

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC12665

Date ISDS Prepared/Updated: 10-Nov-2015

Date ISDS Approved/Disclosed: 08-Dec-2015

I. BASIC INFORMATION

A. Basic Project Data

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|---|---|------------------------------|------------------------------|
| Country: | Madagascar | Project ID: | P150116 |
| Project Name: | Public Sector Performance Loan (P150116) | | |
| Task Team Leader(s): | Anne-Lucie Lefebvre | | |
| Estimated Appraisal Date: | 12-Jan-2016 | Estimated Board Date: | 22-Mar-2016 |
| Managing Unit: | GGO13 | Lending Instrument: | Investment Project Financing |
| Sector(s): | Central government administration (25%), Sub-national government administration (25%), Public administration- Education (25%), Public administration- Energy and mining (25%) | | |
| Theme(s): | Other public sector governance (100%) | | |
| Financing (In USD Million) | | | |
| Total Project Cost: | 35.00 | Total Bank Financing: | 35.00 |
| Financing Gap: | 0.00 | | |
| Financing Source | | | Amount |
| BORROWER/RECIPIENT | | | 0.00 |
| International Development Association (IDA) | | | 0.00 |
| IDA Grant | | | 35.00 |
| Total | | | 35.00 |
| Environmental Category: | B - Partial Assessment | | |
| Is this a Repeater project? | No | | |

B. Project Objectives

The Project Development Objective is: "Improve revenue mobilization and public expenditure management to enable service delivery in selected sectors."

C. Project Description

1. Adopting a problem-driven approach to public sector management, the project will be organized into two pillars and four components to address the binding constraints that affect service delivery. Under Pillar 1, the project will seek to expand fiscal space through components supporting (i) improved revenue mobilization and (ii) improved expenditure management. Simultaneously, under the Pillar 2, the project will seek to augment the effectiveness of local governments in delivering services through components supporting (iii) the quality of services delivered in the education sector and (iv) the service delivery capacity of local governments.

2. The underlying logic behind the project's first pillar is that constrained fiscal space limits the amount of resources that can be productively channeled into the provision of vital social services. To address this constraint, the project will support reforms for more effectively collecting revenues in order to alleviate fiscal pressures. In doing so, component 1 will support tax and customs administration reforms to secure additional internal revenues, which are presently under-collected due to capacity constraints in tax administration. In addition, component 1 will also target mining sector governance in order to limit leakages from the sector. To further leverage these increased revenues, component 2 will address a number of expenditure management reforms, including improved budget management, transparency, and control in order to enhance the efficiency through which scarce fiscal resources are managed.

3. In addition to these upstream interventions to improve fiscal space, the project's second pillar will simultaneously address downstream service delivery constraints that limit the effectiveness of local governments. As the second largest recipient of annual budget allocations, the Ministry of Education represents a critical sector through which services are delivered. Accordingly, by enhancing the quality of educational services at the primary and secondary levels, component 3 seeks to provide targeted support for enhancing teacher performance, payment, and improved financial management. Underpinning these efforts will be direct support to local governments both in terms of increased resources through the Local Development Fund (FDL) and increased management capacity of these resources. Accordingly, component 4 will provide a resource base for local projects (e.g. school construction/rehabilitation, health post construction, and small rural roads/markets, etc.) as well as enhancing the management capacity of local governments by support PFM and M&E systems.

4. Taken together, the increased fiscal space (pillar 1) and enhanced local government effectiveness (pillar 2) supported by the project are expected to simultaneously address the respective upstream and downstream constraints on service delivery. First, expanded fiscal space should allow the government greater flexibility and capacity to provide vital social services, including those in the education and health sectors, which in-turn will help improve sectoral outcomes and progress toward the Sustainable Development Goals. Second, by targeting key social service delivery sectors (education) as well as supporting local governments with the necessary resources and expertise to manage local development projects, the project seeks to improve the mechanisms through which services are delivered. By taking an integrated approach to service delivery which both upstream and downstream constraints, it is the aim of the project to sustainably improve service delivery and development outcomes.

5. Underpinning these aims are a number of cross-cutting themes, which have been mainstreamed into the project design to connect and reinforce the individual project components. First, this project will support improved accountability, including citizen feedback mechanisms and participatory budgeting processes, by mainstreaming them across the project components. In

addition, the project will provide funding to conduct “third party monitoring” of project indicators with the objective of facilitating citizen engagement in project management. Second, support for improved public financial management—in particular the reinforcement of control mechanisms—will be a critical element in each of the project’s four components, further enhancing accountability and value-for-money. Finally, the project will support a change management strategy, which may include establishing a shared vision and ensuring effective ownership; mobilizing coalitions and facilitating collaborative problem-solving; enhancing the ability to manage projects and deliver short-term results aligned with long-term plans; and providing basic tools for measuring progress and holding Government to account.

6. The proposed operation will be financed by an Investment Project Financing (IPF) credit of US\$ 35 million to the Republic of Madagascar. The project will adopt a results-based financing approach that allows for improving Government coordination by better aligning the incentives of different actors and by focusing on results. The proposed approach will address coordination issues and create an authorizing environment to address political economy constraints and resistance to change by aligning incentives of different actors while focusing on tangible and measurable results. Communication of the results achieved will also be an important part of the approach.

7. Using a results based approach, the project will utilize three interrelated tools. The first tool is the technical assistance (TA) support that will provide the necessary knowledge and capacity to improve revenue and expenditure management with the objective of supporting service delivery. The second tool is the Eligible Expenditure Programs (EEPs), against which loan proceeds for service-delivery will be disbursed. The third tool is the Disbursement Linked Indicators (DLIs) that establish a performance-based framework to measure progress in service-delivery reform implementation. Success in meeting the project development objectives will be evaluated through these DLIs, which will be located at the intersection of PFM and service delivery reforms.

8. A Project Preparation Facility (PPF) will be requested to fund preliminary work. Currently, this would include: the WCO customs audit; an assessment of potential fiscal revenues at the local level; an institutional assessment of FDL; a typology of communes; the assessment of internal and external audit functions; and preparatory work related to safeguards, including inter alia, an Environmental and Social Management Framework (ESMF) and an Resettlement Policy Framework (RPF). The duration of the project will be four years.

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

1. Since the project will only selectively focus on activities aiming at improving revenue mobilization, public expenditure management, and teacher performance in the education sector—focusing mainly on technical assistance with limited physical investment—there are negligible environmental and social safeguards issues triggered by the project.

2. However, under the fourth component, which incorporates a Local Development Fund (FDL), the project is expected to fund sub-projects for the construction or rehabilitation of markets, schools, community clinics, public offices, roads, and the like. The environmental and social impacts of these potential sub-projects developed in the context of the FDL are minor and the impacts can be well managed and minimized with specific mitigation measure in place. These sub-projects are not ex ante part of the concept design and will only be selected after community grants are allocated via participatory budgeting processes.

3. As a result of the potential environmental and social impacts, the project has a category B safeguards rating.

E. Borrowers Institutional Capacity for Safeguard Policies

1. The borrower has been actively responsive in addressing safeguards issues. The Ministry of Environment has an Environmental Impact Assessment Policy as well as a National Environmental Management Authority in place. The National Office of Environment (ONE) is responsible for ensuring that all project impacts are evaluated by conducting reviews of environmental impact studies and validating environmental management plans. In carrying out these functions, the Ministry of Environment is represented at the local level as appropriate.

2. The PIU, Programme pour l'Effacité de l'Administration (PREA), has experience implementing two previous Governance and Institutional Development Projects (PGDI I and II) while also serving as the anchor unit of all donor funded public sector reform projects. However, the PREA team was recently re-staffed and the Bank team will need to re-assess their fiduciary and safeguards compliance capacity as the project is further developed and appraised.

F. Environmental and Social Safeguards Specialists on the Team

Paul-Jean Feno (GENDR)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

| Safeguard Policies | Triggered? | Explanation (Optional) |
|--|-------------------|--|
| Environmental Assessment OP/BP 4.01 | Yes | <p>The project has a category B safeguards rating.</p> <p>The investments under this project will focus on the improvement of the delivery of basic services and will result in improved living conditions. As such, the investments are likely to be sectorally varied given that they will be determined by local level priorities, which will differ from one local government to another. The types of investment are common community development projects (e.g. market places, schools, community clinics, public offices, roads, etc.) whose potential environmental and social effects are well understood, unlikely to be significant due to their site specific nature, and are readily manageable.</p> <p>The potential social and environmental issues associated with the project include soil erosion, health effects to workers and surrounding beneficiary communities related to construction, land disturbance during construction, waste management for the schools, markets places, and community clinics, and noise primarily during physical construction.</p> <p>As stated above, the potential sub-projects to be financed will be selected after community grants are</p> |

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| | | <p>allocated via participatory budgeting processes. Hence, at this very time of the preparation of the project, these sub-projects have not yet been clearly identified, nor have the exact characteristics (nature, type and scope) and physical locations of sub-projects can be clearly determined prior to appraisal; therefore, the borrower will prepare an Environmental and Social Management Framework (ESMF) that will include a well-costed Environmental and Social Management Plan (ESMP) for each potential subproject could be financed by the project. This document should be in compliance with the Environmental Law in Madagascar and the Environmental Assessment Operational Policy (OP/BP 4.01) for the Bank's review and approval before the project appraisal stage.</p> <p>The ESMF will be amply consulted upon, and include an environmental and social screening form (ESSF) and a set of social and environmental clauses (SEC) for contractors, meant to establish a mechanism and/or a process of (i) determining and assessing the future potential environmental and social risks and/or impacts of the sub-projects under the proposed FDL, as well as (ii) ensuring that contractor comply with the basic core requirement of the triggered policy.</p> <p>The ESMF will further help to establish mitigation, monitoring, and institutional measures to be taken during the planning, budgeting, implementation, and operation of the sub-projects. This will help to eliminate or minimize adverse environmental and social risks and/or impacts to acceptable levels. Finally, once cleared by the WBG, the ESMF will be publicly disclosed both in-country and at the World Bank Infoshop prior to appraisal.</p> |
| Natural Habitats OP/BP 4.04 | No | The policy is not triggered as following the National Law on Protected Areas, it is not possible to build infrastructure within the protected areas in Madagascar and the project will consider like ineligible all subproject could affect natural habitat; therefore, no direct impacts on the protected areas and/or natural habitats are anticipated. |
| Forests OP/BP 4.36 | No | None of the proposed project activities/sub-activities will be implemented in a forest or nearby a forest, nor have an irreversible negative impact on project |

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| | | areas. In lights of the above reason, the policy is therefore not triggered. |
| Pest Management OP 4.09 | No | There is no indication of activities that would lead to the use of pesticides; nevertheless, in the likely it occurs during project implementation, the ESMF will provide some tangible and easily implementable guidelines to be followed by the client to ensure adequate management of these potential risks/ impacts. |
| Physical Cultural Resources OP/BP 4.11 | No | The policy is not triggered despite the foreseen construction and debilitation works expected to occur during the project implementation stage; nonetheless, the ESMF will make provision for the use of Chance-Finds measures. |
| Indigenous Peoples OP/BP 4.10 | No | There are no indigenous peoples expected to be present in the project area. |
| Involuntary Resettlement OP/ BP 4.12 | Yes | Land acquisition, compensation and resettlement of people may be inevitable for certain categories of sub-projects. The infrastructure projects developed in several localities by the “collectivités territoriales” could result in involuntary resettlement and land acquisition. Such relocation could occur during the process of widening the roads, with the construction of markets, or the rehabilitation of schools or community clinics. Specific subprojects are not known at this stage. Therefore, it is proposed to prepare a Resettlement Policy Framework for the community development activities under the decentralization component and to incorporate the local development fund (FDL). |
| Safety of Dams OP/BP 4.37 | No | The project activities do not involve the construction of new or use of existing dams. |
| Projects on International Waterways OP/BP 7.50 | No | The project activities do not involve international waterways. |
| Projects in Disputed Areas OP/ BP 7.60 | No | The activities under this project are not expected to be located in disputed areas. |

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 15-Jan-2016

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

The Borrower prepares two standalone safeguards instruments, namely Environmental and Social Management Framework (ESMF) and the Resettlement Policy Framework (RPF) for review and Bank's clearance for public disclosure before appraisal stage

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

IV. APPROVALS

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| Task Team Leader(s): | Name: Anne-Lucie Lefebvre | |
| <i>Approved By:</i> | | |
| Safeguards Advisor: | Name: Johanna van Tilburg (SA) | Date: 08-Dec-2015 |
| Practice Manager/ Manager: | Name: Guenter Heidenhof (PMGR) | Date: 08-Dec-2015 |