

**Implementation Status & Results**  
**Madagascar**  
**MINERAL RESOURCES GOVERNANCE PROJECT (P076245)**

Operation Name: MINERAL RESOURCES GOVERNANCE PROJECT (P076245)      Project Stage: Implementation      Seq.No: 16      Status: ARCHIVED      Archive Date: 26-Sep-2011

Product Line: IBRD/IDA      Country: Madagascar      Approval FY: 2003  
 Region: AFRICA      Lending Instrument: Specific Investment Loan  
 Implementing Agency(ies): UCPM/MEM

**Key Dates**

Board Approval Date 13-May-2003      Original Closing Date 31-Dec-2008      Planned Mid Term Review Date      Last Archived ISR Date 26-Sep-2011  
 Effectiveness Date 22-Sep-2003      Revised Closing Date 30-Jun-2012      Actual Mid Term Review Date 28-Feb-2006

**Project Development Objectives**

Project Development Objective (from Project Appraisal Document)

**1. Strengthen transparency and governance in mining. 2. Promote key institutional reforms for the decentralized management of mineral resources 3. Promote private investments and value-added in the sector.**

Has the Project Development Objective been changed since Board Approval of the Project?

Yes       No

**Component(s)**

Component Name	Component Cost
1. STRENGTHENING TRANSPARENCY AND GOVERNANCE IN MINING	4.00
2. KEY INSTITUTIONAL REFORMS FOR DECENTRALIZED MANAGEMENT OF MINERAL RESOURCES	7.00
3. PROMOTING PRIVATE INVESTMENTS AND VALUE-ADDED IN THE SECTOR	30.00
4. PROJECT COORDINATION AND MANAGEMENT	6.00
5. PPF	0.00

**Overall Ratings**

	Previous Rating	Current Rating
Progress towards achievement of PDO	Moderately Satisfactory	Moderately Satisfactory
Overall Implementation Progress (IP)	Moderately Satisfactory	Moderately Satisfactory
Overall Risk Rating		

**Implementation Status Overview**

The Mineral Resources Governance Project (PGRM) was built to assist the Government of Madagascar in implementing its strategy to accelerate sustainable development and reduce poverty in Madagascar through the strengthening of governance and transparency in the management of mineral resources. It was highly relevant in the context of the 2003 Declaration of Mining Policy and the 2007 Madagascar Action Plan which both expressed a clear intention to develop mining and improve the management of extractive industries so that they sustainably contribute to the people. With mining rushes on precious stones and traditional gold mining that have continuously involved hundred thousands of workers across the Island, and the dramatic development of multi-billion industrial mines during the life of the project, the project objective has remained extremely relevant until now. Under the support of PGRM, the Government has developed cutting and polishing of gemstones, improved their trading, certification and export, and developed tools, pilots and other initiatives to assist decentralized authorities in formalizing artisanal mining. Under PGRM, the Government has also strengthened its capacities to facilitate and monitor industrial mining operations, including transparency. With the project, the Government also fully renewed the knowledge on the country's geology and mineral resources. The new geological map of Madagascar, with a wealth of related geo-scientific information, represents a major public good for future developments.

Flagship achievements include:

- 1) The revision of the legal and regulatory frameworks (2005);
- 2) The new geological map of Madagascar and the national geo-databank (BPGRM);
- 3) The set up of the Gemology Institute of Madagascar (IGM);
- 4) The launch of the Extractive Industry Transparency Initiative (EITI);
- 5) The set up of environmental management units within the Ministry of Mines regional directions, including a fully integrated geo-referenced monitoring system;
- 6) A range of capacity building tools, pilots and approaches for i) formalizing artisanal mining and improving the gemstones supply chain (including a toolkit for dealing with rushes around protected areas), and ii) integrating industrial mining into local and regional development (including recommendations for mining revenue sharing).

#### **Locations**

No Location data has been entered

#### **Results**

##### **Project Development Objective Indicators**

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Indicator Name	Core	Unit of Measure		Baseline	Current	End Target
Four BAM (Mining Administration Bureau) created	<input type="checkbox"/>	Number	Value	0.00	2.00	4.00
			Date	13-May-2003	30-May-2012	29-Jun-2012
			Comments		Although the process of establishing BAMs was adequately launched, only 2 out of 4 targeted were created and none actually functions as intended at the time of closure. The BAMs pilots lost of their relevance especially after the 2008 ban of rough stones exports. The most significant pilot took place in Vatomandry where around 6-7000 miners rushed on rubies from 2001. After a promising start of the BAM which helped train around 500 artisans in 2004-2005, the dynamic of the rush reversed in 2006, the reserves were exhausted and the mining sites around that location were gradually abandoned.	
Creation of one-stop shop for exports of gemstones	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
			Date	13-May-2003	30-May-2012	29-Jun-2012
			Comments		The one-stop shop is in place and jointly run by Mining and Customs administration staff. After a period of anarchical rushes on sapphire and ruby, such measures helped reducing long paper export procedures, limited one incentive to smuggle, and effectively contributed to an increase of formal exports.	
Increase in the collection rate of mining royalty as a result of decentralized tax collection procedures	<input type="checkbox"/>	Text	Value	10%	100	80%
			Date	13-May-2003	30-May-2012	30-Jun-2012
			Comments		The Ministry of Mines have statistics on expected and	

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					collected royalties based on number of "laissez passer" (for artisanal mining) and projected production (industrial mining). They show an increase of collection rate throughout the project period thanks to measures like the one-stop shop, but also the effect of industrial mining coming on stream. Figures do not include informal production, for which there is no statistics.	
Number of community development plans that include management of mineral resources	<input type="checkbox"/>	Text	Value	0	12	10
			Date	17-Apr-2003	30-May-2012	30-Jun-2012
			Comments		PGRM supported communities in many communes in integrating mineral resources and revenues into their local development plan and budgets. On artisanal mining, pilots on gold management were developed in 9 communes. On industrial mining, the participatory budgeting process focused on 3 communes in Fort Dauphin and was extended to 3 others around the Ambatovy project (in partnership with another World Bank Project). In addition, 3 inter-communal development plans were developed to integrate mining development.	End result could reach 15 if inter-communal plans are counted and 18 if Ambatovy communes are counted.
Increase of mining fiscal revenues for provinces and communes	<input type="checkbox"/>	Text	Value			+50%
			Date	13-May-2003	30-May-2012	29-Jun-2012
			Comments		In pilot communes, increase of fiscal revenues due to mining is clear. Sample data	

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					are expected by end of project.	
Increase in reported exports of gold and gemstones	<input type="checkbox"/>	Text	Value	US\$ 21 million		US\$ 50 million
			Date	17-Apr-2003	01-Mar-2009	30-Jun-2012
			Comments		Statistics are still being collected. Gemstones exports went up from 2003 to 2008 but collapsed after the ban on rough stones exports. Gold exports are expected to have dramatically increased due to commodity prices. Total mineral exports boomed after 2009 with QMM mining production.	
Increase of mining investments	<input type="checkbox"/>	Text	Value	USD 10 million	USD 2.9 billion	USD 85 million
			Date	13-May-2003	30-May-2012	29-Jun-2012
			Comments		Last figure available is the 2009 2.9 billion investment (Central Bank) due mainly to Ambatovy. This does not reflect a trend but clearly demonstrates the scope of mining development in the country. Annual investment has also grown due to exploration expenditures.	

**Intermediate Results Indicators**

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Indicator Name	Core	Unit of Measure		Baseline	Current	End Target
New special regime for gemstones approved	<input type="checkbox"/>	Text	Value	no	yes	yes
			Date	17-Apr-2003	31-Jul-2011	30-Jun-2012
			Comments		The regime for gemstones was approved as part of the 2006 decree of application of the 2005 Mining Code.	
Creation of 4 decentralized mining administration offices (BAM)	<input type="checkbox"/>	Text	Value	0	0	4
			Date	17-Apr-2003	30-May-2012	30-Jun-2012
			Comments		Although the process of establishing BAMs was adequately launched, only 2	

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					out of 4 targeted were created and none actually functions as intended at the time of closure. The BAMs pilots lost of their relevance especially after the 2008 ban of rough stones exports. The most significant pilot took place in Vatomandry where around 6-7000 miners rushed on rubies from 2001. After a promising start of the BAM which helped train around 500 artisans.	
Creation of exchanges for gemstones	<input type="checkbox"/>	Text	Value	Most is informal	Two Gemstones markets organized per month in Antananarivo since 2007 (Equ. 260 days of market), now constituted as an association and auto-financed.	One big exchange in Antananarivo and at least one small exchange in each province
			Date	17-Apr-2003	30-May-2012	30-Jun-2012
			Comments		Gemstones exchanges were also organized in regions but most of the trading has gradually concentrated in the capital.	
One-stop shop for export of gemstones	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
			Date	13-May-2003	30-May-2012	29-Jun-2012
			Comments		The One-stop shop for gemstones export was established by the Arrete n° 12506/2003. Conceived and equipped by the project, it still centralizes in one location all sectoral and customs formalities for gemstones export.	
Set up of certificate of origins	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
			Date	13-May-2003	30-May-2012	29-Jun-2012
			Comments		The project supported certification of gemstones mainly through the creation of IGM. No specific certificate of	

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					"Malagasy stones" have been undertaken (and actually planned) by the project. PGRM had however an critical role in certifying exports, and building thereputation of Madagascar in the international gemstones market before the 2008 ban.	
Collection of mining royalties increase	<input type="checkbox"/>	Percentage	Value	10.00	60.00	80.00
			Date	13-May-2003	30-May-2012	31-Dec-2008
			Comments		The Ministry of Mines have statistics on expected and collected royalties based on number of "laissez passer" for artisanal mining.Figures of 2008 (as targeted in the PAD) show 60% against 80% in 2006 and 100% in 2010.	
Number of small artisans trained and certified in gem processing techniques	<input type="checkbox"/>	Text	Value		185 certified individuals per year (average)	At least 20 individuals certified each year of project implementation.
			Date	17-Apr-2003	30-May-2012	30-Jun-2012
			Comments		IGM has successfully trained many Malagasy artisans or entrepreneurs thanks to PGRM continued support. 1,750 individuals were trained (195 per year) and around 95% of them obtaining there certificates.	
Mining Environmental Management Units established in all Provinces	<input type="checkbox"/>	Text	Value	0	6	6
			Date	17-Apr-2003	30-May-2012	30-Jun-2012
			Comments		PGRM established and supported one central and six decentralized environment Units in main mining regions. Those Units have successfully been integrated within the Ministry of Mines' organization and staff hired as	

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					civil servants, ensuring sustainability.	
Sector Environmental and Social Assessment (SESA) completed by mid term review	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
			Date	13-May-2003	30-May-2012	31-Dec-2006
			Comments		SESA was realized by end of 2003.	
Studies on decentralized management of mineral resources	<input type="checkbox"/>	Number	Value		4.00	4.00
			Date	13-May-2003	30-May-2012	29-Jun-2012
			Comments		Several studies were completed. One major piece on Anosy was achieved in 2006, and 3 inter-communal schemes to integrate mining development into local and regional development were conducted in 2012.	
Declared exports of gold and gemstones	<input type="checkbox"/>	Amount(USD)	Value		30.00	50.00
			Date	13-May-2003	30-May-2012	30-May-2008
			Comments		Available statistics show that official exports for gold plus gemstones were around 30 million dollars in 2008, after a peak of around 40 million in 2006.	
Percentage of value added to gemstones in the country	<input type="checkbox"/>	Percentage	Value			
			Date			
			Comments		This indicator does not have a clear definition and target. Value addition in the gemstones market was ensured mainly through the creation of IGM and subsequent business development in cutting and polishing. There are presently numerous lapidaries and jewelery inthe capital. Estimates are expected by end of project.	
Backlog of overdue application of mining permits	<input type="checkbox"/>	Number	Value			
			Date	13-May-2003	30-May-2012	29-Jun-2012

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			Comments		The Madagascar mining cadastre (BCMM) was a model in Africa until the political crisis, and mining permits were efficiently allocated (although data on time average still need to be completed). However, since the political crisis a de facto moratorium on permit allocations has been imposed. In April 2012 almost 3000 requests were pending. This number is expected to be reduced with PGRM support by end of June.	Not exceeding 5% of all permits
Territorial conservation practises in ASM areas improved and Resitution of previous conditions after exploration	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
			Date	13-May-2003	30-May-2012	31-Dec-2006
			Comments		This indicator had no specific definition. PGRM undertook sensitization campaigns in ASM settlements on environment management. It also developed tools for better controlling artisanal mining rushes. More information is needed to document that aspect in project pilot areas.	
Review of mining fiscal framework	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
			Date	31-Aug-2007	30-May-2012	28-Feb-2009
			Comments		A comprehensive assessment of the mining fiscal framework was conducted and recommendations submitted early 2009. The political crisis has prevented follow up reforms at this point, but the Government has background, legal and fiscal analysis needed to envisage changes in the future.	

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Inter-ministerial coordination and adjustments to the legal and institutional frameworks	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
			Date	31-Aug-2007	30-May-2012	28-Feb-2009
			Comments		PGRM supported different coordination mechanisms, most importantly the CGIM, a special inter-ministerial commission in charge of the monitoring of LGIM contracts. PGRM facilitated its creation and funded its permanent technical secretariat. CGIM has been the mainarm of the Government to negotiate with candidate large-scale mining companies and oversee their investments, in particular the Ambatovy one. The Commission is still operational and the Secretariat will be integrated within the Ministry of Mines after project closure.	
Mechanisms to ensure a fair participation and usage of mining fiscal revenues	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
			Date	31-Aug-2007	30-May-2012	28-Feb-2009
			Comments		A series of studies and workshop took place in the Anosy region to devise possible mechanisms for channeling mining royalties at the regional and local level in a more sustainable way. The consensus reached end of 2008 focused on the creation of a Mining Community Foundation. All the preparatory work (feasibility works, consultations, status) were prepared. The draft Decree was proposed just before the political crisis which interrupted the discussion.	

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Education and training programs related to Extractive Industries at Madagascar universities	<input type="checkbox"/>	Yes/No	Value	Yes	Yes	Yes
			Date	31-Aug-2007	30-May-2012	30-Jun-2012
			Comments		PGRM financed much training on mining for many staff of different institutions, including the PIU, the BPGRM, the Environment Cells, the CGIM, the BCMM, the Direction of Mines, the Direction of Geology. A few PhD at university were supported as part of the knowledge transfer in geology contracts.	
Training of staff at the agencies in charge of hydrocarbons and mining implemented;	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
			Date	31-Aug-2007	30-May-2012	30-Jun-2012
			Comments		Training on petroleum was the responsibility of Norway cooperation (as part of a coordination mechanism, see explanation in other petroleum-related indicators). PGRM did finance much training on mining for many staff of different institutions, including the PIU, the BPGRM, the Environment Cells, the CGIM, the BCMM, the Direction of Mines, the Direction of Geology.	
Methodologies to facilitate and promote the integration of large scale mining projects into local economic development	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
			Date	31-Aug-2007	30-May-2012	30-Jun-2012
			Comments		PGRM supported participatory budgeting at municipal level and provided much technical assistance to the two main mining regions to better integrate industrial mining at the decentralized levels.	

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Methodologies to control ASM rushes and to manage conflicts between ASM activities and protected areas	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
			Date	31-Aug-2007	30-May-2012	
			Comments		The project supported the production of a toolkit for management of ASM in or around protected areas.	
National Geological Survey and the integrated sector data bank and information systems have been established	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
			Date	31-Aug-2007	30-May-2012	31-Aug-2009
			Comments		PGRM has created the BPGRM, the center for geoscientific data which is the core of a National Geological Survey. A study on its sustainability and its possible externalization out of the Direction of Geology where it has successfully been integrated was undertaken in the last year of the project. Given the political context, it is unlikely that the institutional reform needed to take that final step happen before closure.	
Mining inspectorate regulatory functions streamlined	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
			Date	31-Aug-2007	30-May-2012	28-Feb-2009
			Comments		PGRM has supported the creation of the Environment cells which combined with the decentralized offices of the Cadastre and the Direction of Mines were supposed to be integrated in the new Mining Inspectorate. The key pieces are therefore in place, but given the political context, it is unlikely that the institutional reform needed to take the final step of its creation as an agency happens before closure.	

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Financial mechanisms for long term sustainability of mining institutions	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
			Date	31-Aug-2007	30-May-2012	31-Dec-2009
			Comments		Sustainability studies started early 2009 but had to be stopped when the crisis hit. They successfully resumed in the last year of the project and produced recommendations for the short and medium term.	
Hydrocarbons law and regulations updated	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
			Date	31-Aug-2007	30-May-2012	28-Feb-2009
			Comments		This indicator does not refer to PGRM- funded activities. It was included in the AF because it was part of a coordination agreement with Norway which was launching a project on hydrocarbon aspects in parallel (see the coordination matrix in the Project Paper Annex). The Oil for Development Project of Norway was active until February 2009, but was canceled following the political crisis. The work on the hydrocarbon law had started (a draft was discussed), but remains to be resumed.	
Production Sharing Contract model revised	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
			Date	31-Aug-2007	30-May-2012	28-Feb-2008
			Comments		This indicator does not refer to PGRM- funded activities. It was included in the AF because it was part of a coordination agreement with Norway which was launching a project on hydrocarbon aspects in parallel (see the coordination matrix in the Project Paper Annex). The Oil	

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					for Development Project of Norway was active until February 2009, but was canceled following the political crisis. The work on the model production sharing agreement law had started (a draft was discussed) but was delayed in 2008. It now remains to be resumed.	
Plan with specific time based measures for the restructuring of OMNIS adopted	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
			Date	31-Aug-2007	30-May-2012	31-Dec-2008
			Comments		This indicator does not refer to PGRM- funded activities. It was included in the AF because it was part of a coordination agreement with Norway which was launching a project on hydrocarbon aspects in parallel (see the coordination matrix in the Project Paper Annex). The Oil for Development Project of Norway was active until February 2009, but was canceled following the political crisis. The work on OMNIS restructuring had only been initiated in 2008.	

**Data on Financial Performance (as of 22-May-2012)**

**Financial Agreement(s) Key Dates**

Project	Ln/Cr/Tf	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P076245	IDA-37540	Effective	13-May-2003	23-Jun-2003	22-Sep-2003	31-Dec-2008	30-Jun-2012
P076245	IDA-37541	Effective	22-May-2007	05-Jun-2007	31-Aug-2007	31-Dec-2010	30-Jun-2012
P076245	IDA-3754A	Closed	13-May-2003	23-Jun-2003	22-Sep-2003	31-Dec-2008	31-Dec-2008

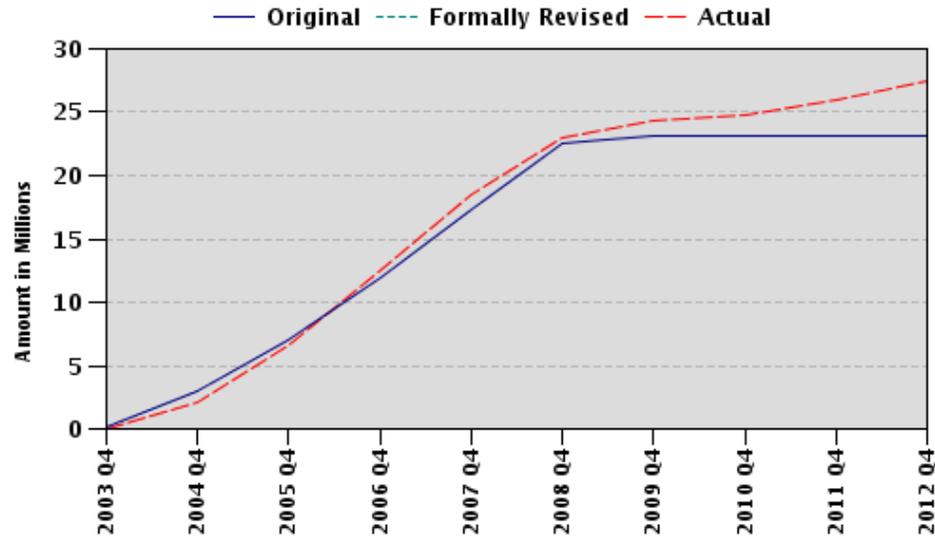
**Disbursements (in Millions)**

Project	Ln/Cr/Tf	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P076245	IDA-37540	Effective	XDR	21.92	21.92	0.00	21.92	0.00	100.00
P076245	IDA-37541	Effective	XDR	5.30	5.30	0.00	4.26	1.04	80.00

P076245	IDA-3754A	Closed	XDR	1.28	1.28	0.00	1.28	0.00	100.00
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**Disbursement Graph**

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**Key Decisions Regarding Implementation**

The project is approaching completion and as such activities are being wrapped up. The Government should ensure all geo-data acquired during the project are managed in a sustainable way and stay accessible to the public.

**Restructuring History**

There has been no restructuring to date.

**Related Projects**

P104983-Additional Financing for the Mineral Resources Governance Project

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