Report Number: ICRR0023324

1. Operation Information

Operation ID P174388	**Operation Name** Madagascar Covid-19 Response DPO
Country Madagascar	**Practice Area (Lead)** Urban, Resilience and Land

Non-Programmatic DPF

L/C/TF Number(s) IDA-67690	**Closing Date (Original)** 31-Mar-2021	**Total Financing (USD)** 78,016,302.00
Bank Approval Date 27-Aug-2020	**Closing Date (Actual)** 30-Jun-2021	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	75,000,000.00	0.00
Revised Commitment	75,000,000.00	0.00
Actual	78,016,302.00	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Program Objectives and Pillars/Policy Areas

a. Objectives

The development objective of this Development Policy Financing (DPF) operation as stated in the Program Document (PD, page 3) is **"to assist the Government of Madagascar in its response to the COVID-19**

crisis: (i) by mitigating the impact on lives and livelihoods, and (ii) supporting the sustainable recovery of the country".

For the purpose of this Implementation Completion Report Review (ICRR), the objectives of this operation are taken to be:

PDO 1. To assist the Government in its response to the COVID-19 crisis by mitigating the impact on lives.

PDO 2. To assist the Government in its response to the COVID - 19 crisis by mitigating the impact on livelihoods. PDO 3. To assist the Government in its response to the COVID - 19 crisis by supporting the sustainable recovery of the country.

b. Pillars/Policy Areas

There were three pillars/policy areas (PD, para 43).

Pillar # 1. Saving lives and protecting vulnerable populations.

Pillar # 2. Ensuring sustainable business growth and job creation.

Pillar # 3. Strengthening policies and institutions for rebuilding stronger.

c. Comments on Program Cost, Financing and Dates

Financing. This operation was financed by an IDA Credit of US$75.0 million. The amount disbursed was US$78.01 million. Neither the ICR nor the team provided the reasons for the discrepancy between the amount approved and the amount disbursed.

Dates and other factors during implementation. The operation was approved on August 27, 2020, only became effective on June 15, 2021, and was scheduled to close on March 31, 2021. The operation became effective after the originally scheduled closing date. The delay between approval and effectiveness was due to a combination of factors including: (i) delay in the ratification of the financing agreement by parliament; and (ii) reversal of policy reform pertaining to optimizing electricity tariffs (Prior Action # 6) (discussed below). The closing date was extended by three months as the government eventually reinstated the new electricity tariff reform in June 1, 2021. The operation closed three months behind schedule on June 30, 2021.

During implementation, Madagascar faced an additional wave of COVID - 19 pandemic (March - August 2021). The state of emergency that was lifted in October 2020 was reinstated in April 2021 until September 2021. The shock associated with the pandemic triggered a recession. The pandemic shock was compounded by an unprecedented drought in the South during implementation, the worst in 40 years, after a poor 2020/2021 agriculture season, which exacerbated the poverty and vulnerability in the country.

3. Relevance of Design

a. Relevance of Objectives

Country context. Madagascar's growth trajectory (3.5% average growth between 2013 - 2019) was quickly reversed by the unprecedented COVID - 19 pandemic. Global trade and travel restrictions and domestic containment measures triggered a recession. An estimated 2.4 million people fell below the poverty line in 2020, bringing the poverty ratio to an all-time high of 80.7%. The Bank prepared this operation as a swift response to enable the Government to meet a sudden financing gap and help deliver timely response to the COVID - 19 pandemic.

Government strategy. The Government's initial response to the pandemic was swift with separate health, social and private sector mitigation measures. These measures were consolidated into a Multi Sectoral Emergency Plan (PMDU) that was approved on July 1, 2020 and adopted by the Ministry of Economy and Finance on July 2, 2020. The plan focused on controlling the viruses' spread, supporting vulnerable populations, and facilitating recovery.

Bank strategy. The PDOs were well-aligned with all four pillars of the *Bank's COVID - 19 Crisis Response Approach Paper (June 2020):* (i) saving lives; (ii) protecting the poor; (iii) ensuring business growth and jobs; and (iv) strengthening institutions for rebuilding better. The policy reforms of this operation directly supported four of the eight objectives of the Bank's Country Partnership Framework (CPF) for Madagascar for 2017 - 2021: (i) enhancing resiliency of vulnerable households; (ii) enhancing transparency and accountability; (iv) improving business environment and access to finance; and (v) improving access to energy.

Bank experience. The Bank has financed several operations in Madagascar. For example, Investing in Human Capital DPF supported reforms aimed to increase resources for frontline health services. The Fiscal Sustainability and Energy DPF supported fiscal space reforms. The ongoing Madagascar Integrated Growth Poles and Corridor Project was restructured to scale-up immediate support to the private sector during the pandemic. When this operation was under preparation, the Bank had a Disaster Risk Management Development with a Catastrophe Deferred Drawdown Option (2019) and several complementary investment lending operations such as the Social Safety Net Project, Public Sector Performance Project, Madagascar Financial Inclusion Project and the Least-Cost Electricity Access Project. The Bank assessed Madagascar's macroeconomic policy to be sound prior to the crisis. When this operation was being prepared, Madagascar had budget support from the International Monetary Fund's (IMF) Rapid Credit Facility.

This operation supported policy actions to respond to the immediate challenge posed by the COVID - 19 pandemic and setting the fundamentals for sustainable economic growth in the medium-term. The priors actions of this operation were consistent with the Government's PMDU and the Bank's COVID - 19 Crisis Response Approach Paper, and based on solid analytical underpinnings (discussed below).

b. Relevance of Prior Actions

Rationale

Pillar # 1. Saving lives and protecting vulnerable populations. This pillar supported measures aimed to reinforce the government's response to save lives and protect vulnerable populations in the wake of the COVID - 19 pandemic. There were three prior actions (PAs) in this pillar.

PA # 1. The Ministry of Economy and Finance (MEF) adopted the Multi Sectoral Emergency Plan (PMDU) on July 2, 2020, as the guiding instrument to improve the Government's response to COVID - 19 through: (i) establishing a governance structure at the central and decentralized levels; and (ii) articulating a strategy to scale up social protection policies.

The Government's initial response to the pandemic although swift, was fragmented, with separate health, social and private sector mitigation measures. The response lacked coordination in terms of prioritization, financing and monitoring. Both the Government and other development partners regarded a single consolidated PMDU as a priority for streamlining, coordinating and deepening the government's response to the COVID- 19 pandemic.

Adopting the PMDU was a crucial step for coordinating the emergency response activities. The PMDU would help in establishing operational centers in affected regions, increasing the testing capacity of accredited laboratories and increasing the number of beneficiaries of cash transfer programs. The analytical underpinnings of this prior action were sound and based on (i) World Health Organization (2020), "*Critical preparedness, readiness and response actions for COVID - 19;* (ii) World Bank (2020). *The Economic Policy Response to the COVID-19 pandemic*"; and (iii) Stefan Dercon (2020). " *No regret policies for the COVID - 19 crisis for developing countries"*. The relevance of this prior action is rated as **Satisfactory**.

PA # 2. The MEF established a dedicated COVID - 19 fund to improve the transparency and traceability of emergency spending on July 2, 2020.

Evidence from previous pandemics showed that emergency situations can exacerbate financial management challenges. Improving the transparency and traceability of COVID-19 related public spending was a key priority of all stakeholders (including the IMF). To address these challenges, the Government adopted a decree establishing a dedicated COVID - 19 Emergency Fund to channel budget allocations, grants and contributions towards financing the PMDU. The Fund was to focus on transparency measures such as publishing a financial report on how the COVID - 19 funds were utilized on the MEF website.

The analytical underpinning of this prior action came from the World Bank (2000) *Madagascar Public Sector Administration Project.* This measure by tracking emergency spending, would help in increasing the transparency and accountability of the Government's COVID - 10 response. This prior action is rated as **Satisfactory**.

PA # 3. The Commission for the Supervision of Banking and Finance (CSBF) adopted for a period of six months, exceptional simplified due diligence measures for opening individual electronic money accounts for facilitating cash transfers for vulnerable populations on May 19, 2020.

The confinement measures implemented during the COVID - 19 pandemic highlighted the importance of e-money accounts. About 25% of Madagascar's population lacked formal identifications required for opening e-money accounts. As part of the response to the pandemic, the Government adopted exceptional simplified due diligence measures for ensuring that vulnerable populations could open accounts and thereby have easy access to government grants and other financial services.

The analytical underpinnings of this prior action came from the Financial Action Task Force (FATF), 2013 - 2017, *Anti-Money Laundering and terrorist financing measures and financial inclusion, with a supplement on customer due diligence.* This prior action would enable the vulnerable segments of the population to receive emergency cash transfers and help in mitigating the social impact of the crisis. This prior action is rated as **Satisfactory**.

Pillar # 2. Ensuring sustainable business growth and job creation. This pillar supported measures aimed at preserving jobs and alleviating the financial pressures of viable companies. There were two PAs in this pillar.

PA # 4. The MEF adopted a consolidated strategy to safeguard jobs and alleviate the financing pressures of viable companies through: (i) scaling up interventions to reinforce human capital; and (ii) enhancing access to finance from domestic and international markets.

Within three months of the pandemic, total employment (especially of informal jobs) had contracted in large urban areas of Madagascar affected by the lockdown. Private sector actors, particularly micro, small and medium enterprises (MSMEs) experienced cash flow problems. This prior action supported measures to support private sector activity and protect jobs through: (i) supporting a training program (such as on the COVID -19 protocols) for workers affected by the crisis; and (ii) establishing concessional credit lines to allow banks and microfinance institutions to lend to MSMEs at subsidized rates.

This prior action was based on solid analytical underpinnings such as: (i) World Bank (2020). "*The Great Leveraged Support: Public Credit Guarantee Schemes in the time of COVID - 19*"; (ii) World Bank (2020). "*Supporting Firm Resilience* "; (iii) World Bank (2020). "*Assessing the impact and policy responses in support of private-sector firms in the context of the COVID - 19 pandemic";* and (iv) World Bank (2020). *" COVID - 19 Outbreak: Private Sector Development Implications: Overview of Trade, Investment and Competitiveness Team Notes".* This prior action would likely help the workers affected by the crisis preserve their jobs and improve the access to finance of MSMEs. The prior action was appropriate and therefore this prior action is rated as **Satisfactory**.

PA # 5. The Central Bank of Madagascar (CBM) implemented targeted measures to allow financial institutions to extend debt repayment schedules and provide an additional credit line to reduce immediate financing pressures of otherwise viable MSMEs on April 1, 2020.

Reducing immediate cash flow pressures for viable companies and improving access to finance was likely to help the private sector cope with the current crisis. This prior action sought to achieve the intended outcomes by allowing companies to reschedule debt payments to banks and microcredit institutions, and to facilitate the supply of credit to viable companies through exceptional liquidity interventions by the CBM.

The analytical underpinnings of this prior action were sound and based on: (i) IMF (March 2020) " *Policy Response to COVID - 19: Policy Trackers*; (ii) International Capital Markets Association (2020). "*COVID - 19, Market Update - Monetary Policy";* and (iii) World Bank (2020) "*COVID - 19 Pandemic Policy Response Related to the Financial Sector*": This prior action would help in limiting the risk of a liquidity crunch and insolvency of otherwise viable firms. This prior action is rated as **Satisfactory**.

Pillar # 3. Strengthening policies and institutions for rebuilding stronger. While the prior actions described above were aimed at the immediate need of saving lives and livelihood, this pillar aimed to support recovery measures for laying the foundations for sustained macroeconomic stability and fiscal strength. There were two PAs.

PA # 6. The Board of Directors of the National Electricity Company (JIRAMA) adopted a new connection policy on July 14, 2020, for providing affordable grid access to vulnerable populations in urban and peri-urban areas and the Malagasy power sector regulator approved a new tariff structure to improve efficiency of electricity pricing.

Residential customers in Madagascar spend about four times the average monthly household income to get access to the grid, which was among the highest connection charge in all of Sub-Saharan Africa. Also, JIRAMA's residential tariffs were also at the very top of its African peers. Given the significant social impact of the COVID - 19 pandemic coupled with the substantial weight of up-front connection charges and monthly electricity expenses, additional connections and decreasing electricity tariffs were a priority for sustained recovery. The analytical underpinning for this prior action came from: Macroeconomic Consulting (May 2020). "*Politique de Raccordement and Politique Tarifaire pour la JIRAMA".*

This prior action would help in giving access to customers who either had no access to the grid or purchased electricity through costly, illegal and often unsafe connections. The new tariff structure would help the poor households benefit from tariff reductions. The new connection policy was a critical step towards equitable access to electricity. However, this prior action's link to the PDO of mitigating the effects of COVID - 19 pandemic was at best, indirect. Therefore, this prior action is rated as **moderately unsatisfactory**.

PA # 7. The MEF specified the content of the bulletin on reporting public debt statistics on July 7, 2020, to include: (i) debts of public sector entities (including the majority-owned State-Owned Enterprises (SOEs); (ii) the financial condition associated with each new external loan contracted by them; and (iii) the list of contingent liabilities related to on-lending and public guarantees.

Debt transparency was critical to the Government's access concessional external financing to respond to the COVID - 19 pandemic. Before this prior action, only the central government was required to publish its public debt figures. Debt transparency was hampered due to the lack of information on the debts of major SOEs and delays in publishing the debt statistics bulletin.

The analytical underpinnings of this prior action were sound and based on (i) World Bank and IMF (2020). "J*oint Bank - Fund Note on Public Sector Debt Definition and Reporting in Low-Income Developing Countries",* and World Bank (2019)." *Promoting Debt Transparency: Because the Sustainable Development Goals Depend on it".* By improving debt transparency, this prior action would likely help in laying the foundations for sustained macroeconomic stability and fiscal strength. Therefore, this prior action is rated as **Satisfactory**.

The PDOs were highly relevant to the Government's PMDU and the Bank's COVID - 19 Crisis Response Approach Paper. The prior actions of this operation were based on solid analytical underpinnings.

The causal links between most of the prior actions under the pillars, the intended program results and the long-term outcomes were clear, direct and logical. The prior actions under the first pillar (PAs 1 to 3) of adopting the PMDU, setting a dedicated COVID- 19 Fund for improving traceability of the emergency response and facilitating the vulnerable segments of the population to open bank accounts for receiving cash transfers, were directly related to the PDO of mitigating the impact of the COVID - 19 pandemic on lives. The prior actions under the second pillar (PAs 4 and 5), vocational training for workers impacted by the crisis and improving the access of finance of MSMEs, were directly relevant to the PDO of mitigating the impact on livelihoods. The prior actions under the third pillar (PAs 7) of improving the transparency of public debt figures were directly relevant to the PDO of sustainable recovery of the country. Of the seven PAs, with the exception of PA # 6 (providing electricity connections to new customers), the other PAs were directly relevant to the PDO. Hence, the overall relevance of the prior actions and relevance of design is rated as **Satisfactory**.

Rating

Satisfactory

4. Relevance of Results Indicators

Rationale

Pillar # 1. Saving lives and protecting vulnerable populations. The three prior actions in this pillar supported the Government's response to the COVID - 19 crisis in mitigating the impact of lives. There were five results indicators.

RI # 1. The number of Regional command and Control Operational Centers established in Madagascar to address the adverse impact of COVID - 19 pandemic following the adoption of PMDU.

RI # 2. Increase in the testing capacities of accredited laboratories.

RI # 3. The number of beneficiaries of the cash transfer programs.

RI # 4. The number of financial statements published within 15 days from the end of the reporting month for the duration of the dedicated COVID - 19 fund regarding how funds for COVID-19 were utilized. The data report was to be cumulative and updated starting in November 2020 until December 2021 on an online platform published on the website of the Ministry of Finance. It was however difficult to ascertain the frequency of publication, as the Fund only became operational in April 2021, and only a small share of the COVID - 19 pandemic expenditures were executed through the COVID - 19 fund.

RI # 5. Increase in the number of e-money account openings.

The indicators mentioned above measured progress towards the PDO of supporting the Government's response to the COVID - 19 crisis in mitigating the impact on lives. RIs # 1, 2, 3 and 5 were appropriate for measuring the development outcomes and are rated as **Satisfactory**. However, the definition and calculation of the RI # 4 were not appropriate and there was no credible data for measuring progress. Therefore, this indicator is rated as moderately **Unsatisfactory**.

Pillar # 2. Ensuring sustainable business growth and job creation. The two prior actions in this pillar aimed to support the Government's response to the COVID - 19 crisis by mitigating the impact on livelihoods. There were three results indicators.

RI # 6. The number of workers benefitting from training disaggregated by gender.

RI # 7. The number of MSMEs benefitting from subsidized loan programs.

RI # 8. The loan amounts that were rescheduled and deducted from bank reserve requirements.

The indicators mentioned above measured progress towards the PDO of supporting the Government's response to the COVID - 19 crisis in mitigating the impact of livelihoods were appropriate for measuring the development outcome and were verifiable. However, the targets of two of the indicators (RI # 6 and RI

7) were ambitious relative to the operation's timeline. Therefore, these indicators are rated as **moderately satisfactory**.

Pillar # 3. Strengthening policies and institutions for rebuilding stronger. The two prior actions in this pillar aimed to support the Government's in its response to the COVID - 19 crisis by supporting the sustainable recovery of the country. There were two results indicators.

RI # 9. The number of new customers having access to the grid.

RI # 10. Increase in the coverage of debt statistics in the Debt statistics bulletin.

RIs # 9 and 10 measured progress towards the PDO of supporting the Government's response to the COVID - 19 pandemic by supporting the sustainable recovery of the country. Therefore, these indicators are rated as **satisfactory**. However, there were no relevant indicator for monitoring assessment of reducing tariffs of low-income households.

The indicators were for the most part directly attributable to the prior actions and appropriate for assessing the project's outcomes. Of the ten indicators, one was rated as moderately unsatisfactory and three were rated as moderately satisfactory. There was no relevant indicator for monitoring assessment of reducing tariffs of low- income customers. Therefore, the overall relevance of results indicators is rated as **moderately satisfactory**.

Table: Results framework indicating prior actions, targets, results and the status of achievement of results

RIs	Associated PAs	RI Relevance	Baseline (including units and dates)	Target (including units and dates)	Actual value of target	Actual change in target relative to targeted change	RI achievement rating
Pillar # 1. Saving lives and protecting vulnerable populations							
RI 1. Number of regional operational centers created.	PA # 1	Satisfactory	Baseline (June 2020): None	Target (Dec 2020): 22	Status:(June 2022): 22	Target realized.	Substantial
RI 2. Testing capacity of accredited laboratories	PA # 1	Satisfactory	Baseline (June 2020): None	Target (Dec 2020): 200,000	Status (June 2022): 468,491	234% of the target	High
RI 3. Number of beneficiaries of cash transfer programs	PA # 1	Satisfactory	Baseline (May 2020): 250,000	Target (Dec 2020): 500,000	Status (June 2022): 448, 450	90% of the target	Substantial

RI 4. Monthly financial statements published by the COVID – 19 Fund	PA # 2	Moderately Unsatisfactory	Baseline (June 2020): None	Target (Dec 2020): Reports published until the closure of the COVID - 19 Fund.	Status: Data published since November 2020 on the online platform.	Target envisaged at appraisal was not achieved and there was no credible data to measure progress.	Modest
RI 5. Increase in the number of e money account openings.	PA # 3	Satisfactory	Baseline (May 2020): None	Target (Dec 2020): 150,000	Status: (June 2022): 377,023	251% of the target	High
Pillar # 2. Ensuring sustainable business growth and job creation							
RI 6. Number of workers benefitting from training disaggregated by gender	PA # 4	Moderately Satisfactory	Baseline (May 2020): None.	Target (December 2020): 200,000. There was no target for the number of women benefitting from training.	Status (June 2022): 22,863(11,641 women)	11% of the target.	Negligible
RI 7. Number of MSMEs benefitting from subsidized loan programs	PA # 4	Moderately Satisfactory	Baseline (May 2020): None	Target (Dec 2020): 20,000	Status (June 2022): 5,185 (39% women-led enterprises)	26% of the target	Modest
RI 8. Loan amounts rescheduled and deducted from bank reserve requirements.	PA # 5	Moderately Satisfactory	Baseline (March 2020): 0	Target (December 2020): MGA 500 billion	Status (June 2022) MGA 230.92 billion	46% of the target	Modest
Pillar # 3. Strengthening policies and institutions for rebuilding stronger							
RI 9. New lifeline customers	PA # 6	Satisfactory	Baseline (Jan-Dec	Target (June	Status (June 2022): 837	The actual figure showed a	Negligible

having access to the grid			2019): 17,000	2021): 50,000		negative change compared to the baseline.	
RI 10. Coverage of debt statistics in the Debt Statistics Bulletin	PA # 7	Satisfactory	Baseline (June 2020): Only Central Government only	Target (Dec 2020): Public sector, including 90% of majority owned SOEs	Status (June 2022): Public sector, including 56.5% of SOEs	56.5% of the target	Modest

Rating

Moderately Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To assist the Government of Madagascar in its response to the COVID-19 crisis by mitigating the impact on lives.

Rationale

Pillar # 1. Saving lives and protecting vulnerable populations.

Outcomes. (ICR, pages 21 - 24 and pages 37 - 38).

- The PMDU that was set up on July 1, 2020, was adopted by the MEF on July 2, 2020. The PMDU laid out a consolidated multi-sectoral plan with 12 sectors and decentralized coordination structures. 22 Regional Operational Coordination Centers (RCCOs) were created in all the regions of Madagascar as targeted to provide critical medical and non-medical services and operational support to local governments for carrying out COVID - 19 response. Of these, six RCCOs were most active in the ten regions most affected by COVID - 19.
- The testing capacity of accredited laboratories increased to 214,887 when the operation closed on June 30, 2021, exceeding the target of 200,000. By June 2022, the testing capacity had increased 468,491.
- 360,000 beneficiaries (mainly households in poor urban areas with high concentration of vulnerable informal sector workers) benefitted from the cash transfer programs by June 30, 2021. The number of beneficiaries increased to 448,450 by June 2022, slightly short of the specified target of 500,000. Each beneficiary received about US$26 per household per month for two months.

- The number of e-money account openings increased to 306,850 by June 2021. This far exceeded the specified target of 150,000. By June 2022, the number of e-money account openings increased to 377,023.
- The monthly financial statements were published starting November 2020 until December 2021 in the online platform of the Ministry of Finance on how the funds of the dedicated COVID - 19 were utilized. It was however difficult to ascertain the frequency of publication. The Fund only became operational in April 2020, and only a small portion of the COVID - 19 related spending were executed through the COVID - 19 Fund.

With the exception of one outcome (publication of the monthly financial statements of the COVID - 19 Fund), the expected outcomes were realized or exceeded in all other cases. Therefore, the efficacy of this PDO is rated as **Satisfactory**.

Rating

Satisfactory

OBJECTIVE 2

Objective

To assist the Government of Madagascar in its response to the COVID-19 crisis by mitigating the impact on livelihoods.

Rationale

Pillar # 2. Ensuring sustainable business growth and job creation.

Outcomes (ICR, pages 26 - 29 and 39 - 41).

- 4,816 workers were trained on activities such as COVID - 19 protocols, well short of the target of 200,000 by June 2021. This shortfall was due to a combination of factors including: (i) difficulties associated with training people across the regions of Madagascar in a poor connectivity environment; (ii) uncertainties related to additional COVID - 19 waves and restrictions; and (iii) limited resources. However, by 2022, the number of people trained had risen to 22,863 (11,641 women).
- 5,185 MSMEs (including 39% women-led enterprises) workers benefitted from subsidized loan programs, well short of the target of 20,000. This represented 26% of the target.
- Two new temporary and special windows were created to support the recovery of firms: (i) Restructured Credit Window - a risk sharing facility to assume part of the risks of the restructured loans granted to MSMEs who were unable to service their debt due to COVID - 19; and (ii) Emergency Assistance to Micro Finance Institutions (MFIs) and MSMEs that provided guarantees to new loans made by the Banks to MFIs and MSMEs. The number of MSMEs benefitting from subsidized loan programs in Ariary (MGA) was 230.92 billion, representing 46% of the target of 20,000 billion MGA.

Of the three outcomes, none of the three results indicators were realized. Therefore, efficacy of this PDO is rated as **moderately unsatisfactory**.

Rating

Moderately Unsatisfactory

OBJECTIVE 3

Objective

To assist the Government in its response to the COVID - 19 crisis by supporting the sustainable recovery of the country.

Rationale

Pillar # 3. Strengthening policies and institutions for rebuilding stronger.

Outcomes. (ICR pages 29 - 30 and page 41).

- The new connection policy was adopted in July 2020 and the new residential tariffs became effective only in June 2021. Only 78 connections were added to the low-income consumers relative to the baseline (17,000) and as compared to the target of 50,000. By July 2022, 837 connections were added to the low-income consumers. No indicators were specified relating to the reduced tariff policy.
- Between June 2020 and July 2021, nine bulletins on debt statistics were published. The Government's publication was comprehensive, reporting the totality of its debts on a regular basis. The ICR (para 65) noted that the coverage progressively improved during implementation. From no coverage of State-Owned Enterprises (SOEs) debts in July 2020. By July 2022, the coverage for FY2019 had increased to 86.4 percent and for FY2020, the bulletin covered 13 out of the 22 SOEs (59 percent coverage) as all FY2020 financial data was not yet available. Madagascar's debt transparency ranking improved considerably according to the World Bank's Debt Transparency Heat Map (The World Bank developed a debt report tool "Heatmap" which presents an assessment based on the availability, completeness and timelines of public debt statistics). In 2020, Madagascar ranked high on only five of the nine parameters. In 2021, Madagascar ranked high on all but one parameter as per the transparency reports.

The outcome pertaining to debt statistics was only partially realized. Given that the indicator pertaining to new customers having access to the grid was not realized, efficacy of this objective is rated as **Moderately Unsatisfactory**.

Rating

Moderately Unsatisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

Overall efficacy is rated as moderately satisfactory. The efficacy rating of objective 1 is satisfactory, while the efficacy ratings of objective 2 and objective 3 are moderately unsatisfactory. Thus, the overall efficacy rating is moderately satisfactory, based on the harmonized guideline between OPCS and IEG.

Overall Efficacy Rating

Moderately Satisfactory

6. Outcome

Rationale

The PDO was highly relevant to the Government's Multi Sectoral Emergency Plan (PMDU) and the World Bank's COVID - 19 Crisis Response Approach Paper (June 2020). There was an explicit, comprehensive and convincing results chain linking the prior actions to the achievement of the PDO for the most part. The link between one prior action and the PDO was however indirect. The prior actions were grounded in credible analytical work. The results indicators were for the most part appropriate (although some of them were ambitious, relative to the operation's timeline). The overall outcome is **Moderately Satisfactory**.

a. Rating

Moderately Satisfactory

7. Risk to Development Outcome

Economic risk. The ICR (para 81) notes that the risk to the sustainability of development outcomes is more likely to be related to the medium-long term structural reforms, than the short-term measures undertaken as emergency response to the crisis. These risks relate to further outbreaks of COVID - 19 pandemic that could risk recovery of livelihoods and businesses or exogenous risks such as due to adverse commodity prices and higher inflation due to shocks such as global slowdown that could compel additional government transfers in an environment of limited fiscal space. Likewise, there is the risk that reforms aimed at debt transparency promoted through this operation might not be maintained in the face of fiscal risks.

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

The Bank prepared this operation based on the experiences from previous Bank-financed operations (discussed in section three). This operation, aimed to address an unanticipated fiscal financing gap, was prepared in close collaboration with the IMF and other development partners financing complementary emergency operations in the wake of the COVID - 19 pandemic. Even before the first COVID - 19 cases were reported, the Bank had helped the Government prepare the Emergency Contingency Plan in February 2020. The prior actions of the operation were based on solid analytical foundations. The baseline and targets for the results indicators were specified at appraisal.

The Bank identified several risks including substantial risks with governance, macroeconomic risk. risks with sector strategies and policies, technical design fiduciary and environmental and social risks. The operation had several mitigation measures. Even with mitigation measures, the overall operation risk was rated as substantial at appraisal (PAD, para 92). The planned mitigation measures were implemented during the execution period.

There were moderate shortcomings. The Bank underestimated the political economy risk associated with energy sector reforms (discussed below). The link of one prior action (electricity sector reform) was at best, indirect and the targets for some results indicators were ambitious relative to the operation's timeline.

Rating

Moderately Satisfactory

b. Bank Performance – Implementation

Rationale

The Bank conducted supervision missions regularly and these missions helped in resolving problems. After six months of technical and high-level discussions between the Bank and the Government of Madagascar, the government reinstated the new electricity tariff reform on June 1, 2021. The Bank's monitoring of reforms was largely limited to prior actions that were implemented through ongoing Bank projects. The supervision team focused on capacity building issues, given the weak implementation capacity. The ICR however does not provide information on the specific measures that were done to build implementation capacity. The ICR notes that the Bank continues to work with the Government to achieve the targets under the reforms that could not be achieved during the operation.

Rating

Satisfactory

c. Overall Bank Performance

Rationale

Overall Bank performance is rated as **moderately satisfactory** due to the moderate shortcomings during preparation.

Overall Bank Performance Rating

Moderately Satisfactory

9. Other Impacts

a. Social and Poverty

The operation contributed significantly to mitigating the impact of COVID - 19 on the poor and women (ICR, para 70). The rapid and effective delivery of social safety net programs (PA # 1) supported over 360,000 poor households through direct cash transfers. PA # 6 helped households save up to 94% of the upfront cost of electricity connections and reduced up to 90% in monthly tariffs for rural households.

b. Environmental

The ICR (para 72) observed that the reforms supported by this operation were unlikely to have significant negative impacts on Madagascar's natural assets, as the operation did not include direct investments in environmental projects.

c. Gender

Women-headed households were a key target of the social safety net program. Credits to MSME's (PA # 4) played an important role in safeguarding jobs and improving human capital particularly of women (around 30,000 women benefitted training in languages, COVID - 19 protocols and cash for work interventions).

d. Other

There were no unintended impacts (ICR, para 73).

10. Quality of ICR

Rationale

The ICR is well-written. The results framework articulated in the text is clear showing the causal links between most of the prior actions under the pillars and the intended program results. The evidence provided in the text is adequate to assess the operation's performance. The ICR candidly acknowledges the limitations of some of the results indicators and the ICR draws good lessons from the experience of implementing this operation.

However, the theory of change presented in table 5, page 20 is not comprehensive and the ICR reports the achievement of results indicator number four in two ways (one in table 4, page 13 and another in annex 1, page 38). The ICR does not clearly state the assumptions underlying the theory of change.

a. Rating

Substantial

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Moderately Satisfactory	Moderately Satisfactory	
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	
Relevance of Results Indicators	---	Moderately Satisfactory	
Quality of ICR	---	Substantial	

12. Lessons

The ICR draws the following three lessons from the experience of implementing this operation, with some adaptation of language.

1. A strong ongoing portfolio and sectoral dialogue help the Bank in backing the reform package. Most critical activities of this operation supporting sectoral reforms were covered by the Bank's ongoing operations in Madagascar such as the Social Safety Net Project, Improving Nutrition Outcomes Project, and Madagascar Financial Inclusion Project. Other operations, such as the Human Capital DPO and Madagascar Catastrophe DPO with a Deferred Drawdown Operation provided the necessary backing to support the effectiveness of measures under this DPO operation aimed at responding to the COVID - 19 pandemic.

2. A proper assessment of the time is required for implementing politically complex structural reforms. This operation mostly achieved the prior actions aimed at responding to the immediate need posed by the COVID - 19 pandemic, as they were directly in line with the Government's priority to mitigate the impact of the crisis on lives and livelihoods. In contrast, the prior action aimed at ensuring the affordability of grid access to electricity for vulnerable population in urban and semi-urban required more time to get buy-ins from the highest levels of government. The lesson is that it is critical to assess the political economy considerations and to the extent possible, avoid politically complex structural reforms in DPOs that are responding to emergencies.

3. Being conservative in designing DPOs during times of crisis can improve efficacy. In this COVID - 19 DPO, the evolution of the pandemic and the implementation challenges could not be foreseen at appraisal. Given this, the design of operations in times of crisis needs be realistic by focusing on few achievable areas and setting targets to remain relevant in spite of changing conditions. Since DPOs do not allow restructuring after approval, it is important to remain conservative in expectations and to support the Government to advance reforms incrementally at a pace that is consistent with the emergency context.

13. Project Performance Assessment Report (PPAR) Recommended?

No