

ICR Review
Operations Evaluation Department

1. Project Data : Date Posted : 06/27/2000
 PROJ ID : P035669 OEDID:
 OEDID : C2778 Appraisal Actual
 Project Name : Second social fund US\$M) 42.21
 Project Costs (US\$M) 45.4
 project
 Country : Madagascar Loan /Credit (US\$M)
 Loan/ US\$M) 40 34.99
 Sector, Major Sect .: Social Funds & Social US\$M)
 Cofinancing (US\$M)
 Assistance , Social
 Protection & Other
 Sector
 L/C Number : C2778
 Board Approval (FY) 96
 Partners involved : -- Closing Date 12/31/2000 12/31/1999

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2. Project Objectives and Components

a. Objectives

The project aimed to alleviate poverty and support community development through partnership with NGOs and beneficiary communities. It aimed to provide supplemental financing to the existing social fund organization Fonds d'Intervention pour le Developpement (FID) in order to enable it to expand its coverage from two provinces to all six provinces of the country .

b. Components

(a) construction and rehabilitation of basic infrastructure; (b) support to income generating activities; (c) private sector support programs for small enterprises and consulting firms, and development of community groups and local NGOs. The project also included a number of studies to identify demand for potential income generating activities to be financed under the project; develop a training needs assessment and training plan for contractors and engineering consultants; and complete a diagnostic evaluation of technical and contracting procedures to strengthen implementation of subprojects by contractors and engineering consultants .

c. Comments on Project Cost, Financing and Dates

The total project cost was US \$ 42.21 million (appraisal estimate: US \$45.40 million) of which IDA financed US \$34.99 million (appraisal estimate: US \$40 million). The Government provided US\$3.79 million (appraisal estimate: US \$3.60 million) and cofinanciers, the beneficiaries themselves, provided US \$ 2.85 (appraisal estimate: US \$1.80 million).The project was approved on 09/14/95 and closed on 12/31/99, a year ahead of schedule .

3. Achievement of Relevant Objectives :

The project largely achieved its objectives, particularly of supporting community development through partnership with NGOs and beneficiary communities. FID worked with NGOs (309 contracts) and several community groups delivering improved infrastructure often beyond target (see below). The project also successfully supported expansion of FID operations to all six provinces .

4. Significant Outcomes /Impacts :

The project surpassed a number of its physical targets rehabilitating 450 schools (428 percent of target) and 185 health centers (229 percent of target). It also helped to rehabilitate 967 kms of rural roads (97 percent of target) and irrigate 11, 171 ha. (37 percent of target). About 6.1 million person days of temporary employment and 1,546 permanent jobs were created. A 1999 beneficiary survey of 60 FID financed projects completed before December 31, 1997 (not representative of FID performance overall), indicated generally positive impacts although it also noted that in the case of markets, there was less than full satisfaction with the utilization of the facilities and it also pointed to problems with operations and maintenance of the infrastructure . By December 31, 1999, 55 training courses had been provided for employees of engineering firms, small /medium contractors and loan program promoters . Since the inception of FID, 226 managers and technicians from more than 100 contracting firms, and 374 persons from some 80 engineering firms were trained. The 1999 beneficiary survey also indicated that participants recognized the impact of the training in winning contracts both from FID and other sources and deepening the professionalism of their firms. A total of 1796 contracts were made with small and medium enterprises (121 percent of target). The component to promote income generating activities involving loans for agriculture and other productive purposes was dropped at mid-term given the problems of administering such a program through a non - financial/banking institution. The amount which would have been used for income generating activities by FID was reallocated to other components.

5. Significant Shortcomings (including non -compliance with safeguard policies):

* Maintenance problems afflicted FID financed infrastructure, particularly evident in rural roads as indicated by a 1998 survey. While the percentages improved somewhat in a later period, the same survey indicated that 49 percent of subprojects still under contractors' guarantees were considered poorly maintained and another 21 percent were only moderately well maintained. There was lack of proper utilization of FID -financed facilities, and staffing of the facilities (e.g., health clinics and schools) was also an issue. In the 1999 beneficiary survey, insufficient personnel was cited as a problem in 9 out of 10 health centers. This problem also existed for schools, but was less

severe (6 of 16 schools had insufficient personnel).

* There was lack of a systematic poverty targeting strategy and only at the midterm review was a decision made to

spread the program to the poorest, most isolated regions .

* The depth and quality of community participation also left something to be desired . In the 1999 beneficiary survey,

beneficiaries reported lack of contact and animation at the local level by FID with insufficient animation being cited in

9 out of 16 school subprojects, 5 out of 10 health center subprojects, 4 out of 10 small-scale irrigation projects, and 6

out of 10 market projects.

* There were persistent work quality problems although these diminished towards the end of the project .

* There was political influence in subproject selection (the ICR implies that this problem was not widespread). There

was also politicization of the FID recruitment process as a result of which the President of the FID Board had to

resign (1997) which adversely affected the functioning of the Board of Directors for a year .

* There was lack of systematic outcome /impact monitoring. Although the staff appraisal report called for impact/beneficiary assessments on an ongoing basis, only one of these was undertaken during this project .

Furthermore, apart from the beneficiary survey, there was little effort to monitor project outcomes /impact through

other instruments.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome : Satisfactory		Satisfactory	
Institutional Dev .: Partial		Modest	Equivalent ratings. The ICR rates institutional development impact "substantial" on page 1 although it rates institutional development, private sector development, as well as public sector management "modest" under Achievement of Objectives on page 19. In light of the ICR's page 19 ratings, inadequate investments in community mobilization, and issues about political interference in FID subproject selection and management (ICR pages 5, 6, and 10) this review confirms the "modest" rating for institutional development .
Sustainability : Unlikely		Unlikely	
Bank Performance : Satisfactory		Satisfactory	
Borrower Perf .: Satisfactory		Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

* Investments in community mobilization and outreach before, during, and after making resources available to

communities are often essential to ensure that communities agree on and choose priority activities, feel a stake in

and ownership towards them, and maintain them over time . These mobilization and outreach activities should be

explicitly budgeted for. In many cases, FID lacked the resources to adequately address these issues since, inter

alia, it was committed to keeping its operating expenses at 10 percent of total expenditure .

* Ensuring the continuing operation of the investments financed by a social fund requires that there is coordination

with sector ministries and strategies and that the creation of new facilities by the social fund is in line with the

ministries' capacity and willingness to provide the necessary complement of inputs for running the facilities .

* A technical focus in training programs for small and medium firms and contractors who execute physical works

under a social fund project is appropriate although complementing it with sensitization in participatory and

sociological techniques and approaches will also help to better address the community development goals of these

projects.

* The institutional location and organizational structure of the social fund agency including the composition of key

decision-making bodies (e.g., Board, Executive Committee) needs careful design and checks and balances to

prevent politicization while at the same time ensuring that the social fund agency enjoys adequate political support .

* Microcredit/loan programs cannot operate outside a country's financial markets; they must be consistent with and

linked to existing financial policies, markets, and institutions .

* There can be trade-offs between speed and quality . FID disbursed much more rapidly than originally anticipated;

the ICR hints that fast disbursements might likely have prevented the project from benefiting from "additional early

(impact) studies" and have hindered adequate improvements in community mobilization (page 9).

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

Satisfactory. Bullet 1 under lessons learned on page 10 states that "one way to minimize government influence is

...." when the intention was, perhaps, to state that "one way to minimize political influence is....".

Government

influence is not necessarily undesirable, in fact, it can often be an essential ingredient for ensuring "buy-in" and

fostering ownership, sustainability, and institutional development .