

**PROJECT INFORMATION DOCUMENT (PID)
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC95621

Project Name	
Region	AFRICA
Country	Madagascar
Lending Instrument	IPF
Project ID	P162170
Borrower Name	SAHA
Implementing Agency	SAHA
Environment Category	
Date PID Prepared	02-Dec-2016
Estimated Date of Approval	15-Dec-2016
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Madagascar is an island nation with unparalleled biodiversity and many natural assets, but it is prone to weather-related disasters and recurrent political crises. It is one of the poorest countries in the world with almost fourth fifth of its population classified as extreme poor and with a GDP per capita in 2010 lower than that of 1960. The country has a dual economy with a large subsistence agriculture and informal sectors, and a small but relatively diversified formal sector.

Madagascar ranked 154th out of 188 countries in the United Nations 2015 Human Development Report and it failed to reach the Millennium Development Goals (MDG) in 2015. Enrollment rates for children between 6 to 10 years actually worsened, decreasing from 80 to 75 percent (2005-2010). In addition, the country has one of the highest prevalence of chronic malnutrition of children under five (40% of children) and approximately one quarter of the population lives in areas vulnerable to natural disasters.

State institutions in Madagascar often serve the interests of the elites instead of those of the broader population. The country has formal institutional structures but they are captured by personalized networks of powerful leaders. Decisions concerning property rights, law enforcement and access to resources are governed by an unwritten common understanding among elites that undermines institutions and the rule of law.

Civil society organizations (CSOs) are nascent in Madagascar and they have limited presence beyond the capital. The main barrier for the active participation of CSOs is the lack of capacity and a stable source of financing. Legislation defining the roles of CSOs, associations and unions is unclear and outdated. The 2013 Civicus Enabling Environment Index ranked Madagascar 97 out of 109 (19th among 26 African countries) with a score of 0.39

Sectoral and Institutional Context

In spite of local taxes, provision of services at the local level is mainly financed by central government transfers. These central transfers represented only 1.5 percent of the national budget in 2012, an insufficient level to satisfy the demand for local public service provision. Moreover, the "Local Development Fund", a basket fund created with State and Donor's contribution to complement central transfers has also decreased. This decrease, in combination with low local revenue intakes, has undermined even further the capacity of local governments to provide better services.

Citizens and officials at the commune level have reacted with creativity and resilience to the shortage of fiscal resources. This has led to some ad hoc decentralization, though not on the path spelled out in the Constitution and the laws. Local governments have sometimes taken matters in their own hands in the areas of education, land management and taxes. They also negotiated some mining royalties, despite the stipulations of the Mining Code.

Participatory budgeting at the local level has been a success with avid participation by citizens. It has been implemented successfully in some communes (the lowest level of government) starting with pilot programs introduced in 2004 and progressive scaling-up to include a total of 122 communes by 2014.

Relationship to CAS/CPS/CPF

The proposed project is aligned with the World Bank's program in Madagascar and with the findings of a recent Public Expenditure and Financial Accountability (PEFA) report that revealed a worsening of PEFA scores (2008 to 2014). In addition, the grant will contribute to achieving one of the development objectives of the Resilience Development Policy Operation, in particular enhancing transparency and accountability in public finances.

II. Project Development Objective(s)

Proposed Development Objective(s)

The Project's objective is to improve transparency and accountability mechanisms between local governments and citizens through participative planning and budgeting in targeted municipalities.

Key Results

The key results of this project are:

- Increased number of municipalities with institutionalized participative planning and budget processes.
- Increased number of municipalities with established Municipal Consultation Organs (MCOs) and with the capacity to monitor basic public services' delivery in one of the key sectors (health, education or land registration).

III. Preliminary Description

Concept Description

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		x	
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	0.7	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Global Partnership for Social Accountability			0.7

VI. Contact point

World Bank

Contact: Josef S. Trommer
 Title: Senior Operations Officer
 Tel: 473-6242
 Email: jtrommer@worldbank.org

Contact: Andrianjaka Rado Razafimandimby
 Title: Consultant
 Tel:
 Email: arazafimandimby@worldbank.org

Contact: Anne-Lucie Lefebvre
 Title: Sr Public Sector Spec.
 Tel: 5339+6035
 Email: alefebvre@worldbank.org

Borrower/Client/Recipient

Name: SAHA
 Contact: Harilanto Ravelomanantsoa
 Title: Executive Director
 Tel: 2610349333865
 Email: Harilanto.Ravelomanantsoa@saha-mg.org

Implementing Agencies

Name: SAHA
 Contact: Harilanto Ravelomanantsoa
 Title: Executive Director
 Tel: 2610349333865

Email: Harilanto.Ravelomanantsoa@saha-mg.org

VII. For more information contact:

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

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