chosen public service at national and regional level.	Intervention capacity for land reform at national and regional level	
	Intervention capacity of trial courts	
	Component 3 – Institutional Strengthening and knowledge management	
Access to information for governance actors	Charter of access to information and knowledge sharing	
	Production and diffusion of Socio-economic information and analysis	• Institutional and organizational support to statistics institution in terms of staffing and technical equipment. • Production of studies: support for the completion of the ENSOMD (MDG survey), implementation of the innovative survey, establishment of E-Monographs of regions and study on large scale land investment. • The project also supported Madagascar's production of the EITI report

Area		Major Outputs
	Online access to legislations	• Design and definition of technical specifications for the improvement of the portal of the National Center Legis (with 90% of post-1996 texts available online) • Improved conviviality for the portal
	Financial autonomy of DLC	• The DLC center is operational with support from the project through staffing, equipment support and support for connectivity costs. • The center acquired the EPIC status confirming its main purpose for training civil servants • The center has a Business Plan and Training Catalog
	Strategy and tools of knowledge management	• A strategy and knowledge management platform developed and users trained for its use
Increased citizen participation to the demand for good governance	Capacity enforcement of CSOs and Ombudsman office.	**CSOs**: Implementation of grant transfer system to CSOs, training and support for materials such as tablets. **Ombudsman office**: Publishing of the Ombudsman office Public Report. Awareness Rising missions on the role of the Ombudsman (Partially implemented)
	Component 4 – Project Management	

Annex 3. Economic and Financial Analysis

The ICR team did not get necessary data to update the Economic and Financial Analysis.

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Names	Title	Unit	TTL Responsibility (year and location)
Lending			
Katherine C. Heller	Social Development Specialist	GEEDR	
Andrew Osei Asibey	Sr M&E Specialist		
Karen Cecilie Sjetnan	Sr Country Program Officer	AFCCM	
Lanto Ramanankasina	Program Assistant	GPVDR	
Thomas Jeffrey Ramin	Sr Operations Officer	DFGPE	
Gilles Marie Veuillot	Consultant	GTCDR	
Emile Louis Rene Finateu	Lead Financial Management Specialist		
Renaud Seligmann	Practice Manager	GGODR	
Stefanie Teggemann	Special Assistant	BPSVP	
Noro Aina Andriamihaja	Sr Financial Specialist	GFMDR	
Moira Hart Poliquin	Sr Operation Officer		
Guenter Heidenhof	Practice Manager	GGODR	FY08
Sylvain Auguste Rambeloson	Sr Procurement Specialist	GGODR	
Gervais Rakotoarimanana	Sr Financial Management Specialist		
Laza Razafiarison	Research Assistant		
Surenda Agarwal	Consultant	GEDDR	
Warren Waters	Consultant	GSURR	
Sylke Von Thadden	Consultant		
Eavan O'Halloran	Country Program Coordinator	ECCU3	
Stefano Paternostro	Practice Manager, GSPDR		
Irina Luca	Lead Procurement Specialist	GGODR	
Sarah Keener	Sr Social Development Specialist	GSURR	
Philippe Auffret	Sr Social Protection Specialist	GSPDR	
Jacques Morisset	Program Leader	AFCE1	
Dieudonne Randriamanampisoa	Sr Economist		
Wolfgang M.T. Chadab	Senior Finance Officer		
Suzanne Morris	Senior Finance Officer		
Sahr Kpundeh	Advisor, GGODR	GGODR	
Elisabeth Huybens	Practice Manager, GSURR	GSURR	
Bhuvan Bhatnagar	Lead Water and Sanitation Specialist, GWASP		
Jesko Hentschel	Country Director, LCC7C		
Francesca Recanatini	Sr Public Sector Specialist, GGODR	GGODR	
Supervision/ICR			
Agossou, Hugues	Sr Financial Management Specialist	GGODR	
Andriamarofara, Hajarivony	Consultant, GGODR	GGODR	

Anyanwu, Macmillan Ikemefule	Sr Country Officer	GFMST	
Balbo di Vinadio, Tommaso	Consultant	GGODR	
Bance, Paul G. A.	Sr Operations Officer	GSURR	
Ben-Halima, Slaheddine		GGODR	
Dener, Cem	Sr Public Sector Specialist	GGODR	
Heidenhof, Guenter	Practice Manager	GGODR	
Keener, Sarah	Sr Social Development Specialist	GSURR	
Lefebvre, Anne-Lucie	Sr Public Sector Specialist, GGODR	GGODR	FY11-15
Mallberg, Michel Ragnvald	Sr Public Sector Specialist, GGODR	GGODR	
Marcus, Richard Ryan			
Meyer, Nicolas	Knowledge and Learning Officer	LLILC	
Narasimhan, Ajay Tejasvi	Team Leader	LLILC	
Ozer, Ceren	Economist	LLILC	
Parel, Chris	Consultant	GHNDR	
Rambeloson, Sylvain Auguste	Sr Procurement Specialist	GGODR	
Randriamanampisoa, Dieudonne	Sr Economist		FY09-11
Randrianarivelo, Benjamina	Sr Operations Officer	LLILC	
Rarojo, Andrianjaka Angelo			
Razafimandimby, Andrianjaka Rado	Consultant	GGODR	
Seligmann, Renaud	Practice Manager	GGODR	
Teyssier, Andre (219400)	Sr Administration and Land Specialist	GSURR	

(c) Staff Time and Cost

Stage of Project Cycle	Staff Time and Cost (Bank Budget Only)	
	No. of staff weeks	USD Thousands (including travel and consultant costs)
Lending		
FY 08	21.80	145.65
Total:	**21.80**	**145.65**
Supervision/ICR		
FY 09	25.79	96.02
FY 10	19.94	74.95
FY 11	39.56	139.51
FY 12	49.47	181.32
FY 13	23.85	16.92
FY 14	25.73	115.10
FY 15	19.81	84.32
Total:	**204.15**	**860.14**

As of December 20, 2014

Annex 5. Beneficiary Survey Results

(if any)
Not Applicable

Annex 6. Stakeholder Workshop Report and Results

Initial component 1	improving of public finance management	• Significant delays in activities realization due to short time for implementation • The expectations have not been met: due to the shortened implementing some activities were not realized as discussed initially • Due to communication issue within the ministry and outside the ministry, some of the material delivered did not respond to the needs. • The results of the project are nonetheless useful in going forward, leaving the ministry with important strategic documents to consider
Revised Component 1	improvement of public financial management	
Initial component 2	Strengthening the efficiency of government operation	No stakeholder workshop has been conducted because some of the institutions do not exist anymore (NLIM). For others, individual meetings were held however, these remained very descriptive of the support received by beneficiary institutions as most of the responsible involved with the project were not in place anymore
Revised component 2	Improvement of local governance	• Municipal grants: There were significant flaws in the process due to a lack of communication on project eligibility criteria • Land security: The technical basis to implement land securing initiative was not existent or of bad quality • Land security: The lack of implication of government agencies in the project design made it difficult to gather quality data and to collaborate with them • The project closing process was chaotic with unclear directives from the PCU (closing and stopping activities or continuing business as usual)

		• Overall OCAI: The shortened implementation time made it very challenging to realize activities and reach the results. It has put a heavy toll on the contractors and jeopardized their credibility with the communities of intervention.
Initial component 3	Rule of law and fight against corruption	Individual meetings were held but remained very descriptive of the nature of the support received from PGDI as people who were involved at implementation time were not in place anymore.
Revised component 3	Institutional strengthening and knowledge management	• The shortened implementation time has limited the capacity of the CSOs to properly finish the financed activities. Some disbursement happened even few weeks before • The one size fits all approach did not take into account the needs and capacity of the CSOs. • The Bank's grant considered per diem to be ineligible which was found to be limiting by many CSOs • No clear institutional set up has been defined for the knowledge management platform
Initial component 4	Transparency and social accountability	No workshop were conducted
revised component 4	Program coordination	
Initial component 5	Monitoring and evaluation	Dropped at restructuring - No activities have ever been conducted
Initial component 6	Program coordination	

Annex 7. Summary of Borrower's ICR and/or Comments on Draft ICR

Adopted by the Steering Committee of the PREA on April 3rd 2015

Strategic positioning of the project

- The project has helped prepare the reengagement of development partners following the crisis as an "output": contributing to the Government's strategic thinking on major reforms to be implemented through core diagnostics and blueprints of the reforms:
  - Coherent concept of the future system of public financial management;
  - Land tenure.
- Implement pilot actions and develop innovative tools which can be scaled-up following the crisis:
  - Operation for integrated municipal support;
  - Access to information charter and knowledge sharing;
  - Knowledge management platform;
  - Civil society fund for transparency and social accountability.

Performance

- 12 of 17 indicators achieved but the achievement of three of the 12 indicators are questionable (Number of PEFA self-assessments, number of bids of the central Government awarded under open competition and number of land parcels with secured ownership rights registered);
- Two of the indicators are in an uncertain situation (Percentage of FDL municipalities with an improved GMP (*Gestion et Management de Projet*) and the percentage of municipalities publishing information on public services in compliance with BIANCO recommendations);
- Three of the indicators have not been achieved (Number of PEFA indicators that increase their rating in the self-assessment, number of IFMIS centralization/integration indicators rated satisfactory and percentage of the GDLN budget that is covered by own resources);
- The sustainability of the results is uncertain;
- A significant number of outputs realized including several studies, methodologies and tools that will inform policies and reforms in the area of PFM, land tenure, local governance, accountability, civil society, transparency and justice.

Key lessons learnt:

- Need to strengthen leadership and commitment to reforms;
- Need to improve donor coordination;
- Need to minimize trainings abroad and favor local trainings;
- Need to be more selective in the use of third party service providers;
- Need to pursue reforms in the area of PFM, land tenure, local governance, social accountability; justice, transparency and access to information to consolidate the achievements of the project.

Annex 8. Comments of Cofinanciers and Other Partners/Stakeholders

N/A

Annex 9. List of Supporting Documents

(a) Supporting document for the PGDI II ICR:

1. The African Development Bank (AfdB) and The Madagascar Ministry of Finance and Budget, June 2013, *Mise en place d'un dispositif de suivi-évaluation des activités des Plans de Travail Annuels des Départements du Ministère des Finances et du Budget à Madagascar*.
2. The Government of Madagascar, PGDI (a.i), February 2014, Mid-term evaluation report of the Madagascar Second Governance and Institutional Development Project.
3. The Government of Madagascar, PGDI (a.ii), October 2014, Interim Government project completion report for the PGDI II.
4. The Government of Madagascar, Ambre Consortium (a.i), October 2014, *Note de Synthèse du rapport sur la consolidation des réformes des Finances Publiques à Madagascar: Diagnostic et orientations – Schémas directeurs – Conception et cahiers des charges.*
5. The Government of Madagascar, Consortium Ambre (a.ii), October 2014, *Rapport sur la Consolidation des réformes des Finances Publiques à Madagascar: Diagnostic et orientations – Schémas directeurs – Conception et cahier des charges.*
6. *The Government of Madagascar, Ministry of Finances and Budget, 2014, Madagascar PEFA Self-Assessment.*
7. The World Bank (a.i), August 2006, Implementation Completion and Results Report Guidelines, OPCS.
8. The World Bank (a.ii), March 2007, Country Assistance Strategy (CAS) 2007 – 2011.
9. The World Bank (a.iii), July 2007, Republic of Madagascar: Joint Staff Advisory Note of the Poverty Reduction Strategy Paper, IMF-WB.
10. The World Bank (a.iv), May 2008, Project Appraisal Document of the Madagascar Second Governance and Institutional Project.
11. The World Bank (a.v), November 2008, Mission Aide-Memoire (October 27 – November 7, 2008).
12. The World Bank (a.vi), December 2009, Mission Aide-Memoire (November 30 – December 17, 2009).
13. The World Bank (a.vii), June 2010, Mission Aide-Memoire (May 17 – June 7, 2010).
14. The World Bank (a.viii), December 2010, Mission Aide-Memoire (November 25 – December 6, 2010).

15. The World Bank (a.ix), December 2010, Rapport N° 54277-MG MADAGASCAR *Revue de la gouvernance et de l'efficacité du développement/Analyse d'économie politique de la gouvernance à Madagascar*.

16. The World Bank (a.x), March 2011, Implementation Status And Results Report Seq. 5.

17. The World Bank (a.xi), June 2011, Implementation Status And Results Report Seq. 6.

18. The World Bank (a.xii), December 2011, Implementation Status And Results Report Seq. 7.

19. The World Bank (a.xiii), December 2011, Mission Aide-Memoire (November 23 – December 3, 2011).

20. The World Bank (a.xiv), June 2012, Implementation Status And Results Report Seq. 8.

21. The World Bank (a.xv), February 2012, Interim Strategy Note (ISN) 2012 – 2013.

22. The World Bank (a.xvi), August 2012, Restructuring Paper of the Madagascar Second Governance and Institutional Development Project.

23. The World Bank (a.xvii), November 2012, Mission Aide-Memoire (October 10 – October 25, 2012).

24. The World Bank (a.xviii), March 2013, Implementation Status And Results Report Seq. 9.

25. The World Bank (a.xix), July 2013, Mission Aide-Memoire (May 27 – June 7, 2013).

26. The World Bank (a.xx), November 2013, Mission Aide- Memoire (September 27 – October 4).

27. The World Bank (a.xxi), December 2013, Implementation Status And Results Report Seq. 10.

28. The World Bank (a.xxii), March 2014, Mission Aide-Memoire (February 3 – February 17, 2014).

29. The World Bank (a.xxiii), June 2014, Implementation Status And Results Report Seq. 11.

30. The World Bank (a.xxiv), August 2014, Mission Aide-Memoire (July 7 – July 18, 2014).

(b) Supporting documents as listed in the initial PAD

31. Habas, J., Andrianasolo, L., Majerowicz, C., Ramamonjisoa, L., Randrianasolo Razanakoto, A., May 2005, *Etude de faisabilité de Développement Local*.

32. Kabell Konsulting APS Denmark, January 2008, World Bank Group Supported Transformational Leadership Program in Madagascar, Final Evaluation.

33. Marcus, R., Randrianja, S., June 2006, Madagascar Structural Political Analysis as an input for a Country Social Analysis and Country Assistance Strategy, Final Report.

34. The Core team CSC, June 2007, *CSC effectués dans les regions de Boeny et de la Haute-Matsiatra*, *Rapport final des suivis*.

35. The Government of Madagascar (b.i), Mai 2006, *Mesure de la performance de la gestion des finances publiques en République de Madagascar selon la méthodologie PEFA* report.

36. The Government of Madagascar, Ministry of Economy, Finances and Budget of Madagascar (b.ii), July 2006, *Troisieme Recensement Général de la population et de l'habitat*, Madagascar 2007 – 2011.

37. The Government of Madagascar, PGDI (b.iii), July 2006, Madagascar – Governance and institutional Development Project (PGDI), Midterm Review.

38. The Government of Madagascar, PGDI (b.iv), September and December 2007, *Stratégie Nationale de Développement de la Statistique, Volumes I, II, PGDI, Mission d'Appui à l'Elaboration de la SNDS.*

39. The Government of Madagascar (b.v), Mars 2008, *Mesure de la performance de la gestion des Finances Publiques en République de Madagascar selon la méthodologie PEFA*, *Rapport préliminaire.*

40. The Office of the President of Madagascar (b.i), 2006, Madagascar Action Plan 2007-2012.

41. The Office of the President of Madagascar (b.ii), October 2007, *3 ans et demi de PGDI, 2004-2007*.

42. The World Bank (b.i), December 30, 2002, revised in May and June 2003, World Bank's Country Procurement Assessment Report (CPAR), Madagascar.

43. The World Bank (b.ii), October 2003, Governance and Institutional Development Project, project Appraisal Document.

44. The World Bank (b.iii), June 2005, Madagascar Investment Climate Assessment.

45. The World Bank (b.iv), June 2006, Third Poverty Reduction Support Operation, Program Document.

46. The World Bank (b.v), March 2007, Madagascar: Country Assistance Strategy (CAS).

47. The World Bank (b.vi), May 22, 2007, Madagascar – Restructuring and Additional Financing of the Governance and Institutional Development project, Project Paper.

48. The World Bank (b.vii), June 2007, *Madagascar – Revue de Dépenses Publiques – Réalisation du Madagascar Action Plan: Analyse pour des Résultats.*

49. The World Bank (b.viii), Eight Quality at Entry Assessment (QEA8), Fiscal Year 2006-2007, of the Additional Financing for the Madagascar Governance and Institutional Development Project,

50. The World Bank, the European Union, the African Development Bank, June 2003, Madagascar Country Financial Accountability Assessment (CFAA).

51. The World Bank institute, 2007, A Leadership Approach to Achieving Change in the Public Sector: The case of Madagascar.

(c) Supporting Documents for the preparation of the project restructuring

52. Andriamihaja, N.A., Cinyabuguma, M., Deravajan, S., 2011. *Eviter les pièges de fragilité en Afrique: des leçons à tirer pour Madagascar*.

53. Bitz, M., November 2011, *Évaluation de la mise en œuvre du système intégré de gestion des finances publiques (SIGFP) malgache.*

54. Ibrahim, M., December 2011. *Rapport provisoire de la Mission d'évaluation de la gestion des finances publiques malgaches du 26 Octobre au 16 Novembre 2011*.

55. Markus, R., Randrianja, S., June 2006, Madagascar Structural Political Analysis as an Input for a Country Social Analysis and Country Assistance Strategy, Final Report.

56. The Government of Madagascar, Mai 2006, *Mesure de la performance de la gestion des finances publiques en République de Madagascar selon la méthodologie PEFA, Rapport.*

57. The Government of Madagascar, Mars 2008, *Mesure de la performance de la gestion des Finances Publiques en République de Madagascar selon la méthodologie PEFA, Rapport préliminaire.*

58. *The Office of the President of Madagascar, 2006, Madagascar Action Plan 2007-2012.*

59. The World Bank (c.i), 2009, Civil Society and Social Accountability in Madagascar.

60. The World Bank (c.ii), 2009, Madagascar First Governance and Development project Implementation Completion Results report.

61. The World Bank (c.iii), June 2010, *Madagascar, vers un agenda de résilience économique*.

62. The World Bank (c.iv), 2010, Governance and Development Effectiveness Review: A Political Economy Analysis of Governance in Madagascar.

63. The World Bank (c.v), 2011, The World Development Report: Conflict, security and Development.

64. The World Bank (c.vi), 2011, Madagascar Interim Strategy Note.

65. The World Bank (c.vii), May 2011, *Bilan des actions pilotes du Budget Participatif à Madagascar* (Social Accountability Technical Assistance Program – TASA).

66. The World Bank (c.viii), June 2012, Madagascar: Support to Reform on Land Administration and Management Technical Assistance (P127211) Implementation Summary.
67. The World Bank (c.ix), 2012, Public Financial Management Reforms in Post-Conflict Countries.
68. The World Bank, 2015, Mind Society and Behavior.
69. Diamond, Jack, June 2013, Good Practice Note on sequencing PFM reforms
70. Dorinstksy et all, Financial Management Information Systems – 25 Years of World Bank Experience about what works and doesn’t work.

Annex 10: Objectives of the main components

	Initial Project	Restructured Project	Comments
Project Development Objective	To improve the efficiency and transparency of government and selected public services in Madagascar in line with the Madagascar Action Plan (MAP).	To strengthen the Recipient's public financial management and social accountability at the central government and the municipal levels.	The PDO, too broad and complex in nature, was refocused in light of the context change.
Component 1:	**Improvement of Public Expenditure Management (US$ 14 million):** **Improving budget preparation and execution processes (including an IFMIS element) (US$6.0 million):** • Improve budget preparation and execution processes by simplifying budget process, providing support to introduction of budget-programs, strengthen the capacity of sector ministries to plan, monitor and evaluate the annual budget; • focus on the harmonization of the existing dual budget system with the ultimate; • Support to fully integrate the budget preparation and execution procedures in the SIGFP, roll-out of the integrated financial management system –SIGFP- to the regional capitals; • Rationalization of the Public Investment process. **Strengthening internal control mechanisms (US$1.0 million):** • Support government reforms destined to improve the operational efficiency of the institutions that provide fiduciary oversight and control. These institutions include: the General	**Improvement of Public Financial Management (US$ 13.3 million):** • Improve budget preparation and execution processes; • Strengthen internal and external control mechanisms; • Institutionalize public procurement reforms, through capacity building within ARMP and procurement units in selected Sector Ministries and Municipalities; • Increase performance of revenue agencies through the modernizing of the procedures; • Enhance budget transparency and support citizen's access to budget data and inform debate on public policy including the Open Budget initiative, Civil Society Organization capacity building in budget management and publication of quarterly budget execution reports on the	Components were to a certain extent re-focused to ensure timely implementation of priority PFM reforms activities. However, many of the key activities in the initial project were maintained. Focus was also given on enhancing budget transparency and support citizens' access to budget data and informs debate on public policy. The component also introduced the auto-evaluation methodology of the PEFA and provided funding for several other studies of the PFM system.

	Initial Project	Restructured Project	Comments
	Government Inspectorate (*Inspection Générale de 1'Etat* - IGE), the Commitment Control (*Contrôle des Dépenses Engagés* CDE), the internal control cadre of the Treasury (*Brigade de Verification et d 'inspection du Trésor*), and the General internal control cadre (*Inspection Générale des Finances* - IGF) that was not yet operational. **Institutionalizing public procurement reforms (US$2.0 million):** • Continued procurement reforms through support to change management, comprehensive training and capacity building. • Improving transparency and accountability of public procurement processes, e.g. through the publication of business opportunities and procurement decisions, and through improved monitoring by civil society, media and Parliament. **Increasing performance of revenue agencies (US$5.0 million):** • Assistance to implement tax policy and tax administration reforms; • Modernization of customs offices, the integration of the customs management system TRADENET with the SIGFP, as well as technical assistance, training and capacity building.	website of the Ministry of Finance and Budget.	

Component 2:	**Strengthening the Efficiency of Government Operations (US$8.0 million):** **Improving change management capacity and leadership quality (US$3.0 million):** • Support change management processes in the context of the implementation of the MAP, in particular in the President's Office, in the Prime Minister's Office and in priority ministries such as education, health, transport and public works; • Support to innovative change management methodologies such as the "rapid results" approach to accelerate reform implementation and to assist the Government to overcome existing procedural and institutional constraints that hamper the effective implementation of the reform program. The majority of this support will be channeled through the National Leadership Institute of Madagascar (NLIM). **Strengthening management capacity in selected public institutions (US$1.0 million):** • targeted support to selected public sector institutions (Ministries of Planning, Education, Health, Transport, Public Works, and Agriculture) to adequately manage and decisively implement the reforms outlined in the Madagascar Action Plan (MAP); **Strengthening of local training institutions (US$2.0 million):** • Upgraded local training institutions (ENAM, CNFA, ENMG, GDLN, and NLIM). **Supporting cross-cutting reforms. (US$2.0 million):** • Complementary support for decentralization; • Support to the reform of the public sector pay and incentive system.	**Improvement of Local Governance (US$8.38 million):** • Improve local governance through integrated approach, municipal taxation, land tenure rights, and social accountability; • Strengthen capacity of Municipalities regarding PFM at local level, especially procurement through municipal grants; • Strengthen citizens' participation in budget planning and execution; • Strengthen capacity for national institutions responsible for the provision of technical services to Municipalities; • Strengthen capacity of the Land Directorate and the PNF; • A Municipal Grant mechanism (US$ 697,500) to be disbursed through the Local Development Fund (FDL) mechanism as a support to participatory budgeting processes	At restructuring, some activities were cancelled or dropped, while new activities were introduced. Activities implemented directly by the Presidency under the Component Strengthening the Efficiency of Government Operations were cancelled with the exception of the support to the GDLN, which was transferred to the new Component 3. The technical assistance to the public sector and pay incentive system was dropped. The restructured project focused on supporting selected cross-cutting reforms, such as decentralization and land management reforms. The change aimed at taking advantage of a reform space at the local level as opposed to the issues encountered at the central level during the political crisis.

Component 3:	**Rule of Law and Fight Against Corruption (US$2.5 million):** **Improving the quality of legal and judicial services (US$1.0 million):** • Support to assist the Ministry of Justice to further deploy and enforce service standards within the court system; • Support for the reduction of the backlog of cases; • Support to facilitate access to the judicial system and to improve operational efficiency. **Strengthening the regulatory and institutional framework to fight corruption (US$1.0 million):** • Support included technical advisory services as well as support for surveys and other instruments; • Support to improve the mobilization of non-state actors in the fight against corruption; • Support to establish branch offices of BIANCO; • Support to introduce a comprehensive procedural and institutional framework to address conflict-of-interest in the public sector and at the level of elected officials; • Support to establish an Economic Crimes Unit. **Strengthening external oversight (US$0.5 million):** • Strengthen oversight by the Auditor General and by Parliament over State affairs.	**Institutional Strengthening & Knowledge Management (US$ 4.9 million)** • Strengthen capacity of Selected Institutions to support access to information, public policy analysis and knowledge dissemination. New activities included: (i) strengthening the capacity of selected key institutions, such as, observatories and the ombudsman (*Médiature de la République)*; (ii) supporting the national MDG survey and the production of national accounts by INSTAT; and (iii) developing a strategy for better access to statistical information. • Strengthen capacity of civil society organizations and media to promote social accountability through social accountability grants (US$ 418,500 to be disbursed through an independent grant administrator); • Improve knowledge management by designing and establishing a system capitalizing all the knowledge produced by the Project.	Activities initially planned, but not yet implemented within the Rule of Law and Fight against Corruption were dropped, were perceived as too politically sensitive under the country's context. The new component 3 hosted activities initially planned under the original component 2, 4 and 5. Part of funds allocated to the former Component 3 (US$0.95 million) to support rule of law and anticorruption was cancelled in March 2012. Anti-corruption activities were continued at the local level but given the reform environment during the transition, rule of law related activities were dropped.

Component 4:	**Transparency and social accountability (US$4.0 million** • Support to piloting social accountability interventions; • Support to fostering an enabling environment for social accountability practices; • Build capacity of civil society and Government actors; • Enhance monitoring of social accountability activities; • Establishing a fund for social accountability grants (US$I.65 million.	**Project Coordination** • Support for management, supervision, monitoring and evaluation of the Project,	The activities in the original component 4 were transferred to the restructured component 3.
Component 5:	**Monitoring & evaluation (US$7.0 million)** • Strengthen and modernize the procedural and institutional framework for monitoring and evaluation in Madagascar; • Strengthen the monitoring and evaluation system of the MAP; • Improve the operational efficiency of the National Statistics Office (INSTAT); • Consolidated and further deepened statistical data through a new population census, which is vital for both public and private sector needs.	Dropped at restructuring.	The initial component 5 was dropped. SDR 4.25 million was cancelled. The cancellation was related to the National population and habitat census, the main activity of the Monitoring and Evaluation component (SDR4.25 million). The cancellation was motivated by the political sensitive nature of the census making it impossible to implement it during the transition. Activities were deemed feasible to implement during the transition were incorporated in the revised component 3.
Component 6: Project Coordination	**Program Coordination (US$2.5 million)** • Support the management and implementation of the PGDI II	Dropped at restructuring.	This component was dropped and activities were under the component 4 of the restructured project.

Annex 11: PGDI II Implementation history

Years	Disbursement rate	Achievements	Implementation arrangements	Bank actions	Country context
2008	0% (July) 24% (October)	0	Implementation arrangements set up with the COS Oversight Committee of the PREA PREA (PCU) anchored at Presidency	July: Project approval October: effectiveness	Normal. Some signs of political instability, but no major issue
2009	24% (Dec)	June 2009: ISR 2 0 PDO out of 6 and 0 intermediate indicators out of 16 achieved or data were not collected	No change	Application of OP/BP 7.30 Suspension of all disbursements to the project account Restriction of dialogue with Government to technical discussions.	Political crisis triggered by the unconstitutional change of power
2010	25% (Dec)	June 2010: ISR 6 Data not collected	No change		
2011	31% (Dec)	August 2011: ISR 7 Data not collected		Resumption of disbursements for all projects approved prior to March 2009.	June 2011 A roadmap to exit the crisis was agreed upon.
2012	31% (February) 40% (March) Change due to the cancellation of 25% of the credit 43% (August)	August 2012: ISR 8 Data not collected	In March 2012: Cancellation of XDR 5.2 million Project and the COS anchored at Prime Minister's Office June - July 2012 Thorough project restructuring, the revision of the PDO, the components and most of the indicators October 2012: Recruitment of a new	February. 2012 Interim Strategy Note (ISN) for FY12 and FY13 discussed by the Board August 2012: Project restructuring approved. .	

Years	Disbursement rate	Achievements	Implementation arrangements	Bank actions	Country context
			project coordination team. A 2-year extension of the closing date (from August 2012 to August 2014		
2013	83% (Dec)	March 2013: ISR 9 0 PDO out of 4 and 0 intermediate indicators out of 13 achieved	January 2013: Recruitment of the PCU technical staff Revision and reprogramming of the project activities. Revised program approved by the Oversight Committee (Dec)		Oct 25 and Dec 20 First and second rounds Presidential election
2014	83% (Feb) 84% (Nov)	June 2014: ISR 11 1 PDO out of 4 and 3 intermediate indicators out of 13 achieved August 2014: 3 PDO out of 4 and 7 intermediate indicators out of 13 achieved	Request for extension for 3 months submitted by the GoM.	Mid Term Review Request for project restructuring to extend the closing date not approved by the Bank.	January 25 Inauguration of President March New government appointed

Annex 12: Achievement of project Objectives by components:

Initial Component 1

Rating: Unsatisfactory (U)

1. The objective of the initial component 1 was to continue to support in a holistic manner the reform of the public expenditure management system in Madagascar. None of the results indicators of this component have been achieved. The PCU did not collect any data to measure the indicators. At restructuring, two indicators were dropped and one indicator was revised. The project achieved different sets of activities putting in place the basis for the roll-out of an integrated system: (i) completion of the roll-out of the WIMAX Antennas in 12 selected cities; (ii) purchase of a central server; (iii) purchase of the ORACLE license; and (iv) establishment of an electrical back-up system at the MFB. However, none of the system integration targets has actually been completed due to the country context which affected the project's normal course of implementation. On the revenue side, the project contributed to setting up mechanisms for revenue securing, especially within the customs administration.

Restructured Component 1

Rating: Unsatisfactory (U)

2. The objective of the restructured component was to improve public financial management. This component aimed at improving budget preparation and execution, including the deployment of the IFMIS and activities aiming at: (i) strengthening internal and external control and oversight mechanisms; (ii) institutionalizing public procurement reforms; (iii) increasing performance of revenue agencies by strengthening the capacity of the Customs Agency and the Fiscal Administration; and (iv) enhancing budget transparency and financial accountability. The component included support to Madagascar's participation in global fora, such as the Open Budget Initiative.

3. Very few activities have been successfully completed. The lack of a PFM strategy and of an IFMIS master development plan, of adequate quality, has hampered the implementation of the key project activities. Conditions were not met for the consolidation of the PFM reforms and the integration of the IFMIS has not improved. This also makes a point for the argument that the project design remained too ambitious even after its restructuring. The project intended to reach a total of eight IFMIS integration indicators rated satisfactory compared to a baseline value of one. However, at project closing, this was not achieved as only one IFMIS integration indicator was rated satisfactory. The difficulty inherent to this type of reform, especially under the challenging and volatile political context of the country prevented the project from reaching its goals. In general, and taking into account the degradation of the governance context of the country, the PFM system deteriorated throughout the crisis as noted in the 2013 PEFA carried out under the PGDI-II, as compared to the 2008 results. However, even though the project did not reach its main goals, it contributed in limiting further degradation of the system while setting the ground for future reforms.

4. On the other intermediate results, one of the three results indicators was partially achieved. One PEFA was completed at the national level. At the sub-national level, two PEFAs were launched but none has been officially completed yet. Hence, the indicator on the number of PEFA self-evaluation reports published and discussed with a target value of 2 has only been partially achieved. Finally, there has been a decline in the use of competitive procurement methods. The bids of the central government awarded under open competition represented 10.69% of the total value of contracts in 2013, compared to 32% and 26% respectively in 2011 and 2012. This is below the target value of 75% and even below the baseline value (Actually, the baseline value was 26% in 2012 rather than 58% as stated in the results framework which took into account only contracts above the threshold).

Initial Component 2: Strengthening the efficiency of government operations

Rating: Unsatisfactory (U)

5. The objective of the initial component 2 was to support change management and institutional development processes in the context of the Government's development strategy, the MAP. At restructuring, activities under this component had supported the following areas: (i) decentralization– GoM's Local Development Fund - and the roll-out of participatory budgeting on 50 selected local governments (municipalities); (ii) land management reforms with the establishment of technical dialogue on reforms; and (iii) the GDLN. This contributed in establishing the institutional framework supporting the decentralization process. Nevertheless, the PCU did not collect data on the results indicators and none of the results indicators achieved their targets at restructuring. This component was dropped during restructuring but some of the main sub-components were kept in the new project structure.

Restructured Component 2: Improvement of Local Governance

Rating: Moderately Unsatisfactory (MU)

6. The objective of this component was to improve the efficiency of service delivery at the local level. Of the six results indicators, three achieved their targets while three others partially achieved the targets.

7. Through the integrated OCAI approach, the project contributed in strengthening the management capacity and service delivery capacity of local governments. The OCAI approach is still applied in the beneficiary municipalities. However, under the project, it was managed through external contractors and not through existing institutions, raising the question of the ownership of the overall approach. Consequently, even though indicators target values may have been reached by project closure, the quality and the sustainability of these results are uncertain.

8. The integrated approach comprised capacity building to municipalities. The implementation of these capacity building initiatives through the FDL also improved the capacity of this institution as a supporting entity to the municipalities. Improvements were achieved in public financial management at the local level due to the use of social accountability mechanisms and of formal procurement mechanisms. However, this is to be taken cautiously as mechanisms such as participatory budget

were, for many municipalities, used only for the allocation of municipal grants and not for their overall budget. Formal procurement mechanisms were also used only for procurement made under the grants transferred to the municipalities. Social accountability mechanisms such as Participatory Budget implemented in the municipalities in mining regions, substantially contributed to improving the use and management of mining royalties for the benefits of the municipalities.

9. Local governance indicators developed by the FDL were used by the project as results indicators. . Through the implementation of Rapid Results Initiatives, some of the municipalities where the project intervened were able to improve their score on these indexes, showing an increased capacity and commitment to improving local governance. These indicators include the Local Governance Index (IGL), the index of Accounting and Financial Management (CGF), and the index of Management and Project Implementation (GMP). 91% of the municipalities improved their score on the CGF, against a target value of 50%. However, only 45% of the municipalities improved their score on the GMP against a target value of 65%.

10. The local governance initiative also contributed to reinforcing land security. The reform of the land management system of the country allowed for the identification of 537,514 land parcels (against a target value of 8000) creating fiscal opportunity for municipalities. However, the identification of these land parcels happened at the end of the project, making it difficult to evaluate the impact in terms of revenue increase for the beneficiary municipalities. Furthermore, the issuance of land certificates was put on hold by the government in July 2014. In August 2014, the ban was lifted for collective certification initiatives such as those under the project. While a small number of land certificates were issued, at project closure 15.837 land certificates were still awaiting the final signature before issuance. The indicator pertaining to the number of delivered land certificates, with a target value of 7500 delivered certificates, has thus not been achieved.

Initial Component 3: Rule of law and fight against corruption

Rating: Unsatisfactory (U)

11. The initial objective of component 3 was to assist Government in promoting transparency, accountability and good governance, and in particular, in reducing corruption. No results indicators are available as the PCU did not collect data for M&E. While some activities were implemented at restructuring, their results were limited and none of the results indicators achieved their targets at restructuring. Due to little reform space on anti-corruption during the political crisis, the component was dropped at restructuring, and some of the resources allocated were cancelled. Anti-corruption activities were nonetheless continued at the local level under component 2, improvement of local governance of the restructured project.

Revised Component 3: Institutional Strengthening and Knowledge Management

Rating: Moderately Unsatisfactory (MU)

12. The objective of the revised component 3 was to strengthen the capacity of selected State and non-State actors to enhance social accountability, access to information and knowledge sharing. The implementation of activities under this

component contributed to improve access to information. The Access to Information Charter was launched at the end of 2013 and registered a higher than expected level of signatories. At the end of the project, 239 institutions had signed the Charter compared to the target value of 60. While the Access to Information Charter is an important step to improved public access to information, the Charter does not imply a legal obligation to give access to information.

13. Access to and dissemination of information was strengthened through an improved INSTAT webpage and the establishment of a knowledge management platform. The number of visitors of the INSTAT webpage reached 58,446 visitors between January and June 2014 against a target value of 90,000/year. Hence the expected number of visitors per year is 116,892 which exceed the target value. The first listening to Madagascar survey was given support under this component and the MDG report was finalized. Statistical capacity building activities and support to produce the national accounts were also provided under this component. Incidentally, the project contributed in promoting open-data access resulting in a continued effort of the INSTAT to making data available to the public. However, the theft of a significant amount of IT equipment from INSTAT in May 2014, limited project impact as the intranet and extranet networks of the institution could not be implemented as a result of this theft. The expenditures related to the lost material have been declared ineligible and the Bank requested reimbursement from the GoM. However, as of February 2015 the reimbursement has not been done yet limiting all Bank engagements with the INSTAT.

14. The knowledge management platform was operational at the end of the project and hence, this performance target was reached. However, given the delays in establishing and operationalizing the platform it is uncertain to what degree the platform has been appropriated by the beneficiaries. Furthermore, the platform was directly managed by the PCU and at project closing, no alternative management settings have been put in place. The project also provided support to improve online; real-time access to legal texts (*Centre national Legis*) and almost 90% of the legal documents published in the journal official are now available online.

15. The GDLN was established with the support from the PGDI-I and II and is now operational. A key challenge has been to ensure its financial viability. The results indicator at the end of the project, the percentage of the GDLN budget that is covered by own resources, reached 29% against a target value of 60% and a baseline of 40%. The financial sustainability might, however, be better than reported by the results indicator. The recent transformation into an EPIC (*Etablissement Public à Caractère Industriel et Commercial*) attached to the Prime Minister's office will strengthen the structure as it will benefit from government subvention and guarantee. Furthermore, the GDLN has been able to develop a strategic plan which is currently being implemented and has established several strategic partnerships with national and international learning institutions. This is expected to improve the revenue base of the GDLN.

16. The component also supported a significant number of initiatives to improve transparency, social accountability and civil society. A total of 72 civil society organizations (CSOs) received a grant against a target (PDO level) value of 45.

Training was also provided. The disbursement of the grants was delayed to minimize the risk of political diversion of the funds as the country's election process was ongoing. This reduced considerably the time left for the implementation of the activities. The grants and trainings, nonetheless contributed in improving the capacity of the beneficiary CSOs. However, the one size fits all approach, which did not take into account the variety in capacity of the different CSOs, was mentioned by CSOs as a factor that reduced the impact of the grants. The activities also revealed a great demand for additional support to the CSOs, in particular with regard to financial management. The project also contributed to the adherence of Madagascar to the Global Partnership for Social Accountability (GPSA). Finally, the project supported the pilot of the Open Budget Index that was completed at the national level. The evaluation at the national level yielded a score of 14 out of 100 for the country, 100 being the maximum and 0 the minimum score. An Open Budget assessment at the municipal level was also initiated.

Initial Component 4: Transparency and Social Accountability

Rating: Moderately Satisfactory (MS)

17. Social accountability tools such as participatory budgeting and community scorecards continue to be used in municipalities that received support through the PGDI-II. Several conventions have also been signed with other World Bank's projects (Regional Integrated Growth Pole & Rural Development Projects) to promote social accountability more widely (i.e. rural project). New pilot mechanisms (participatory monitoring of publics funds in 40 municipalities with the rural development project, and public debates at the regional level) are also being implemented. Moreover, several public sensitization campaigns on the role of civil society in promoting social accountability were organized in four regions (Analamanga, Alaotra Mangoro, Atsinanana, Anosy). Support included activities to strengthen local governments PFM and procurement capacity. Anti-corruption training at the municipal level implemented by BIANCO was also implemented.

18. The project facilitated the coordination of NGOs by the establishment of a regional consultative committee and by establishing regional social accountability coaches responsible for the monitoring of the project's social accountability activities at the regional level. Health Community Scorecards, including the training of 206 community facilitators, were financed. The results indicators were not monitored by the PCU and for one of the indicators no base-line data and targets were available. However, the indicator on the number of social accountability activities (Community Scorecards, Participatory Budgeting) completed is likely to have exceeded the initial target value of 20 in 2012.

Revised Component 4: Project Coordination

Rating: Moderately Satisfactory (MS)

19. The absence of results indicators for this component makes the rating of the component difficult. However, the last ISR indicated that overall performance of the project management was adequate although it had been negatively affected by the considerable difference between the commitment and disbursement rates as well as

delays in procurement. Financial Management was found moderately satisfactory and the fiduciary arrangements were in place to ensure an acceptable risk management. With respect to procurement, the last ISR noted that recommendations have overall been followed. A complaint grievance mechanism including the use of community score cards has been implemented. However, Monitoring and Evaluation was found to be unsatisfactory.

20. **Initial Component 5: Monitoring and evaluation**

Rating: Unsatisfactory (U)

21. No results were achieved under this component. The key activity under the component, the population census, was cancelled.

Initial Component 6: Project Coordination

Rating: Moderately Unsatisfactory (MU)

22. Following the crisis in March 2009, the PCU continued to operate with a reduced team. Procurement and financial management systems were in place. While the project played a coordination role with respect to component 4 (Social Accountability), the absence of clarity with respect to governance reforms in Madagascar undermined the ability of the PCU to fulfill its coordination mandate. Capacity was very weak, leading to delays in the execution of activities and in the preparation of the restructuring. Furthermore, tensions between the PCU and the MFB also contributed to delays in the implementation of the interim work plans and the restructuring process.

Annex 13: List of people met during the ICR mission:

Roger Ralala	Former Président COS- Secrétaire General de la Présidence de la République	Présidence
Rado ANDRIANARIVELO	Assistant du Président COS/PREA/CSAI	Primature
Rakotomanga ANDRIANARIVONASOLO	Directeur Centre LEGIS	
RADET Serges	Coordonnateur du PGDI2 2012-2014	
Faly RASOANAIVO	Cabinet K.BOSS Consulting et Communication)	Evaluation à Mi-parcours PGDI-2
Serges Radet	Coordonnateur du PGDI 2	
Bien-aimé RAOELIJAONA	Ancien Coordonnateur Reforme des Finances Publiques 2012-2014	
Mamy Johnson RANDRIANIAINA	Ancien Coordonnateur RFP au Ministère des Finances et du Budget	
Jean-Jacques RANDRIANOELISON	Ancien Coordonnateur PGDI	
Henri RANAIVO	DG Contrôle Financier	Ministère des Finances et du Budget
Pierre FENO	Directeur General Audit	Ministère des Finances et du Budget
Ravelojaona Nirilanto		
Harison Vonjy RAZAF	Head of the Procurement Regulatory Agency	Ministère des Finances et du Budget
Hanitra RAHARINJATOVO	Directrice Générale, Fonds de Développement Local	
Handry RANDRIANARIVELO		Fonds de Développement Local
Nirilanto RAVELOJAONA	Cabinet Audit Conseil Services (ACS)	Gestionnaire de fonds redevabilité sociale
Valson RANDRIAMANALINA	Cabinet Audit Conseil Services (ACS)	Gestionnaire des fonds OSC
Coralie Gevers	Country Manager Madagascar	World Bank
Haley BRIDI	Regional Programs and Partnership Director (former Country Director Madagascar)	World Bank
John PANZER	Director, GMFDR	WorldBank
Guenter	Practice Leader GGODR	World Bank
Anand RAJARAM	Practice Leader GGODR	
Cem DENER	Sr Public Sector Specialist, GGODR	World Bank
Ellena RABESON	Chargée d'Operations	World Bank
Sylvain Rambeloson	Sr Procurement Specialist, Madagascar	World Bank
Keiko KUBOTA	Lead Economist, Madagascar	World Bank

Ratsimandresy Roch	Membre Comité Budget Participatif Municipality Alakamisy Fenoarivo	Communauté Alakamisy Fenoarivo
Raharinirina Fenosoa	Secrétaire Trésoriere Comptable Municipality Alakamisy Fenoarivo	Municipality Alakamisy Fenoarivo
Randriamamoha Mirado	Facilitateur OCAI Municipality Alakamisy Fenoarivo	Municipality Alakamisy Fenoarivo
Andrianaivo Rakotobe Jean Christian	Maire de la Municipality Alakamisy Fenoarivo	Municipality Alakamisy Fenoarivo
Rabemanana Raoby	DTI/ Chef de service	Min. Sante
Tsitoara Serge	DTIC	Min. Education Nationale
Rakotovao Andrianasolo	DTIC/informaticien	Min. Education Nationale
Rafalimanana Edmond	DSI	Ministère des Finances
Manantsara Anjara	Directeur General	Office national de Concertation sur la Décentralisation
Philippe RAHELISON	DGD/SI	DG Douanes
Yolande RAHANTASOA	DGD/SCAP	DG Douanes
Toky RAKOTONDRASOA	DGT/DDP	DG Tresor
Voahangy ANDRIAMBOLOLONA	DGD/DSCD	DG Douanes
Albert RAKOTONIAINA	DGD/DSCD	DG Douanes
Herinirina RANDRIAMANGAMALALA	DGT/DBIFA/ Chef d'unité	DG Tresor
Hery RAKOTOARIMANANA	DGT/DCP/SGR	DG Tresor
Nirina RAKOTOMALALA	DGB/SCC	DG Budget
Zoly RAKOTONDRABE	DGB/DEB	DG Budget
Elise RAKOTONIAINA	DGB/DTC	DG Budget
Rabeantoandro Rado	Resp. Système d'information et de BD	Observatoire du Foncier
Andrianasolonihery Tianarisoa Parfait	Chef de service d'appui au PLOF	Direction des Services Topographiques
Razafindrakotohary Tiana	Responsable de la composante modernisation	Cellule de coordination de la réforme foncière
Andrianarisoa Nancy	Chef du service de conception et programmation	Direction d'appui à la gestion foncière décentralisée
Andriamiaramanga Brunel	Chef de division réclamation	direction des domaines et de la propriété foncière
Gil Razafintsalama	Président du Conseil d'Administration	Observatoire National du Foncier
Noro Randriamamonjiarison	Cabinet Hermes	