

The World Bank

Report No: ICR00004216

IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA 57520 MG)

ON A CREDIT

IN THE AMOUNT OF SDR 39.4 MILLION
(US \$ 55.0 MILLION EQUIVALENT)

TO THE REPUBLIC OF MADAGASCAR

FOR A

RESILIENCE DEVELOPMENT POLICY OPERATION
December 18, 2017

Macroeconomics and Fiscal Management Global Practice
AFCS2
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of November 30, 2017)

Currency Unit = Ariary

US\$ 1 = Ariary

US\$ 1 = SDR

FISCAL YEAR [January 1 – December 31]

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AGOA	African Growth and Opportunities Act
AUGURE	Application Unique pour la Gestion Uniforme des Ressources Humaines de l'Etat (Unique Identifier for Human Resources Management)
BCM	Central Bank of Madagascar
BIANCO	Independent Anti-Corruption Bureau
BOP	Balance Of Payments
CPIA	Country Policies and Institutional Assessment
CPF	Country Partnership Framework
DeMPA	Debt Management Performance Assessment
DGE	Large Companies Department
DTIS	Diagnostic Trade Integration Study
DPO	Development Policy Operation
EDBM	Economic Development Board of Madagascar
EDP	Economic Development Paper
ENSOMD	Millennium Development Goal Surveys
EPM	Household Survey
EPZ	Export Processing Zone
FDI	Foreign Direct Investment
FSAP	Financial Sector Assessment Program
FY	Fiscal Year
GDP	Gross Domestic Product
GRS	Grievance Redress Service
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
IMF	International Monetary Fund

INSTAT	National Institute of Statistics
JIRAMA	State-Owned Electricity and Water Company (Jiro sy Rano Malagasy)
LDP	Letter of Development Policy
LMIL	Large Mining Investments Law
MFB	Ministry of Finance and Budget
MCS	Ministry of Civil Service, Work and Social Laws
NDP	National Development Plan
OGT	Opération Globale du Trésor (Monthly Treasury Operations report)
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PGDI	Projet de Gouvernance et de Développement Institutionnel
PPP	Purchasing Power Parity
RCF	Rapid Credit Facility
SADC	Southern African Development Community
SCD	Systematic Country Diagnostic
SDR	Special Drawing Rights
SOE	State-Owned Enterprise
SORT	Systematic Operations Risk-rating Tool
SSA	Sub-Saharan Africa
TSA	Treasury Single Account
US\$	United States Dollar
VAT	Value Added Tax
WDI	World Development Indicator

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MADAGASCAR

Resilience Development Policy Operation

CONTENTS

Data Sheet

A. Basic Information	i
B. Key Dates	i
C. Ratings Summary	i
D. Sector and Theme Codes	ii
E. Bank Staff	ii
F. Results Framework Analysis	iii
G. Ratings of Program Performance in ISRs (all fields are entered by the system)	vii
H. Restructuring (if any) (some fields are entered by the system)	vii
1. Program Context, Development Objectives and Design	1
2. Key Factors Affecting Implementation and Outcomes	6
3. Assessment of Outcomes	14
4. Assessment of Risk to Development Outcome	24
5. Assessment of Bank Borrower Performance.....	25
6. Lessons Learned	27
7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners	29
ANNEX 1. Bank Lending and Implementation Support/Supervision Processes.....	30
ANNEX 2. Summary of Borrower's ICR and/or Comments on Draft ICR	32
ANNEX 3. List of Supporting Documents	33
ANNEX 4: Follow-up of the reforms in the PFSI programmatic DPO 2017-2018.....	35
MAP	37

A. Basic Information				
Country	Madagascar	Program Name	Resilience Development Policy Operation	
Program ID	P153084	Loan Number	IDA – 57520 MG	
ICR Date	12/18/2017	ICR Type	Core ICR	
Lending Instrument	DPF	Borrower	Government of Madagascar	
Original Total Commitment	USD 39,400,000	Disbursed Amount	USD 39,400,000	
Implementing Agencies: Ministry of Finance and Budget				
B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	09/28/15	Effectiveness:	12/28/15	12/28/2015
Appraisal:	11/02/15	Restructuring(s):		
Approval:	12/10/15	Mid-term Review:		
		Closing:	12/30/16	12/30/2016
C. Ratings Summary				
C.1 Performance Rating by ICR				
Outcomes		Moderately satisfactory		
Risk to Development Outcome		Substantial		
Bank Performance		Moderately Satisfactory		
Borrower Performance		Moderately Satisfactory		
C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)				
Bank	Ratings	Borrower	Ratings	
Quality at Entry	Moderately Satisfactory	Government:	Moderately Satisfactory	
Quality of Supervision:	Satisfactory	Implementing Agency:	Moderately Satisfactory	
Overall Bank Performance	Moderately Satisfactory	Overall Borrower Performance	Moderately Satisfactory	

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

D. Sector and Theme Codes

	Original	Actual
Sector Code (as % of total Bank financing)		
Central Government (Central Agencies)	50	50
Other Public Administration	50	50
Theme Code (as % of total Bank financing)		
Public Finance Management	25	25
Macro-financial policies	24	24
Fiscal Policy	49	49

E. Bank Staff

Positions	At ICR	At Approval
Vice President:	Mahktar Diop	Mahktar Diop
Country Director:	Mark Lundell	Mark Lundell
Country Manager	Coralie Gevers	Coralie Gevers
Practice Manager/Manager:	Mathew Verghis	Mark Thomas
Task Team Leader:	Natasha Sharma	Keiko Kubota
ICR Team Leader:	Natasha Sharma	
ICR Primary Author:	Natasha Sharma	

⁴ There can be a maximum of five Sector Codes (that have more than zero percent) and five Theme Codes (of which at least one must be “Primary”).

F. Results Framework Analysis

Program Development Objective¹:

There are two Program Development Objectives (PDO) for the Madagascar Resilience Development Policy Operation:

- PDO1: Strengthening reporting and increasing availability of information relevant to assessing the effectiveness of public finance; and
- PDO2: Improving payroll management and consolidating accounts in line with the treasury single account principle.

Revised Program Development Objective:

Not applicable

(a) PDO Indicators

Table 1: PDO Indicators

	Baseline Value (from approval documents)	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Values Achieved at Completion or Target Years
Pillar I: Strengthening reporting and increasing availability of information relevant to assessing the effectiveness of public finance				
Overall score: 85.2 percent (Substantially met)				
PDO Indicator 1 (i):	Liter of diesel per kwh of thermic generation of electricity by JIRAMA (including the private centers for which JIRAMA is responsible for the fuel supply) ²			
Value (quantitative or qualitative)	0.16 L/kwh	0.14 L/kwh		0.13 L/kwh
Date achieved	08/31/2015	03/30/2017		07/31/2017
Comments (incl. % achievement)	EXCEEDED (100 percent plus). The achievement of this indicator suggests there has been an improvement in the efficiency of JIRAMA's operations, as (i) the use of diesel is being increasingly replaced by fuel oil, which is less expensive; and / or (ii) the use of diesel is more efficient. This target was achieved and exceeded.			

¹ The assessment scale used to assess progress against the results indicators is as follows: "Not met": <50% completion vs. target, "Partly met": >50% but < 75%, "Substantially met": approximately 75%+, "Fully met": approximately 100%; "Exceeded": >100%. In case a percentage rating is available through the assessment of the results target, the specific rating is used instead.

² This indicator is measured as: diesel consumption / (thermic generation by diesel + thermic generation by fuel oil). A reduction of the ratio (to the expected 0.14) would mean improved efficiency in the use of diesel or increase in the use of fuel oil.

PDO Indicator 1 (ii):	Data on diesel consumption and electricity generation publicly available			
Value (quantitative or qualitative)	No information is available	The database is updated monthly		Monthly data is available
Date achieved	2014	03/30/2017		10/25/2017
Comments (incl. % achievement)	FULLY MET (100 percent). Monthly statistics on diesel consumption and electricity generation are publicly available, which has helped to facilitate regular monitoring of the use of diesel by the Government and civil society. This includes the publication of civil society reports on JIRAMA's efficiency and transparency, which has been used for wider public debate.			
	Combined average score for PDO Indicator 1 = 100 percent			
PDO Indicator 2:	The audited accounts of Air Madagascar are published within the time allotted by regulations			
Value (quantitative or qualitative)	Publications are overdue	Publication is on time (in compliance with the Law)		Publication is on time
Date achieved	2014	03/30/2017		11/16/2017
Comments (incl. % achievement)	SUBSTANTIALLY MET (85 percent). The audited accounts of Air Madagascar are available on the website for the period 2010 to 2016. SOEs are subject to common commercial legislation (Loi 2003 -036 sur les sociétés commerciales), which states that audited financial statements should be produced no later than 6 months after the closing of the FY. While there is no legal requirement for the publication of SOE financial statements, this increased transparency measure was supported in the Resilience DPO. Since all available financial statements are published, but with a delay of five months for the publication of the 2016 financial statement, this target is considered substantially met.			
PDO Indicator 3:	List of enterprises which receive tax expenditures through Law on Large Mining Investments (LMIL), Export Processing Zones (EPZ) Law and by Council of Ministers decisions publicly available.			
Value (quantitative or qualitative)	No systematic information is available	The three lists, updated annually, are available publicly		Two of the three lists are published on EDBM website
Date achieved	2014	03/30/2017		10/25/2017
Comments (incl. % achievement)	PARTIALLY MET (66 percent). The EDBM publishes on its websites the list of companies that receive tax expenditures under the EPZ and the LMIL. The third list on the decision by the Council of Ministers is managed by the Prime Minister's Office, and this has not been shared for publication.			
PDO Indicator 4:	Length of time needed to submit the audited consolidated final accounts of the State Budget.			

Value (quantitative or qualitative)	Over 5 years (for 2008 accounts)	Within 24 months of end year		Within 24 months of end year
Date achieved	2014	03/30/2017		10/25/2017
Comments (incl. % achievement)	FULLY MET (100 percent). The 2015 audited consolidated account was submitted to Parliament June 2017. Madagascar's fiscal year runs from January to December. Therefore, the accounts were submitted within an 18-month period, addressing a significant weakness in financial management practices where the submission of accounts was historically delayed even before the political crisis period.			
PDO Indicator 5:	Timeliness of the publication of the monthly budget execution report by the Treasury (OGT)			
Value (quantitative or qualitative)	OGT is not publicly available	Within 6 weeks of end month		Within 8 weeks of end month
Date achieved	2014	03/30/2017		10/25/2017
Comments (incl. % achievement)	SUBSTANTIALLY MET (75 percent). The OGT is habitually published two months after the end of period, as it takes time to verify the information from other. The score of 75 percent was calculated as the ratio of the intended target (6 weeks) over the actual target achieved (8 weeks). This marks significant progress compared with the political crisis period, where the publication of the OGT ceased.			
Pillar II: Improving payroll management and consolidating accounts in line with the treasury single account principle				
Overall score: 74.7 percent (Partly met)				
PDO Indicator 6 (i):	The number of civil servants with date of birth information not on record at the MFB			
Value (quantitative or qualitative)	30,000 civil servants (approx. 25% of total) (2015);	0		4,297
Date achieved	10/19/2015	03/30/2017		05/30/2017
Comments (incl. % achievement)	SUBSTANTIALLY MET. 86 percent of civil servants' date of birth were recorded by October 2017.			
PDO Indicator 6 (ii):	The civil service rosters at MFB and MCS are reconciled every 6 months			
Value (quantitative or qualitative)	Reconciliation has not been done (2014)	Reconciliation was done within the last 6 months		No reconciliation has been done
Date achieved	12/31/2014	03/30/2017		05/30/2017

Comments (incl. % achievement)	NOT MET (0 percent). The Ministry of Civil Service (MCS) did not update the roster. Instead, payroll controls were pursued in another way, through the installation of a new software for human resource management (Application Unique pour la Gestion Uniforme des Ressources Humaines de l'Etat - AUGURE) at the MFB, where all agencies are required to self-declare staff details. An audit of the software and the self-declaration process is planned in 2018, which will facilitate an objective assessment of the effectiveness of the new approach.			
PDO Indicator 6 (iii):	Amount of position-specific benefits paid to those who had already left the "high officer" positions			
Value (quantitative or qualitative)	Approximately 3.56 bn Ariary (2015)	0		0
Date achieved	09/30/2015	03/30/2017		10/25/2017
Comments (incl. % achievement)	MET (100 percent). In 2016 1,480 irregular payments were suspended. The recently installed software will ensure the sustainability of payment controls. A combination of reforms to update civil servants' date of birth information, and cancelling irregular payments is estimated to have resulted in savings of US\$10.5m (approximately 0.11 percent of GDP) by February 2017.			
	Combined average score for PDO Indicator 6 = 62 percent			
PDO Indicator 7:	The share of dedicated accounts for externally-financed projects held at the Central Bank			
Value (quantitative or qualitative)	0 %	90% of the accounts, with explicit deadline for closure of any accounts remaining at commercial banks		87.4% of project accounts are opened at the Central Bank
Date achieved	2014	03/30/2017		10/25/2017
Comments (incl. % achievement)	SUBSTANTIALLY MET (87.4 percent). Reforms to the TSA are ongoing, but the pace has been more moderate than expected. To facilitate transition to the TSA, a temporary decree was issued in August 2016, allowing for some project accounts to be held at commercial banks, as TSA reforms continued.			
	Total average across all the PDO Indicators = 82.2 percent (substantially met)			

(b) Intermediate Outcome Indicator(s) - from Program Document

Not applicable: There were no intermediate outcome indicators for the standalone DPO.

G. Ratings of Program Performance in ISRs (all fields are entered by the system)

No.	Date ISR	DO	IP	Actual Disbursements

No formal ISRs were prepared, as this was not requirement for a standalone operation. However, during implementation regular monitoring and supervision activities were undertaken. The Government informally shared an ISR mid-way through implementation, which informed the preparation of this ICR.

H. Restructuring (if any) (some fields are entered by the system)

Not applicable

1. Program Context, Development Objectives and Design

1.1.Context at Appraisal:

1. Madagascar is an island nation, which is rich in assets and blessed with unparalleled natural wealth. Madagascar has a population of around 24 million, where 64 percent is under 25 years, and levels of literacy are comparatively high. Unparalleled biodiversity, including large swaths of agricultural lands, forest areas and a pristine coastline could provide sources of sustainable income and consumption for the Indian Ocean and beyond. Manufacturing could be bolstered by relatively strong capacity for producing garments, as well as mining-related activities for nickel and other minerals. While the scope of the private sector is small, it is diversified and has considerable potential to further thrive, particularly in areas such as construction, tourism, services, and transport.

2. However, the country’s ability to harness its growth potential has been repeatedly stalled by political fragility. Since independence in 1960, there have been four major political crisis periods, in 1972, 1991, 2001-2002, and 2009-2013. In each case, the political crisis followed a period of economic growth, and resulted in a contraction of the economy. During times of political stability, growth has been driven by the secondary and tertiary sectors, while the agricultural sector is characterized by low productivity and vulnerability to climatic variations. The end of the long political crisis between 2009 to 2013 has promoted a modest acceleration of economic growth, which is estimated to have averaged 3.7 percent between 2014 and 2017, with a growth projection of 4.1 percent in 2017. During the most recent political crisis, a coup d’état in January 2009 resulted in a change of Government.

3. Repeated political crises are the result of deep-rooted governance challenges, which include:³ (i) a political system that is determined by networks of a few powerful political and business leaders who form and shift alliances periodically to preserve their access to rents; (ii) a society fragmented along ethnic, religious, wealth, and gender fault lines, giving rise to social tensions; (iii) the abundance of natural resources, coupled with weak governance, has contributed to the rapid growth of a trafficking economy around precious woods, gold and stones, cattle, and valuable biodiversity; and (iv) a nascent system of checks and balances because of a fragmented parliamentary system, weakness in civil society to become an organized voice, and the lack of an independent media.

4. The costs of political fragility have been high, where Madagascar is one of the poorest countries in the world.⁴ Over the 2001 to 2012 period, the poverty headcount rate decreased slightly but it still remains exceedingly high at 70.7 percent in 2012. The average Malagasy is

³ Further details on the sources of Madagascar’s political fragility can be found in the Country Partnership Framework, June 2017

⁴ World Bank (2016). “Recent Trends and Analytical Findings on the Causes of Madagascar’s Persistent Poverty.” It uses household survey data from EPM 2001, 2005, 2010, and ENSOMD 2012. Also see World Bank (2014). “Face of Poverty in Madagascar: Poverty, Gender, and Inequality Assessment.” The next household survey is expected to take place in 2018, following the census.

42 percent poorer today than she was in 1960⁵, the year of Madagascar's independence. In 2012⁶, only 30 percent of Malagasy lived above the national poverty line and only 10 percent above the international poverty line. Inequality is defined not by an excessive concentration of wealth for a few but by deep poverty, where the average Malagasy consumes 46 percent less than a person living right at the national poverty line.

5. The return to constitutional order in early 2014 opened the door for expanded WBG engagement to pursue the goal of ending poverty. The Southern African Development Community helped to agree a Roadmap to end the political crisis, and strengthen democratic and security institutions. The Government has elaborated a National Development Plan 2015-2019 (NDP) that aims to improve economic management and promote private-sector led growth. With support from the international community, municipal and senatorial elections were peacefully held in July and December 2015, the Independent National Commission for Elections was established, and security reforms are ongoing. Presidential elections are planned for the end of 2018 / early 2019. While elections are expected to be tense, it is hoped that this will be the first time since independence that a Presidential term starts and ends through democratic means.

6. The Systematic Country Diagnostic (SCD, 2015) argues for supporting fiscal policy reforms, which had been subject to poor governance practices during the 2009-2013 political crisis. The prolonged political crisis period gave way to deep-rooted governance practices, constraining fiscal space for financing public investments and social spending necessary for fighting poverty and pursuing sustainable development. As Madagascar exited the political crisis in 2014, economic growth was at 3.3 percent, barely high enough to keep up with population growth (see Table 1).

7. On the revenue side, Madagascar had one of the lowest tax-to-GDP ratios in the world, at 10.1 percent. While tax policy is generally sound⁷, low levels of revenue collection reflected the subdued economic activity during the political crisis period (which had deterred private sector investment) and poor tax administration practices. For example, ad hoc agreements that award generous tax exemptions to well-connected individuals and enterprises were awarded, undermining the credibility of the relatively sound tax policies.

8. Fiscal space had been further constrained by inefficient public expenditure management practices. The wage bill had been subject to weak fiduciary controls during the political crisis period, with ineligible recipients receiving payments, including at high levels of government. Two large state-owned enterprises (SOEs), JIRAMA (a water and electricity SOE) and Air Madagascar (the state's national airline company) were characterized by inefficient financial and operational performance, reliant on large state transfers that were regressive in nature. The ability for the state to make payments, and avoid the accumulation of arrears was further constrained by poor cash management practices, including maintaining

⁵ Measured in real GDP per capita. Only DRC and Liberia fared worse than Madagascar over the 1960-2010 period.

⁶ Most recent data available drawn from the ENSOMD 2012 survey.

⁷ Selected Issues: Tax Revenue Mobilization in Madagascar, International Monetary Fund, 2014

Table 2: Madagascar Selected Economic and Financial Indicators

accounts outside of the Treasury Single Account (TSA) mechanism. Furthermore, the ability to make effective decisions on public expenditure management, report to elected officials and share information with civil society was constrained by the lack of public accounts prepared and submitted to Parliament.

9. Against this backdrop, the Resilience DPO was prepared to address important fiscal policy reforms, on both the revenues and expenditures side. On the revenue side, the Resilience DPO aimed to improve transparency in how tax expenditures are awarded. On the expenditure side, the DPO supported several important reforms including advancing payroll controls, improving the transparency of operations for JIRAMA and Air Madagascar, ensuring the availability of public expenditure information for scrutiny by Parliament, civil society and development partners, and furthering TSA reforms.

10. At the time of appraisal, the macro framework for the operation was assessed as adequate. The Resilience DPO was important for supporting the Government in defining and executing a credible set of fiscal policies to serve as a basis for: (i) satisfactory performance under the IMF Staff Monitored Program; and (ii) continued policy-based support needed to close the financing gap.

11. The measures supported in the Resilience DPO were part of an integrated approach by the international community to improving public finances. The program aimed to reverse some of the long-standing poor financial management practices, which further deteriorated during the political crisis, as well as support further reforms, such as the TSA. The content of the program was complemented by reforms supported by other partners. For example, the IMF was supporting other aspects of fiscal policy, such as the recording of debt flows and improving the governance of EPZs; and the EU was supporting the management of human resources related reforms.

	2013	2014	2015	2016	2017	2018
				Estimate	Projections	
	(annual percent change, except noted otherwise)					
Real sector						
Real GDP growth	2.3	3.3	3.1	4.2	4.1	5.1
GDP per capita growth	-0.5	0.5	0.3	1.4	1.3	2.3
Consumption (% GDP)	92.8	88.8	90.4	87.0	91.3	89.6
Investment (% GDP)	15.9	15.6	13.1	15.3	15.9	17.4
Net exports (% GDP)	-8.7	-4.4	-3.5	-2.3	-7.2	-7.0
Inflation, consumer prices (annual %, end of year)	6.3	6.0	7.6	7.0	8.0	7.9
	(in percent of GDP)					
Public Finance						
Revenues, excluding Grants	9.6	10.1	10.4	11.2	11.7	12.1
of which: Tax revenues	9.3	9.9	10.1	10.9	11.4	11.9
Grants	1.3	2.3	1.5	3.5	3.2	3.0
Total expenditures (commitment basis)	14.9	14.7	15.1	16.0	18.4	18.0
of which: Capital spending	3.1	3.9	3.5	5.2	6.3	8.1
Overall balance (cash basis)	-2.0	-2.4	-3.7	-2.0	-4.3	-3.5
Gross external financing	1.3	1.7	2.6	1.4	3.0	3.6
Total public debt	33.9	34.7	41.3	38.4	36.2	36.2
	(annual change)					
Monetary accounts						
Money supply (M2)	9.0	9.8	15.8	21.4	18.5	13.1
Net Foreign Assets	-29.1	17.3	20.9	37.4	10.9	12.9
Net Domestic Assets	34.9	8.3	11.4	10.8	22.9	12.2
	(in millions of US\$)					
External Sector						
Exports of goods	1922	2194	2047	2165	2347	2456
Imports of goods	2773	2741	2376	2429	3143	3256
Current account balance	-622	-34	-184	57	-388	-494
Foreign Direct Investment	551	312	416	451	411	411
Overall Balance	-214	22	100	293	92	76
Foreign Reserves (months of imports)	2.2	2.5	2.9	3.9	3.7	4.0

Source: MFB, CBM, IMF and World Bank staff calculations

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

12. The Program Development Objectives for the Madagascar Resilience Development Policy Operation were:

(i) Strengthening reporting and increasing availability of information relevant to

- assessing the effectiveness of public finance, and
- (ii) Improving payroll management and consolidating accounts in line with the treasury single account principle.

The original Key Indicators, used to measure progress towards expected outcomes were:

Table 3: Summary of Key Indicators

<i>Pillar I: Strengthening reporting and increasing availability of information relevant to assessing the effectiveness of public finance</i>	
PDO Indicator 1 (i):	Liter of diesel per kwh of thermic generation of electricity by JIRAMA (including the private centers for which JIRAMA is responsible for the fuel supply)
PDO Indicator 1 (ii):	Data on diesel consumption and electricity generation publicly available
PDO Indicator 2	The audited accounts of Air Madagascar are published within the time allotted by regulations
PDO Indicator 3	List of enterprises which receive tax expenditures through LMIL, EPZ Law and by Council of Ministers decisions publicly available
PDO Indicator 4	Length of time needed to submit the audited consolidated final accounts of the State Budget
PDO Indicator 5	Timeliness of the publication of the monthly budget execution report by the Treasury (OGT)
<i>Pillar II: Improving payroll management and consolidating accounts in line with the treasury single account principle</i>	
PDO Indicator 6 (i):	The number of civil servants with date of birth information not on record at the MFB
PDO Indicator 6 (ii):	The civil service rosters at MFB and MCS are reconciled every 6 months
PDO Indicator 6 (iii):	Amount of position-specific benefits paid to those who had already left the “high officer” positions
PDO Indicator 7	The share of dedicated accounts for externally-financed projects held at the Central Bank

1.3 Revised PDO and Key Indicators, and reasons/justification:

Neither the PDO nor the Key Indicators were revised.

1.4 Original Policy Areas Supported by the Program:

13. This stand-alone DPF operation supported the reform program under two core Policy Areas:

(i) Strengthening reporting and increasing availability of information relevant to assessing the effectiveness of public finance. Reforms to improve the transparency of public finance were supported as a precondition for informed decision-making to improve public service delivery. The reforms aimed at reinstating certain public expenditure management practices such as the publication of monthly budget execution reports, and the timely submission of audited consolidated final accounts to Parliament. These practices were weak even before the political crisis, and sidelined thereafter, as poor governance procedures prevailed. The reforms also supported improvements to the transparency of JIRAMA and Air Madagascar's operations, as well as tax expenditures.

(ii) Improving payroll management and consolidating accounts in line with the treasury single account principle. The reforms supported under this objective aimed to take preliminary steps to increase fiscal space by cleaning up the payroll through removing ineligible beneficiaries from the roster, and promoting improved public expenditure management practices by passing a decree to facilitate the transition to a TSA.

1.5 Revised Policy Areas:

14. Not applicable: The policy areas remained unchanged throughout the program.

1.6 Other significant changes (in design, scope and scale, implementation arrangements and schedule, and funding allocations):

15. Not applicable: No changes were made to the design, scope and scale, implementation arrangements and funding allocations.

2. Key Factors Affecting Implementation and Outcomes

2.1 Program Performance:

16. The Program was supported by a stand-alone, single-tranche Development Policy Financing, disbursed upon effectiveness, in the total amount of US\$55 million. All required Prior Actions were completed prior to the operation's approval.

2.2. Major Factors Affecting Implementation:

17. While all prior actions were achieved, the overall implementation for this DPO was moderately satisfactory. Major factors that affected implementation are summarized below:

(i) Uneven stakeholder engagement throughout the preparation, implementation and supervision of the DPO. While the MFB was the main implementing agency for the reforms supported under the DPO, several other stakeholders were involved to a lesser extent, including the EDBM, the BCM, the Office of the Prime Minister, the

Ministry of Public Service, JIRAMA, Air Madagascar and development partners (concerning the TSA reform). Where the MFB has been responsible for reform implementation, progress has been largely on-track. However, where other agencies are concerned, such as EDBM and MCS, progress has been uneven, suggesting different stakeholders should have been more actively consulted and engaged throughout the DPO, at an earlier stage.

- (ii) **There was good alignment with other development partners regarding the content of the reform program.** The reforms supported in the DPO complemented well the actions of other partners, reflecting convergence of views on the criticality⁸ of the policy changes required. For example, under the IMF's Rapid Credit Facility and the Staff Monitored Program complementary reforms were supported such as improving transparency of the stocks and flows of public and publicly guaranteed debt (building on the progress made to the debt management framework, supported under the Reengagement DPO in 2014), mobilizing fiscal revenues from companies located in EPZs, and establishing audit teams to work on ex-post highly suspect fraud operations. The EU and the African Development Bank supported civil service reforms, while the US Treasury supported TSA reforms through Technical Assistance (TA) in the form of a Resident Advisor. Discussions around the criticality of reforms were framed under Cadre de Partenariat, which is co-chaired by the WB and the MFB.
- (iii) **Good progress, where reforms are integrated with Investment Projects and supported with technical assistance (TA).** Complementary reforms related to Air Madagascar and JIRAMA were supported by the Integrated Growth Poles Project (P113971) and the Energy Sector Operations and Governance Improvement project (P151785) respectively, which were being prepared in parallel with the DPO. This complementarity helped to reinforce the policy dialogue.
- (iv) **However, in some instances the reforms supported by other partners were pursued in an alternative way, or with a different timeline, which affected the implementation of the Resilience DPO.** These divergences in approach also highlight that there are risks when implementation is being supported by parallel projects and / or other partners. Some examples are provided below:
- The Program Document makes reference to EU support to payroll reforms when explaining the content of the reform program. However, the reform was described at a relatively early stage of development, and since then the EU's support evolved and adopted a different approach.
 - In the case of the publication of the OGT, the Government had agreed to an 8-week timeframe for publishing the information, compared to a 6-week timeframe with the WB. This suggests that there should have been greater harmonization between the institutions regarding the periodicity of reporting the OGT.

⁸ Criticality refers to the need to focus on the key elements to support the transition from fragility to resilience (as discussed in the Good Practice Note on DPL in Situations of Fragility, World Bank, 2011)

- The US Treasury Resident Advisor for TSA reforms was in place only in March 2016, which has affected the pace of reform implementation. While the Program Document does not make reference to this TA, the speed at which the Government was able to find appropriate TA has affected implementation.
- (v) **Soundness of background analysis.** The DPO was prepared in parallel with the SCD, with the same teams involved. The analysis is well reflected in the choice of reforms supported. The DPO was also supported by the Reengagement Policy Notes prepared in 2014 (which had recommendations related to improving JIRAMA’s performance, implementing civil service controls, and strengthening tax administration), a Tax Administration Diagnostic Assessment Tool which was under preparation and published in October 2015, an analysis of tax revenue mobilization undertaken by the IMF in January 2015, a Public Expenditure and Financial Accountability (PEFA) assessment, a Debt Management Performance Assessment (DeMPA), and the reforms in the Country Policy and Institutional Assessment (CPIA). The reforms had a strong governance component, which was appropriate given that activities were normalizing after the political crisis. The importance of addressing governance challenges was underscored in the SCD, as prerequisite for realizing other reforms.
- (vi) **For a country emerging from a deep political crisis, overall there has been strong commitment and ownership for the reform agenda.** As the country reengaged with the international community following the return to constitutional order, there has been increasing reform momentum. The reforms supported by this DPO are well-aligned with the priorities the Government had identified as requiring institutional reforms. The gradual but important progress is demonstrated in different ways:
- Madagascar qualified for exceptional financing under the IDA Turnaround Regime for countries exiting a period of fragility or conflict;
 - Following successful completion of a Staff Monitored Program and Rapid Credit Facilities, a three-year Extended Credit Facility was approved by the IMF’s Executive Board of Directors in 2016, setting a medium-term basis for structural reforms;
 - Improvements have been made to the institutional and policy environment, as highlighted by a gradual but important improvement to the country’s Country Policy and Institutional Assessment score, which has increased from 3.0 in 2014 to 3.2 in 2016, underpinned by improvements to budgetary management and the social protection framework;
 - In recognition of the progress above, in December 2016, the international community increased its support for Madagascar at a Donors and Investors Conference, where US\$6.4 billion was pledged for the 2017-2020 period, including US\$2.1 billion of undisbursed commitments and US\$4.3 billion in new commitments. This represents more than a doubling of overseas development assistance per capita, from an average of US\$28.60 over the period 2007 to 2015 to an estimated US\$66.60 on average over the period 2017-2021.

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

(a) Design

18. Overall, the PDOs are well-articulated, although improvements could be made to the formulation of PDO Objective 1: *“Strengthening reporting and increasing availability of information relevant to assessing the effectiveness of public finance,”* could have been strengthened to also include the purpose of enhancing transparency, which is to improve the accountability and effectiveness of public finance. This would have been a stronger articulation of the PDO and a better reflection of the reforms supported in the DPO, which are in the vein of improvements in PFM rather than just an assessment of PFM effectiveness. Furthermore, the rationale for the PDO could have provided further information on how decision makers, parliamentarians, civil society, and development partners are expected to use the available information.

19. In contrast, PDO 2 is concise and clear: *“Improving payroll management and consolidating accounts in line with the treasury single account principle.”* The selection of the prior actions clearly support the attainment of this PDO.

20. The design of the Resilience DPO built on certain public finance reforms supported in the Reengagement DPO in 2014. In December 18, 2014, the Reengagement DPO was approved, which had the PDO *“Improving the Efficiency and Transparency of Public Service Delivery.”* The reforms supported in the Resilience DPO continued the public finance reforms in the Reengagement DPO, in the areas such as JIRAMA’s operational management, and the public debt law, which enabled the continuation of reforms supported through two stand-alone operations, as presented in Table 4. Other reforms in the Reengagement DPO relate to the adoption of a supplemental budget to increase pro-poor expenditures and the clearance of arrears, which were relevant to improving the effectiveness of public finance, as supported in the Resilience DPO.

Table 4: Link between the Reengagement DPO (2014) and the Resilience DPO (2015)

Reform in the Reengagement DPO	Follow-up Reform in the Resilience DPO	Comment
The Recipient has instituted a system of coloring diesel delivered to JIRAMA with the aim of reducing leakages as a first step towards reducing operating losses of the company	JIRAMA has started to publish monthly statistics on the delivery of diesel to, and generation of electricity at, major diesel-based electricity generation centers.	Continued measures to improve JIRAMA’s operational efficiency

The Recipient's National Assembly has adopted a law on public debt which provides a legal framework to ensure public borrowing is conducted strategically and prudently and stipulates for the preparation of a medium term debt strategy	The Recipient has issued an implementing decree for the law on public debt concerning opening dedicated accounts for externally-financed projects at the Central Bank of Madagascar.	Resilience DPO supported an implementing decree for the public debt law supported in the Reengagement DPO
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21. However, support for certain reforms in the Reengagement DPO were not continued in the Resilience DPO, for which further explanation would have been useful. The reforms in the Reengagement DPO related to anti-corruption measures and the weakening of governance during the political crisis period, such as asset declaration by Cabinet members, and the management of the seized stockpile of precious woods were not continued in the DPO series, although they are being supported by other WB engagements.⁹ Nevertheless, it would have been useful to explain the reason for not continuing to support these reforms in the Resilience DPO.

(b) Implementation

22. Monitoring was carried out through continuous dialogue with the Government, specifically with the dedicated Economic Council established by Decree number 34316/2015 in November 2015. The Economic Council is a high level and multi sector group, representing different ministries and agencies that are responsible for achieving development objectives in line with the National Development Plan. Members of the Economic Council include the Governor of the Central Bank (relevant for TSA reforms), a Presidential Advisor responsible for following up externally financed public investments, and the Secretary General of the MFB. The Economic Council has a direct reporting line to the President and has the authority to convene other implementing agencies to discuss reforms with a wider group of sectors.

23. Mid-way through implementation, the Government shared an informal information status report, which while not formally required, demonstrated their commitment to using their monitoring and evaluation processes to collect relevant data. The Government was able to demonstrate evidence and the sources of information. Of the ten indicators included in the PD, for six the information is publicly available, in line with the program development objective and prior actions that seek to improve transparency. For the other four indicators, further information is needed from the Government. A summary of the availability of information is presented below (Table 5).

⁹ The World Bank has been encouraging and supporting the authorities in their efforts to establish a special tribunal for the traffic of precious woods, to finalize an audit of precious woods stocks, and to develop transparent ways for possibly liquidating those stocks with the agreement of Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

Table 5: Availability of Information to Monitor Completion of Reforms

Indicator	Available publicly
Pillar I: Strengthening reporting and increasing availability of information relevant to assessing the effectiveness of public finance	
PDO Indicator 1 (i): Liter of diesel per kwh of thermic generation of electricity by JIRAMA (including the private centers for which JIRAMA is responsible for the fuel supply);	Yes http://www.jirama.mg/index.php?w=scripts&f=Jirama-page.php&act=statgo Source: JIRAMA website
PDO Indicator 1 (ii): Data on diesel consumption and electricity generation publicly available	Yes http://www.jirama.mg/index.php?w=scripts&f=Jirama-page.php&act=statgo Source: JIRAMA website
PDO Indicator 2: The audited accounts of Air Madagascar are published within the time allotted by regulations	Yes http://www.airmadagascar.com/fr/compagnie-aerienne/organigramme-chiffres-clefs Source: Air Madagascar website
PDO Indicator 3: List of enterprises which receive tax expenditures through LMIL, EPZ Law and by Council of Ministers decisions publicly available.	Yes http://www.edbm.gov.mg/Actualites/Actualites/Liste-des-Zones-et-Entreprises-Franches-inventoriees-au-04-aout-2017 http://www.edbm.gov.mg/Actualites/Actualites/Liste-des-societes-gerees-actuellement-a-la-DGE-beneficiant-du-regime-LGIM Source: EDBM website
PDO Indicator 4: Length of time needed to submit the audited consolidated final accounts of the State Budget.	Yes – can be determined by monitoring the frequency of information published http://www.mefb.gov.mg/index.php?option=com_content&view=article&id=647&Itemid=810 Source: MFB website
Pillar II: Improving payroll management and consolidating accounts in line with the treasury single account principle	
PDO Indicator 5: Timeliness of the publication of the monthly budget execution report by the Treasury (OGT)	Yes http://www.tresorpublic.mg/?page_id=214&content=temp&type=ogt Source: MFB website
PDO Indicator 6 (i): The number of civil servants with date of birth information not on record at the MFB	No, although information on progress is regularly communicated through press releases. http://www.dggfpe.mg/index.php/2016/02/10/solde-les-operations-dassainissement-se-poursuivent/ http://www.newsmada.com/2017/02/04/gestion-des-soldes-et-pension-le-controle-des-etats-de-paie-lance/

	http://matv.mg/assainissement-des-soldes-et-des-pensions-une-economie-de-7-milliards-ariary-pour-2016/
PDO Indicator 6 (ii): The civil service rosters at MFB and MCS are reconciled every 6 months	No, but the alternative approach to implementing this reform through the reconciliation of data held at MFB and the self-declared human resource data in the recently implemented software will be published.
PDO Indicator 6 (iii): Amount of position-specific benefits paid to those who had already left the “high officer” positions	No
PDO Indicator 7: The share of dedicated accounts for externally-financed projects held at the Central Bank	No

24. Nevertheless, the periodicity of the reports shared by the Government could have been improved. The Resilience DPO was prepared one year after the country emerged from a deep political crisis, and the Government’s team was still learning procedures and reporting requirements associated with DPOs. The change in focal point beyond the MFB meant that a new team had to become acquainted with the processes required for the DPO, where greater emphasis was placed on identifying reforms for new operations. As a result, while the Government has prepared monitoring reports for the WB, the periodicity of the reports, and the necessary follow-up to ensure that reforms remain on track could have been strengthened.

25. Implementation monitoring was enhanced with dialogue from complementary investment projects, analytical and TA activities, as well as activities from other partners, as summarized below:

Table 6: Implementation Activities Supporting the Achievement of the Reforms

Prior Action	Supporting Implementation Activities
JIRAMA has started to publish monthly statistics on the delivery of diesel to, and generation of electricity at, major diesel based electricity generation centers	The World Bank Project Energy Sector Operations and Governance Improvement project (P103950) has a major governance component, seeking to improve the operational / financial performance of JIRAMA’s performance.
Air Madagascar has (i) appointed a new general manager through a competitive process, and (ii) published its audited financial accounts for the 2010 to the 2013 calendar year on its website	As part of the restructuring of Air Madagascar, which includes searching for a strategic partner, supported by the World Bank’s Integrated Growth Poles Project (P113971) there has been analysis of the financial situation. The follow-up dialogue on the publication of audited financial statements was

	supported by an analytical piece on SOEs in Madagascar, led by the World Bank's Governance team in FY17.
The Recipient has published, through the Economic Development Board of Madagascar, the list of enterprises that are granted benefits under the Free Zone regime (Zone franche).	The dialogue on the reform on increasing transparency on tax benefits has been continued through the publication of a tax expenditures statement, supported by the World Bank's Governance team, as part of the Public-Sector Performance Project
The Recipient has submitted the audited final accounts of the State Budget for the fiscal years 2009, 2010 and 2011 to the Parliament for approval	Complementary reforms supported by the IMF, such as the timely submission of the state budget
Starting May 2015, the Ministry of Finance and Budget is publishing the monthly in-year budget execution results in no later than 60 days of month end	Complementary reforms supported by the IMF
The Ministry of Finance and Budget of the Recipient has eliminated ineligible persons from its payroll roster of high office holders	A European Union project is supporting civil service reforms and payroll controls through the NFD project (Ny Fanjakana ho an'ny Daholobe – one administration at the service of all). Following the installation of the AUGURE database, the next step is for the Government to decide on the process for the co-management of civil service controls between the MFB and the MCS.
The Recipient has issued an implementing decree for the law on public debt concerning opening dedicated accounts for externally financed projects at the Central Bank of Madagascar	A US Treasury advisor is supporting cash management reforms, including the transition to a treasury single account

(c) Utilization

26. The DPO promoted and supported the use of Government M&E arrangements. The Government undertook monitoring of the program, and shared information with the WB's team upon request. Furthermore, through the Cadre de Partenariat, the Government shares information on a quarterly basis on the implementation of high level reforms (which were initially supported through the Resilience DPO), such as the improved governance of Air Madagascar, civil service reforms, as well as progress in realizing public finance reforms that aim to enhance fiscal space.

2.4 *Expected Next Phase/Follow-up Operation:*

27. Efforts to deepen and strengthen the reforms supported under the Resilience DPO led to the preparation of a follow-up programmatic DPO, Public Finance Sustainability

and Investment (PFSI) DPO1 and DPO2, implemented in 2016 and 2017. This programmatic DPO presented a continuation of many of the reforms supported under the Resilience DPO, as envisaged in the program design, which sought to create the building blocks for further reforms. Specifically, the follow-up programmatic PFSI continued supporting reforms related to strengthening governance of JIRAMA, tax expenditures management and an extension of payroll-related reforms. The agreement of a three-year Extended Credit Facility program with the IMF in August 2016 also helped to set the pathway for a programmatic DPO series. The continuation of reforms is summarized in Annex 4.

28. Selected reforms were followed-up outside of the follow-on PFSI DPO, such as those related to civil service reforms, Air Madagascar and the TSA, as presented in Table 6. However, the reforms related to the timely publication of the State Budget and the OGT have been fully accomplished. Complementary public finance reforms as outlined in the PFM Strategy are being supported by the WB and other partners.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation (to current country and global priorities, and Bank assistance strategy):

Overall rating: moderately satisfactory

(a) Relevance of Objectives: substantial

29. The overall Program Development Objectives remain highly relevant to Madagascar and is fully aligned with the Government’s program, as described below:

- **The DPO directly supports the Government’s National Development Program, most notably through Pillar I on governance and Pillar II on macroeconomic stability preservation.** Specifically, the macroeconomic stability pillar has the objective of improving economic efficacy and transparent and efficient public finance. These two pillars were selected since the ability of the Government to deliver pro-poor policies depends on having adequate fiscal space, for which improved transparency and better public financial management are prerequisites.
- **The more recently approved Economic Development Paper (EDP – April 2017) further underscores that the objectives continue to remain relevant.** The EDP is a strategic document that updates the National Development Plan by documenting the achievements made, and specifying major priorities going forward. The EDP emphasizes the need to enhance fiscal space for spending on development priorities. While revenue collection has been improving in Madagascar, from 10.4 percent of GDP when the DPO was prepared in 2015 to an estimated 11.2 percent in 2017, the tax-to-GDP ratio still falls far behind the average for Sub-Saharan African countries, which is 16.8 percent in 2017. Low levels of revenue collection have constrained the possibility to spend on Madagascar’s development priorities, including social sectors and public investments.

30. The Resilience DPO was also fully supportive of the SCD, and the subsequently discussed Country Partnership Framework (CPF) 2017 – 2021. The SCD underscores the importance of “*establishing and reinstating budget oversight mechanisms to create greater accountability and better performance of public expenditure.*” The DPO also supports the objectives of the CPF, which was discussed by the Board in June 2017, underscoring the continued importance of the challenges and the reform measures. The objectives of the Resilience DPO were well-aligned with the SCD, as well as the CPF. Specifically, the objectives are most aligned with (i) objective 4 of the CPF, which is to enhance transparency and accountability, where specific reference is made to improving the availability of information to support strategic and informed decision-making; and (ii) objective 5 of the CPF, which is to increase fiscal space to finance priority social and infrastructure spending, where reference is made to transforming PFM practices. Furthermore, the relevance of the objectives is reflected in the fact that the subsequent programmatic PFSI DPO strengthened the public expenditure management reforms supported under the Resilience DPO.

(b) Relevance of Design: modest

31. The relevance of the selection of prior actions is clear and justified. The prior actions are supportive of the Program Development Objectives, and are well-aligned with the SCD and the CPF. Since Government procedures were still normalizing after the political crisis period, the rationale for having a fewer number of pertinent prior actions is justified. However, further explanations could have been provided on why certain reforms were not continued from the Reengagement DPO, such as the asset declaration measures.

32. In general, the prior actions are well-aligned with the end of program target, but there are some moderate shortcomings. The prior actions related to improving transparency are well-aligned with the end of program targets on improving the timeliness of publication. However, the end of program target on improving the efficiency of JIRAMA’s thermic generation of electricity was too far removed from the prior action which is on enhanced transparency. Improvements to the efficiency of electric thermic generation is largely dependent on the type of contracts that JIRAMA secures with Independent Power Producers, which goes beyond the action supported in the Resilience DPO; and whether the infrastructure in place is being properly maintained. In the case of the payroll reforms, the relevance of a results target is questionable, since it measures the reconciliation of the MCS civil servants roster with the MFB payroll roster, when there was no financing (and therefore demonstrable commitment) for the MCS roster.

33. The specificity of certain results targets could have been improved, to facilitate adequate monitoring by both the Bank and the Client. For example, further information could have been provided on the timeframe for publishing Air Madagascar’s financial statements. And the rationale for having a different target for publication of the OGT, compared with the IMF, could have been explained. A summary of all observations related to the relevance of the prior actions, results indicators and targets are summarized in Table 8.

Table 7: Comments on Prior Actions and Indicators – Alignment and Specificity

Prior Action	Indicator	Comment
The Ministry of Finance and Budget of the Recipient has eliminated ineligible persons from its payroll roster of high office holders	(i) The number of civil servants with date of birth information not on record at the MFB, (ii) the civil service rosters at MFB and MCS are reconciled every 6 months, and (iii) amount of position-specific benefits paid to those who had already left the “high officer” positions.	The relevance of sub-indicator (ii) for prior action 1 is questionable, as the MCS did not have the resources to update its roster to enable reconciliation to take place with the roster maintained by the MFB. Instead, payroll management reforms were pursued through the implementation of a new human resources software (AUGURE), which was supported by the EU. The Government provided feedback that the formulation of sub-indicator (iii) could have been strengthened by measuring the delay in removing position-specific benefits for those that had left a position of high office, since the Government was already fully committed to the reform.
JIRAMA has started to publish monthly statistics on the delivery of diesel to, and generation of electricity at, major diesel-based electricity generation centers.	(i) Liter of diesel per kwh of thermic generation of electricity by JIRAMA (including the private centers for which JIRAMA is responsible for the fuel supply); (ii) data on diesel consumption and electricity generation publicly available	Sub-indicator (i) for prior action 2 is too removed from the prior action. While the prior action on the publication of monthly statistics may contribute to informed decision-making, it is arguably too far removed from the target of improved efficiency, which depends on a number of other factors such as the integrity of procurement practices for establishing new contracts with Independent Power Providers.
Air Madagascar has (i) appointed a new general manager through a competitive process, and (ii) published its audited financial accounts for the 2010 to the 2013 calendar year on its website.	The audited accounts of Air Madagascar are published within the time allotted by regulations	The indicator on the publication of audited financial statements, states that the timing of the statement should be in line with the regulations, but it would have been better to specify what that the timeframe is to avoid any scope for confusion with the Client.
The Recipient has	Length of time needed to	For the indicator on the timely

submitted the audited final accounts of the State Budget for the fiscal years 2009, 2010 and 2011 to the Parliament for approval	submit the audited consolidated final accounts of the State Budget.	publication of the budget execution report, there was a misalignment with the IMF, which had agreed with the Government that given current levels of capacity, the report should be produced within eight weeks.
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(c) **Relevance of Implementation: satisfactory**

34. The implementation arrangements continue to remain highly relevant, with the MFB as the main interlocutor, given the nature of the reforms that are being pursued. Since then, the Government’s implementation arrangements have evolved through the establishment of the Economic Council, which was formed by Presidential decree in November 2015 and has high level Government decision makers across a number of agencies that are relevant to the reforms. The Economic Council was established partly in response to a request from the World Bank to have a centralized focal point for the policy dialogue, given that the programs in 2014 and 2015 involved agencies outside of MFB and required high-level coordination. Examples of specific reforms that were supported by the Economic Council include:

- **Publication of JIRAMA’s financial information.** Starting the process of publishing potentially sensitive financial data has required political will of different stakeholders, including the Ministry of Energy. The Economic Council undertook the necessary follow-up to ensure the data was published.
- **Publication of Air Madagascar’s financial statements.** While there was a delay in publication by five months, this lag would have been arguably longer had the Economic Council not undertaken follow-up measures. Notably, members of the Economic Council have also been involved in Air Madagascar’s restructuring deal, which has involved detailed analysis of the SOEs financial statements.

3.2 Achievement of Program Development Objectives (including brief discussion of causal linkages between policy actions supported by the operation and outcomes):

35. The PDOs for the Madagascar Resilience DPO were:

- (i) strengthening reporting and increasing availability of information relevant to assessing the effectiveness of public finance, and
- (ii) improving payroll management and consolidating accounts in line with the treasury single account principle.

Objective 1: Strengthen reporting and increase availability of information relevant to assessing the effectiveness of public finance

Rating: Moderately satisfactory

36. Overall, progress is rated as moderately satisfactory, since there were moderate shortcomings in the attainment of certain targets, although it is worth highlighting that

additional progress has been made to improve the transparency of public finance. Shortcomings refer to the lack of publication of the tax expenditures awarded by the Council of Ministers, and the delay in publishing Air Madagascar's 2016 financial statement. However, progress has been made in improving the transparency of public finances, such as the regular publication of Citizen Budget Reports and Citizen Execution Reports in three languages (Malagasy, French and English), where the quality and level of detail of the documents is comparable with other countries in Africa. To this end, the MFB now has a dedicated website to budget transparency: <http://www.dgbudget.mg/transparencebudgetaire>

Outcome indicator 1:

- (i) **Liter of diesel per kwh of thermic generation of electricity by JIRAMA (including the private centers for which JIRAMA is responsible for the fuel supply);**

Baseline: 0.16 L/kwh; Target: 0.14 L/kwh by 03/30/2017¹⁰; Actual achievement: 0.13 L/kwh.

37. The ratio achieved was 0.13 in July 2017, meaning that progress has exceeded the target. This indicator is intended to measure to the extent to which (i) JIRAMA has replaced the use of diesel by fuel oil, which is less expensive, and (ii) the use of diesel is more efficient [= diesel consumption / (thermic generation by diesel + thermic generation by fuel oil)]. A reduction of the ratio (to the expected 0.14) implies improved efficiency in the use of diesel or increase in the use of fuel oil.

38. It is worth noting that JIRAMA is making ongoing improvements to their governance procedures following complementary reform measures, which are being supported by the World Bank and the IMF. A new business plan has been adopted (structural benchmark in the IMF's ECF program), which has a number of actions that aim to make JIRAMA financially operational by 2020, and thereby no longer requiring subsidies from the state. The implementation of JIRAMA's governance-related reforms is being supported by the WB's PAGOSE project.

- (ii) **Data on diesel consumption and electricity generation publicly available**

Baseline: No information is available; Target: The database is updated monthly; Actual achievement: monthly data is available which is updated periodically.

39. The second outcome indicator has been substantially achieved, where statistics are published on a monthly basis, with a delay of 45 days to allow for the data to be verified. Between March and July 2016, the production of monthly statistics was suspended to improve the quality of data reporting. Information on the cost of producing thermic energy is publicly available, regularly updated, and accessible. Data is published on indicators such as the stock of diesel available, the quantity of diesel consumed, the quantity of electricity generated, thermic production, the liter of diesel consumed per kwh, and the liter of diesel consumed per kwh of thermic production.

¹⁰ Unless otherwise noted in the Indicators that follow, all targets were to be achieved by March 30th 2017

40. The data has led to an improved flow of information within JIRAMA as basis for informed decision-making when agreeing new contracts, and has also been used by civil society organizations in their analysis. For example, the civil society organization, Collectif des Citoyens et des Organisations Citoyennes, makes reference to the statistics in their reports on JIRAMA's performance, which discusses transparency and efficiency: <https://www.fichier-pdf.fr/2017/05/08/donnees-cles-jirama/>

Outcome indicator 2: The audited accounts of Air Madagascar are published within the time allotted by regulations.

Baseline: Publications are overdue; Target: Publication is on time (in compliance with the Law); Actual: financial statements up to 2015 have been published.

41. This outcome target has been substantially met, where there has been a marked improvement in the publication of Air Madagascar's financial statements. Commercial legislation (Loi 2003 -036 sur les sociétés commerciales) is applicable to SOEs, and states that all limited companies are required to produce financial statements no later than six months after the closing of the FY. However, there is currently no legal requirement that the financial statements are published. Following the reform supported in the Resilience DPO, financial statements up to 2016 are publicly available, although there was a five-month delay in publishing the 2016 statement. It should be noted, that this reform provided an important building block for measures related to the restructuring of Air Madagascar in 2017, including clearing liabilities to secure a strategic partnership with another airline, with the aim of making the company commercially viable. The availability of audited financial statements provided important information to secure the terms of Air Madagascar's restructuring agreement. However, the accessibility of the financial statements on the Air Madagascar website could be improved.

Outcome indicator 3: List of enterprises which receive tax expenditures through LMIL, EPZ Law and by Council of Ministers decisions publicly available.

Baseline: No systematic information is available; Target: The three lists, updated annually, are available; Actual: Two of the three lists are published on EDBM website.

42. Overall, this reform is considered to be partially met as two out of three lists were published. The reform has resulted in significant improvements to the transparency of tax expenditures awarded under special exemption regimes. The companies receiving exemption benefits under the LMIL and the EPZ Law have been published on the website of the EDBM. The reform has helped to systemize data on the enterprises that receive benefits, particularly in Economic Processing Zones, as previously there was no single source of information.

43. However, the exemptions awarded following the decision by the Council of Ministers has not been published, as this information remains undisclosed by the Prime Minister's Office. The non-publication of this list underscores the need to more closely engage all the

stakeholders involved in the program at the time of design, to ensure they are fully committed to the policy action. Furthermore, when achievement was off-track this could have been brought to the attention of the Economic Council in more formal terms. Currently, information on the value of tax expenditures included in this non-disclosed list is not available.

44. This reform has also helped to set the foundation for further work on tax expenditures, including the publication of a tax expenditures statement on the MFB's website, which was supported in the follow up programmatic PFSI DPO. The reform around improving transparency of tax expenditures continues to be highly relevant as further legislation has been passed in 2017, granting additional tax benefits for Special Economic Zones, Industrial Zones and potentially Agriculture Zones. This evolution of events suggests that further policy dialogue is warranted on the rationale for awarding tax expenditures, and that continued efforts are needed to promote transparency to inform decision-making, including for the list of decisions by the Council of Ministers.

Outcome indicator 4: Length of time needed to submit the audited consolidated final accounts of the State Budget.

Baseline: Over 5 years (for 2008 accounts); Target: Within 24 months of end year; Actual: Within 24 months of end year.

45. This outcome indicator has been fully met, where the reform supported a much-needed improvement to the timely production of audited state accounts. Madagascar has historically experienced challenges in producing timely audited accounts; a situation which is existed ahead of the political crisis. In 2015, the MFB undertook serious efforts to regularize the situation. A Technical Committee for the Completion of Public Accounts was established to reassemble all state accounts. The MFB intends to deepen the reforms by preparing a Performance Report to accompany the audited state accounts (Loi de Règlement) that is submitted to Parliament, to show the gap between the initial commitments and expenditures. The Court of Accounts (Cour de Comptes) publish an opinion on the quality of the accounts. The achievement of this outcome indicator has directly contributed to the objective of strengthening reporting and increasing availability of information relevant to assessing the effectiveness of public finance. CSOs have actively use the available information to undertake budget analysis, which generally receives wide coverage in the local and regional press:

<https://ccocmadagascar.wordpress.com/category/loi-de-finances-madagascar/>

Outcome indicator 5: Timeliness of the publication of the monthly budget execution report by the Treasury (OGT)

Baseline: OGT is not publicly available; Target: Within 6 weeks of end month; Actual: Within 8 weeks of end month.

46. This target has been substantially met, as the availability of the OGT has improved from not being published to being available within 8 weeks at the end of the year. The timeliness of the publication depends on other actors, including the Central Bank, and sufficient time is needed to verify the information. The 8-week deadline is included in the

IMF's Extended Credit Facility program, implying that further efforts could have been at the design stage of the DPO to align with the IMF.

Objective 2: Improving payroll management and consolidating accounts in line with the treasury single account principle

Rating: Moderately satisfactory

47. Overall progress is rated as moderately satisfactory, since there were moderate shortcomings in the achievement of targets. In particular, the reconciliation of the payroll rosters at MFB and MCS has not been completed, and there are still accounts outside of the TSA.

Outcome indicator 1:

(i) The number of civil servants with date of birth information not on record at the MFB

Baseline: 30,000 civil servants (approx. 25% of total) (2015); Target: 0; Actual: 4,297

48. The first component of the outcome indicator has been substantially achieved. An estimated 86 percent of civil servants have their birth date recorded. It is expected that all civil servants will have their birth date recorded by the end of 2017.

(ii) The civil service rosters at MFB and MCS are reconciled every 6 months

Baseline: reconciliation has not been done (2014); Target: reconciliation was done within the last 6 months; Actual: No reconciliation has been done

49. The second component of the outcome indicator has not been achieved, as the MCS was not able to secure financing to update the civil servants roster. Again, the non-achievement of a reform by an institution external to MFB highlights the importance of engaging closely with external actors in the design and supervision of the program.

50. However, progress has been made in strengthening payroll controls, through the installation of a new human resources software (AUGURE), where all line ministries are required to declare staff in active service. The AUGURE software can be used to monitor recruitment, reassignments, and the end of contract. The first round of self-declaration was completed in June 2017, and this exercise is expected to be updated every six months. There has been a first reconciliation of the “administrative” roster produced through AUGURE and the payroll roster held at the MFB, which uncovered that an estimated 5,000 non-declared individuals are receiving pay. The MFB is undertaking further audits before cancelling payments to ensure all anomalies are first resolved. There is a plan to undertake an audit of the system in 2018, although financing still has to be secured for this task.

(iii) Amount of position-specific benefits paid to those who had already left the “high officer” positions

Baseline: Approximately 3.56 bn Ariary (2015); Target: 0; Actual: 0

51. The third component of the results target was achieved, as 1,480 irregular payments were regularized. The recently installed AUGURE software will be used to sustain the control processes. Since all cabinet members are nominated by decree it will be possible to track payments to those in ‘high officer’ positions. A combination of reforms to update civil servants’ date of birth information, and cancelling irregular payments is estimated to have resulted in savings of US\$10.5m (approximately 0.11 percent of GDP) by February 2017.

Outcome indicator 2: The share of dedicated accounts for externally-financed projects held at the Central Bank.

Baseline: 0%; Target: 90% of the accounts, with explicit deadline for closure of any accounts remaining at commercial banks; Actual: 87.1% of project accounts are opened at the Central Bank.

52. Overall, progress toward this indicator was substantially achieved. As part of its Public Financial Management Reform plan, the MFB has committed to implementing a TSA, which should consolidate all Government cash balances into a single account.¹¹ However, a transition Decree No. 2016-1160 was approved on August 30, 2016 requiring project accounts to be opened in the BCM, but allowing for the continued operation of secondary accounts in commercial banks for current projects. The approval of this transition decree reflects concerns amongst partners on the integrity of the fiduciary control environment, again suggesting that further consultations could have been undertaken during the design phase with different stakeholders. The transition period will end December 31, 2017. From January 1, 2018 and onward the October 2015 decree will be in full effect. To date 54 project accounts have been opened in the BCM, which is around 87 percent of total foreign accounts.¹²

53. Other steps are also being taken to advance the TSA reforms, which are being supported by a full-time Resident Advisor financed by the US Treasury, including:

- The TSA structure, scope, and phased implementation was approved by MFB management in July, 2017. The initial structure will consist of an international currency account, a central account (TSA), and ledger accounts. All revenues and expenditures will flow through the central account including those for central spending agencies, public administrative entities, public commercial and industrial entities, and international programs and projects. Funds will be converted to local currency and transferred from the international account to the central account as needed.

¹¹ All cash balances will be fungible and thereby available to the Treasurer at any time to make government payments. The advantages of the TSA are to: (i) ensure that adequate cash is available to pay expenditures when they are required; (ii) minimize the need for short-term borrowing; (iii) allow for the short term investing of surplus cash; and (iv) eliminate or reduce the need for costly accounts in commercial banks and other financial institutions. The system should also support account to account automated payment for payroll and payment of invoices for vendors.

¹² As of December 18th.

- Currently under development is a timeline for execution of the TSA as well as guidelines for the implementation and operation of the TSA.
- A Regulatory Framework Work Group is operational and is finalizing a new law on cash management as well as decrees for dematerialization of payment system and for operation of the TSA.

3.3 Justification of Overall Outcome Rating (combining relevance, achievement of PDOs):

Rating: Moderately satisfactory

PDO 1: Strengthening reporting and increasing availability of information relevant to assessing the effectiveness of public finance: Moderately satisfactory

PDO 2: Improving payroll management and consolidating accounts in line with the treasury single account principle: Moderately satisfactory

54. Overall, the Resilience DPO delivered relevant reform progress in the areas chosen. The DPO supported the normalization of a number public expenditure management issues following the prolonged political crisis period, including increased transparency of SOE operations, payroll management, transparency of tax expenditures, and the timeliness and availability of public expenditure information. New reforms to modernize public expenditure management were also initiated such as the development of the TSA. These reforms have to a certain extent built on the progress achieved under the 2014 Reengagement DPO, including improving the governance of JIRAMA’s procedures, adopting a law on public debt and clearing arrears. The program also set the building blocks for further reforms supported through the programmatic PFSI DPO, as detailed in table 5.

55. However, while the reforms remain relevant progress in implementation has been uneven, particularly where the main implementing agency has not been the MFB. Of the two outcome indicators that were not achieved, the one related to improving JIRAMA’s thermic energy production was too far removed from the actions supported, and the second one related to reconciliation of the payroll was pursued through alternative means but with the same overall objective of improving controls. Given the overall progress made, which was further strengthened in many areas with the programmatic PFSI DPO, an overall rating of moderately satisfactory has been applied.

3.4 Overarching Themes, Other Outcomes and Impacts (if any, where not previously covered or to amplify discussion above):

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

56. The overall impacts of the DPO on poverty and social development are likely to be minimal, and very difficult to measure. While it is challenging to prove the counterfactual, the reforms supported through this DPO have served as a building block for future reforms

that increased fiscal space for higher priority social expenditures and public investment. Furthermore, the steps taken to increase transparency of different aspects of public expenditure management have served as a basis for undertaking further reforms, such as the restructuring of Air Madagascar, which is likely to contribute to a revival of the tourism industry and stimulate growth in the future.

There were no gender aspects to this DPO.

(b) Institutional Change/Strengthening (particularly with reference to impacts on longer- term capacity and institutional development):

57. The DPO's objectives and respective prior actions supported institutional strengthening. In many instances, the reforms supported a normalization of public expenditure management practices following the prolonged political crisis, helping to foster greater stability. The emphasis of improving transparency of public finances are important steps toward supporting improved decision-making, reporting to elected officials and citizens, and helping to build a social contract between the state and citizens.

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

Not applicable

3.5 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops (optional for Core ICR, required for ILI, details in annexes):

Not applicable

4. Assessment of Risk to Development Outcome

Rating: Substantial

57. While important progress has been achieved, the overall risk to development outcome remains substantial. Although the Government remains committed to the reform agenda, political tensions and weak governance continue to present a serious risk, particularly as preparations are underway for the Presidential elections in late 2018 / early 2019. A number of reforms supported in the DPO such as reducing the cost of diesel per kwh for thermic generation of electricity supplied by JIRAMA, improving transparency of tax expenditures, and improving payroll controls may affect those who have benefited from the poor levels of governance exacerbated during the political crisis period. Furthermore, political instability could reverse the progress in achieving reforms such as the timeliness and transparency of public expenditure information, as already demonstrated by the previous political crisis.

58. The risk of political instability is closely related with the macroeconomic situation. The fiscal framework is based on an upward trajectory of growth, where domestic revenue collection is increasing and public investments are expected to be scaled up, largely supported

by external financing. The macro framework also assumes that important governance related reforms will materialize for the two large SOEs, JIRAMA and Air Madagascar. Slippages on governance reforms, or political instability could compromise the reforms supported through this operation. Institutional capacity risks are largely mitigated through the provision of targeted advisory support. Therefore, while important progress has made, the risks remains substantial, largely related to the quality of governance.

5. Assessment of Bank Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry (i.e., performance through lending phase):

Bank Performance in Ensuring Quality at Entry was moderately satisfactory.

59. The design of the operation was appropriate, timely and responded to the country's priorities. The reforms supported in the operation helped to normalize procedures following a protracted political crisis, as well as address weaknesses that existed long before, such as the delay in submitting accounts to Parliament. The prior actions set an important foundation for further reforms that were supported in other IPFs and a programmatic PFSI DPO series. This was supported by solid dialogue with the Client, which laid the basis for the Government to define its reform program with strong levels of ownership, particularly from the MFB. The reforms were also well-aligned with efforts from other partners, particularly the IMF. Given the political situation, the choice of a single tranche, standalone operation at the time was appropriate.

60. However, there were some moderate shortcomings, including:

- The need to better define in the Program Document how PDO Indicator 1 (i) would be calculated on the liter of diesel per kwh of thermic generation of electricity, which was not clearly specified.
- The need to clearly specify in the Program Document PDO Indicator 2 the time allocated in the regulations. The indicator makes reference to publishing the accounts allocated in the regulations, when in fact, this is not required by law, and was rather a timely and important transparency measure supported in the Resilience DPO. The Program Document would have benefitted from further explanation in this area.
- Risk ratings were in some cases lower than would have been expected, or recorded in a follow up programmatic series, particularly with respect to stakeholders and fiduciary.
- Provide further information on the choice of the title as 'Resilience DPO.' The use of the term 'resilience' would imply that the Government is taking steps to address the causes of its fragility. However, this justification or explanation does not come out clearly in the choice of the title and its relevance to the Program Development Objectives.

(b) Quality of Supervision (including M&E arrangements):

Rating: Satisfactory

61. During implementation, the Bank's performance was satisfactory. The Bank focused on the program's development impact and allocated sufficient budget and staff resources to carry out adequate supervision by closely monitoring program activities. The Government prepared an interim status report showing progress against the achievement of all of the results indicators, provided reasons for divergences as well as progress that was expected by the end of the program. The task team worked closely with the Country Management Unit and other Global Practices, notably the Governance GP, Trade and Competitiveness GP and Energy GP. While there was an active policy dialogue, there was arguably scope to formalize the outcome of the ongoing supervision activities, for example through writing official communication to the MFB where a reform needed further attention.

(c) Justification of Rating for Overall Bank Performance:

Rating: Moderately satisfactory

62. With a moderately satisfactory rating for quality at entry, and a satisfactory rating for quality of supervision, the overall Bank performance is rated as Moderately satisfactory. This rating considers that while the WB has ongoing policy dialogue with the Client, the stakeholder consultations and identification of risks could have been much stronger.

5.2 Borrower Performance

Rating: Moderately satisfactory

63. For purposes of this review, the Government's performance refers to the MFB, which was directly responsible for implementing most of the reforms. Other agencies were also involved in the reforms, including the MCS, the EDBM, JIRAMA, Air Madagascar, and the Prime Minister's Office.

(a) Government Performance

Rating: Moderately satisfactory

64. Overall, the MFB's commitment to and ownership of the program were adequate but there were moderate shortcomings. The MFB, as a member of the Economic Council, could have taken further steps to ensure the timely publication of the Air Madagascar financial statement, the publication of the Council of Ministers decision on tax expenditures, and the reconciliation of the MFB and MCS rosters.

65. The MFB also took responsibility for the overall supervision and monitoring of the program and furnished relevant documents to the Bank to validate the program's progress. Implementation monitoring was further enhanced through the establishment of the Economic Council in 2015. Regular interaction and policy dialogue with the Economic Council has facilitated an active policy dialogue and demonstrated commitment to the reforms

at the highest level (please see the section of relevance of implementation for specific examples).

(b) Implementing Agency or Agencies Performance

Rating: Moderately Satisfactory

66. **Progress achieved by other implementing agencies was more uneven.** The other implementing agencies, JIRAMA and Air Madagascar demonstrated commitment to the reforms supported in the DPO, which have been strengthened through complementary IPFs. However, certain reforms that involve the Prime Minister's Office and the MCS have not been achieved.

6. Lessons Learned

- **The need to adequately consider capacity and risks.** While the design of the DPO had the stated objective of balancing ambition with realism, this was still a relatively complex operation involving several different stakeholders in the post political crisis period, with a one-year time frame for implementation. In that regard, there could have been further realism in the formulation of targets, and/or or a better identification of risks in Madagascar's political economy environment that would have informed monitoring and supervision activities. For example, in the case of the delay in publication of the Air Madagascar financial statement, the OGT, and the list of tax expenditures awarded by the Council of Ministers, the target could have considered the internal clearance structures of different institutions in the Government, and that working toward shortening them requires changes in work flow management. Furthermore, the risks section could have more comprehensively elaborated 'stakeholder' risk, with a view to encouraging dialogue with different agencies throughout implementation.
- **Continuity in the policy dialogue can be maintained even with stand-alone operations.** While the DPO was prepared on a standalone basis, the continuity of the policy dialogue has been maintained through strengthening the reforms, by building on previous progress in the Reengagement DPO and future support through the programmatic PFSI DPO. Having a follow-up programmatic DPO provided an important avenue for the WB to follow up on the policy dialogue.
- **Promoting reforms that are supported by the WB (through IPFs and TA) as well as by other partners has both advantages and risks.** The benefits are that the policy dialogue is reinforced, there is continuity and that challenging reforms receive implementation support, for example, through technical assistance. However, the risk is that the approach to implementing a reform may be subject to change (as was the case with payroll reforms supported by the EU) and that the timeliness may be affected (such as the TSA reforms). These factors are not entirely in the control of the WB, but could have been elaborated in the risks section.
- **Early stakeholder consultation is essential, particularly in an environment with**

weak institutions. Reforms where progress was uneven involved multiple stakeholders moving beyond the MFB, such as EDBM and MCS. The Government's Economic Council should be further leveraged to support reforms with these other implementing agencies, particularly as the WB continues to pursue multi-sectoral DPOs in Madagascar, with both the PFSI DPO programmatic series and the Inclusive and Resilient DPO, two-year programmatic DPO, which was sent to the Board's consideration at the end of November 2017.¹³

- **While the WB maintained an active policy dialogue with the Client throughout the DPO preparation and supervision, key messages could have been reinforced through more formal mechanisms.** For example, Aide Memoires or formal letters could have been delivered to counterparts to bring their attention to the implementation of reforms, particularly when progress was slower or more uneven than expected.
- **The progress made by the Government in using its own M&E systems for reporting is commendable.** Moving forward, these procedures could be further institutionalized by the WB requesting progress reports on a quarterly or bi-annual basis.
- **Some of the prior actions related to enhancing transparency could have been more specific, to emphasize the accessibility of the information,** particularly related to Air Madagascar and the list of tax expenditures. For example, the publication of statistics and reports could be accompanied with a press release to inform the public of its availability, and these processes could be outlined in the Letter of Development Policy.

¹³ The Inclusive and Resilient DPO supports structural reforms aiming at building the resilience of the rural poor.

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

Not applicable

ANNEXES

ANNEX 1. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team members

Name	Title	Unit
Lending		
Hajarivony Andriamarofara	Consultant	GGODR
Faniry Razafimanantsoa	Economist	GMFDR
Quentin Gouzien	Economist	GMFDR
Enrique Blanco Armas	Lead Country Economist	GMFDR
Keiko Kubota	Lead Economist, Task Team Leader	GMFDR
Mark Thomas	Practice Manager	GMFDR
Rondro Rajaobelison	Program Assistant	AFMMG
Julio Revilla	Program Leader	GMFDR
Nathalie Munzberg	Senior Counsel	LEGEN
Nancy Benjamin	Senior Country Economist	GTCDR
Theresa Osborne	Senior Economist	GPVDR
Vonjy Miarintsoa Rakotondramanana	Senior Energy Specialist	GEEDR
Aissatou Diallo	Senior Finance Officer	CTRLA
Hugues Agossou	Senior Financial Management Specialist	GGODR
Enagnon Ernest Eric Adda	Senior Financial Management Specialist	GGODR
Eneida Fernandez	Senior Private Sector Development Specialist	GTCDR
Madeleine Chungkong	Senior Program Assistant	GMFDR
Anne-Lucie Lefebvre	Senior Public Sector Specialist	GGODR
Noroarisoa Rabefaniraka	Senior Transport Specialist	GTIDR
Anne-Lucie Lefebvre	Senior Public Sector Specialist	GGODR
Supervision		
Mark Lundell	Country Director	AFCS2
Coralie Gevers	Country Manager	AFMMG
Faniry Razafimanantsoa	Economist	GMFDR

Heriniaina Mikaela Andrianasy	Public Sector Specialist	GGODR
Hajarivony Andriamarofara	Consultant	GGODR
Fanjaniaina Prisca Mamitiana	Consultant	GMFDR
Abdelmajid Aluiz	Consultant	GGODR
Keiko Kubota	Lead Economist, Task Team Leader	GMFDR
Mark Thomas	Practice Manager	GMFDR
Rondro Rajaobelison	Program Assistant	AFMMG
Natasha Sharma	Senior Economist	GTCDR
Vonjy Miarintsoa Rakotondramanana	Senior Energy Specialist	GEEDR
Aissatou Diallo	Senior Finance Officer	CTRLA
Anne-Lucie Lefebvre	Senior Public Sector Specialist	GGODR
Maharavo Ramarotahiantsoa	Financial Management Specialist	GGODR

(b) Staff Time and Cost (from SAP)
(the system pulls data available for all fields)

Stage	Staff Time and Cost (Bank Budget Only)	
	No. of Staff Weeks	US\$ Thousand
Lending		
FY15	5.38	30.736
FY16	25.28	149.970
FY17	1	0.625
TOTAL:	31.66	181.331
Supervision/ICR		
FY16	0	0.542
FY17	13.08	30.110
TOTAL	13.08	30.652

ANNEX 2. Summary of Borrower's ICR and/or Comments on Draft ICR

The draft ICR has been shared with the borrower. The borrower provided additional information on the PDO indicator, which has been incorporated in the main text.

ANNEX 3. List of Supporting Documents

International Monetary Fund 2016. Madagascar - Request for an Arrangement Under the Extended Credit Facility: First Review Under the Staff Monitored Program-Press Release; Staff Report; and Statement by the Executive Director for Republic of Madagascar, Country Report No. 16/273

International Monetary Fund 2015. Madagascar - Staff-Monitored Program and Request for Disbursement Under the Rapid Credit Facility-Press Release; Staff Report; and Statement by the Executive Director for Republic of Madagascar, Country Report No 15/325

International Monetary Fund 2015. Madagascar, Selected Issues Paper; Country Report No 15/25.

International Monetary Fund 2015. Madagascar - Staff Report for the 2014 Article IV Consultation, Country Report No. 15/24

International Monetary Fund 2014. Request for Disbursement Under the Rapid Credit Facility, Country Report No. 16/377

World Bank 2014. Program Document, Madagascar – Reengagement Development Policy Operation, Report No.90809 – MG, dated November 18, 2014.

Worldbank 2015. Program Document, Madagascar – Resilience Development Policy Operation, Report No.100436 – MG, dated November 11, 2015.

Worldbank 2016. Program Document, Madagascar – Public Finance Sustainability and Investment Development Policy Operation I, Report No. 108936– MG, dated October 25, 2016.

Worldbank 2016. Program Document, Madagascar – Electricity Sector Operations and Governance Improvement project, Report No. PAD1147 – MG, dated March 1, 2016

Worldbank 2016. Program Document, Madagascar – Second Integrated Growth Poles and Corridor Program, Report No. PAD1090 – MG, dated November 25, 2014.

World Bank. 2017. Madagascar - Country partnership framework for the period of FY17 - FY21. Washington, D.C.: World Bank Group.
<http://documents.worldbank.org/curated/en/725881498788115661/Madagascar-Country-partnership-framework-for-the-period-of-FY17-FY21>

World Bank Group. 2015. Madagascar - Systematic Country Diagnostic. Washington, D.C.: World Bank Group.
<http://documents.worldbank.org/curated/en/743291468188936832/Madagascar-Systematic-country-diagnostic>

JIRAMA. 2017. Statistics

<http://www.jirama.mg/index.php?w=scripts&f=Jirama-page.php&act=statgo>

AIR MADAGASCAR. 2017. Chiffres clés – En bref

<http://www.airmadagascar.com/fr/compagnie-aerienne/organigramme-chiffres-clefs>

Economic Development Board of Madagascar – list of inventoried “entreprises franches” as of October 31, 2017

<http://www.edbm.gov.mg/Actualites/Actualites/Liste-des-Zones-et-Entreprises-Franches-inventoriees-au-31o>

Economic Development Board of Madagascar – list of companies currently managed under DGE and taking advantage of LGIM - 2017

<http://www.edbm.gov.mg/Actualites/Actualites/Liste-des-societes-gerees-actuellement-a-la-DGE-beneficiant-du-regime-LGIM>

Malagasy Treasury Department – Monthly Treasury Operations report - 2017

http://www.tresorpublic.mg/?page_id=214&content=te

Direction Générale de la Gestion Financière du Personnel de l’Etat – 2017

<http://www.dggfpe.mg/index.php/2016/02/10/solde-les-operations-dassainissement-se-poursuivent/>

NewsMada – Press release -2017

<http://www.newsmada.com/2017/02/04/gestion-des-soldes-et-pension-le-controle-des-etats-de-paie-lance/>

Ma TV - Press release -2017

<http://matv.mg/assainissement-des-soldes-et-des-pensions-une-economie-de-7-milliards-ariary-pour-2016/>

Ministry of Finance – Madagascar.2017. Budget Transparency

<http://www.dgbudget.mg/transparencebudgetaire>

Collectif des Citoyens et des Organisations Citoyennes (CCOC) - report on JIRAMA’s performance

<https://www.fichier-pdf.fr/2017/05/08/donnees-cles-jirama/>

Madagascar – Presidency of Republic - Ordinance N.34316/2015 related to the establishing and organizing the Economic Council

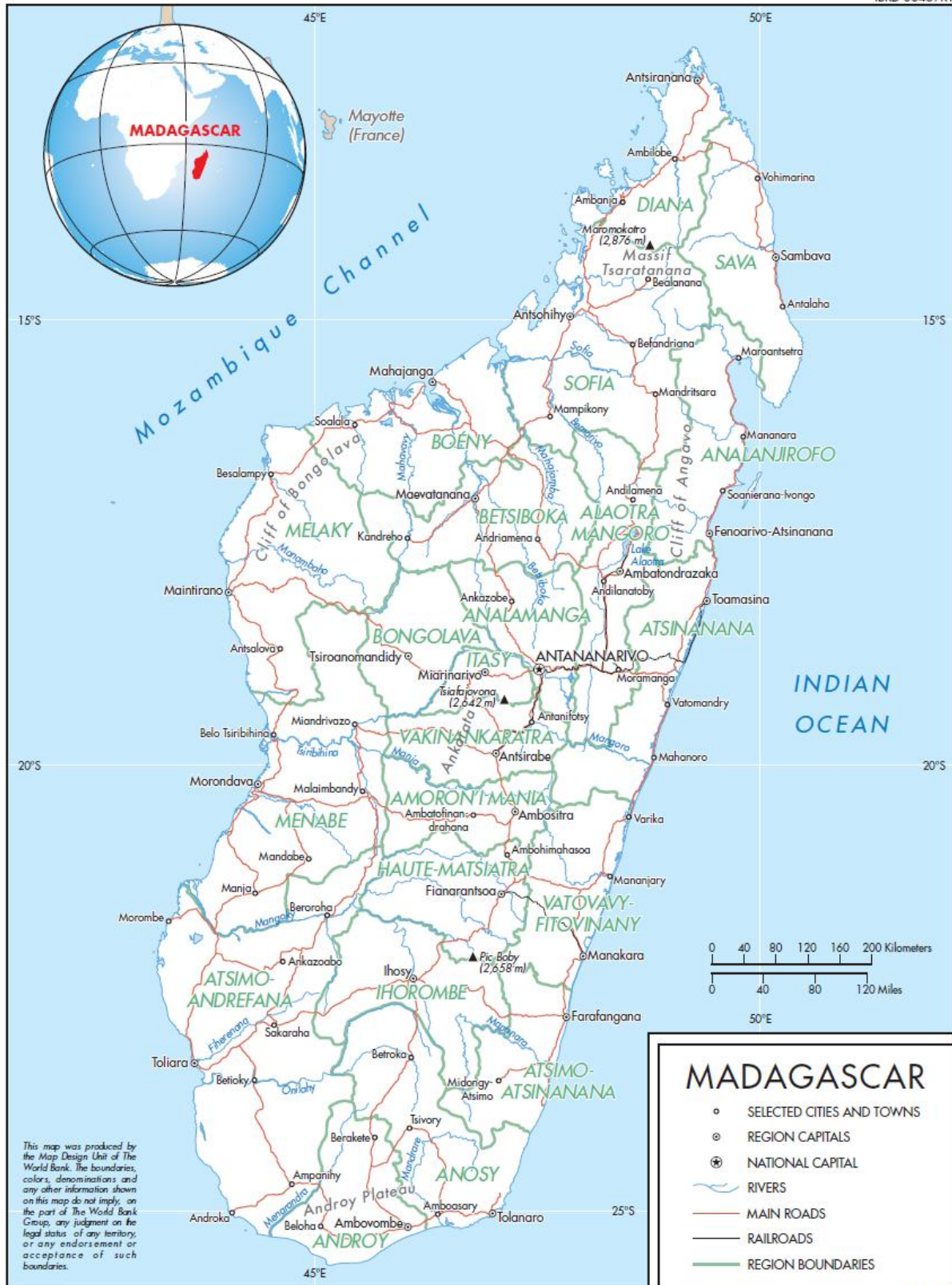
ANNEX 4: Follow-up of the reforms in the PFSI programmatic DPO 2017-2018

Reform area	Prior Action – Resilience DPO	Public Finance Sustainability and Investment DPO1	Public Finance Sustainability and Investment DPO2
Governance of JIRAMA (water and electricity SOE)	JIRAMA has started to publish monthly statistics on the delivery of diesel to, and generation of electricity at, major diesel based electricity generation centers	<p>The Recipient has, through its Ministry of Finance and Budget, issued an <i>Arrêté précisant le mode de computation des seuils des marchés publics et fixant leurs montants</i>, that imposes <i>a priori</i> review of all JIRAMA procurement by the CNM in accordance with the provisions of the 2004 Public Procurement Code dated March 31, 2016 (N°7275 /2016/MFB).</p> <p>The Recipient has caused JIRAMA to begin publication of quarterly statistics on the cost of electricity per KW.h for each existing power supply contract beginning with the first two quarters of 2016.</p>	The Recipient has caused JIRAMA to adopt standard contracts for all new Power Generation Agreements.
Improved transparency of tax expenditures / rationalizing exemptions	The Recipient has published, through the Economic Development Board of Madagascar, the list of enterprises that are granted benefits under the Free Zone regime (Zone franche).	The Recipient has, through its Ministry of Finance and Budget, issued an <i>Arrêté portant exonération des droits et taxes à l'importation</i> that restricts the scope of the customs exemption regime in the Customs Code dated May 4, 2016 (N° 10416/2016/MFB/SG/DGD).	The Recipient has, through its Ministry of Finance and Budget, published the first annual tax expenditure statement.
Payroll management reforms	The Ministry of Finance and Budget of the Recipient has eliminated ineligible persons from its payroll roster of high office holders.	The Recipient has completed the verification of pension beneficiaries in the large urban centers to remove ineligible beneficiaries from the Pension Register.	The Recipient has (i) completed a verification of the roster of pension beneficiaries in rural collectives to remove ineligible beneficiaries; and (ii) issued

			<p><i>Circulaire no. 475-2017 du 9 août relative à la Standardisation des procédures de versement de cotisations à la Caisse de Prévoyance des Retraites et à la Caisse de Retraite Civile et Militaires, establishing the obligations and process related to the payment of contributions, and sanctions in the case of non-compliance, in order to reduce the transfers to the Pension Fund.</i></p>
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MAP

IBRD 33439R1



APRIL 2013