



The World Bank

Madagascar Integrated Growth Poles and Corridor SOP-2 (P164536)

Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 11-Jul-2018 | Report No: PIDISDSA23862

**BASIC INFORMATION****A. Basic Project Data**

Country Madagascar	Project ID P164536	Project Name Madagascar Integrated Growth Poles and Corridor SOP-2	Parent Project ID (if any)
Region AFRICA	Estimated Appraisal Date 05-Jul-2018	Estimated Board Date 18-Sep-2018	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Republic of Madagascar	Implementing Agency PIC National Project Secretariat	

Proposed Development Objective(s)

The development objective is to contribute to the sustainable growth of the tourism and agribusiness sectors by enhancing access to enabling infrastructure and services in the Target Regions of Madagascar.

PIC 2.1 (SOP1) has supported economic recovery by improving the investment climate, increasing investor confidence, investing in key infrastructure and restoring economic governance, to lay the foundation for inclusive growth and shared prosperity in the target regions.

Components

- Leveraging private investment in tourism and agribusiness
- Removing key binding constraints for private investment in tourism
- Removing key binding constraints for private investment in agribusiness
- Project Implementation, Monitoring and Evaluation, Safeguards and Impact Evaluation
- Contingent Emergency Response

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	75.00
Total Financing	75.00
of which IBRD/IDA	70.00
Financing Gap	0.00

**DETAILS****World Bank Group Financing**

International Development Association (IDA)	70.00
IDA Credit	70.00

Non-World Bank Group Financing

Counterpart Funding	5.00
LOCAL: BENEFICIARIES	5.00

Environmental Assessment Category

B-Partial Assessment

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

1. **While Madagascar is an island nation blessed with many assets, repeated political crises have held the country back.** With a population of near 24 million, of which 64 percent is less than 25 years of age, Madagascar has the potential to reap a demographic dividend. Agricultural lands, forest areas, and access to the sea could make it the “food basket” of the Indian Ocean, if not beyond. An unparalleled biodiversity and cultural wealth could drive tourism expansion. The workforce is relatively literate, and its small but reasonably diversified private sector could thrive. However, repeated political crises have held Madagascar back. Over the last fifty years, all heads of state have either gained or lost power as the result of an unconstitutional event. The application of existing institutions and legal norms has been repeatedly undermined by the political networks of a few. The Malagasy population has borne the cost of this political instability.

2. **Madagascar has one of the highest rates of poverty in the world.** The average Malagasy is 42 percent poorer today than in 1960, the year of Madagascar’s independence. As of the latest data available (2012), only 30 percent of Malagasy live above the national poverty line, and only 10 percent above the international one. Poverty is not only widespread, it also runs deep: the average Malagasy consumes 32 percent less than a person living directly at the national poverty line. The most recent poverty analyses¹ show that Madagascar made little progress in improving the welfare of the poor between 2001 and 2012. The incidence of extreme poverty is higher among female-headed households, which make up one-fifth of all households. Close to 80 percent of Madagascar’s population lives in rural areas, and rural poverty rates are more than twice as high as urban rates. Because most of the rural poor depend on agriculture

¹ World Bank (2016). “Recent Trends and Analytical Findings on the Causes of Madagascar’s Persistent Poverty.” It uses household survey data from EPM 2001, 2005, 2010, and ENSOMD 2012. Also see World Bank (2014). “Face of Poverty in Madagascar: Poverty, Gender, and Inequality Assessment.” The next household survey is expected to take place in 2018, following the census.



for their livelihood, they are particularly vulnerable to the frequent and severe climatic shocks that burden the country.

3. Since the return to constitutional order in early 2014, Madagascar's per capita GDP growth has been progressively rising. Growth was estimated at 4.2 percent in 2017 and is projected at 5.0 percent in 2018, compared with an estimated annual population growth rate of 2.8 percent. This economic recovery has been supported by IMF facilities, including two Rapid Credit Facilities, a staff-monitored program, and a three-year Extended Credit Facility (ECF) program that started in 2016 and is ongoing, with all staff reviews successfully concluded thus far. Macroeconomic and fiscal reforms have also been supported by World Bank Development Policy Operations (DPOs), including the Reengagement DPO in 2014, the Resilience DPO in 2015, a two-year programmatic Public Finance Sustainability & Investment DPO series in 2016-17, and a two-year programmatic Inclusive and Resilient Growth DPO in 2017-18. These reforms have supported an increase in tax revenue collection, improved composition of expenditures with higher investment spending and lower transfers to under-performing state-owned enterprises, improvements to the business climate, and measures to bring economic growth closer to the rural population. Economic growth is estimated at 5.0 percent in 2018. While inflation peaked at 9.0 percent in 2017, an increase in domestic rice production in the first quarter of 2018 has seen inflationary pressures start to ease, with overall inflation projected at 7.7 percent in 2018.

4. A key challenge for Madagascar is to ensure that economic growth becomes more inclusive and benefits the many poor that have so far been left behind. Mining and the tertiary sector, including public works, are the main drivers of Madagascar's recent macroeconomic growth. Export processing zones are also growth sectors. Yet, the main sector of employment for the bottom 80 percent of households is agriculture. Madagascar's urban poor remain locked in often unproductive micro enterprises, without access to better employment opportunities.² Economic growth has therefore largely bypassed the poor.

5. Recognizing this challenge, the country is embarking on an ambitious reform program to promote the inclusiveness and resilience of economic growth. The Madagascar National Development Plan (NDP) 2015-19 has set out the national goal of "development through inclusive and sustainable growth, taking into account the spatial dimension". Supporting this goal, the World Bank Country Partnership Framework (CPF) has designed its 2017-21 program around two focus areas: (i) increase resilience and reduce fragility and (ii) promote inclusive growth. This requires a critical scale-up in public and private investment. A number of World Bank-financed projects are helping the government scale up investment in the provision of basic public goods to address low levels of human capital (health, education, etc.) and access to productive infrastructure (roads, electricity), for which Madagascar has one of the lowest levels in Sub-Saharan Africa.³ This is done in parallel to a series of budget support operations aimed at strengthening the fiscal framework to increase resources available for priority spending and investment, the efficiency and effectiveness of such spending, as well as encourage mobilization of private financing. The latter however requires supporting the government in resolving existing market failures and mitigating investment risks.

²In 2012, over 87 percent of employed workers worked in enterprises with five or fewer workers (World Bank, 2016. Shifting Fortunes and enduring poverty in Madagascar).

³ World Bank (May 2018). Fiscal Sustainability and Energy Development Policy Operation. Project Document.



6. Perspectives to accelerate and sustain growth are promising based on the sound macro-economic management of the past four years, but may be threatened by the possibility of political instability as the country approaches presidential elections later this year. Currently, growth is projected at 5.0% in 2018⁴, a rate expected to be sustained in the medium run, if reforms are continued and investment is further scaled up as planned. However, such a trajectory may be interrupted in the short-term, as it has in the past, if upcoming presidential elections lead to a new political crisis. Recent turbulence and protests by opposition parliamentarians are a sign that the risks of such a crisis are real, though there have also been signs of appeasement. A stable political environment constitutes the most important condition for investment and sustained growth.

B. Sectoral and Institutional Context

7. Madagascar's ability to attract foreign investment and unlock local private investment has historically been limited, and further constrained by a history of political instability. In 2012, close to 1 of 2 local firms stated in the World Bank survey that political stability constituted the single most important challenge to their business activity. Similarly, Madagascar has consistently ranked at the bottom of international rankings like the World Economic Forum's Global Competitiveness Index (121 out of 137 in 2017-2018, and an average of 125 over 2007-2018) and the Doing Business ranking (162 out of 190 in 2018). Challenges range from infrastructure to governance, financing, and skills, to cite a few. Consequently, meaningful investment by nationals has been concentrated among the few able to mobilize their own financing, and able to withstand or even benefit from the unsupportive environment (e.g. taking advantage of bad roads to develop local monopolies), and focused on mature sectors and the capital city where the ecosystem is already developed (e.g. textiles). Investment by foreign investors has been concentrated in extractives, which can often develop their own supportive environment (e.g. by mobilizing external financing through their headquarter operations, investing in dedicated infrastructure and importing foreign skills).

8. Tourism is one of two sectors, where unlocked investment would have significant multiplier effects. Madagascar offers tourists a tremendous diversity of activities and distinctiveness of products. It is famed for its biodiversity and unique culture manifested in the island's multicultural cuisine, crafts, traditions and architecture. Recent analytical work highlights tourism and agribusiness as still having some of the best prospects for promoting private investment and job creation in Madagascar. According to GoM's ambitious estimates, the targeted 500,000 arrivals by 2019, could generate tourism receipts of up to US\$1.4 billion and result in a doubling of the number of direct jobs in hotels and tourism enterprises, and a direct contribution of tourism to GDP of 8%, in line with the average for other African countries and up from 5.1%. Given the large economic multipliers of the sector, tourism growth would have a strong positive impact on the livelihoods of poor urban and rural dwellers.

9. Agriculture offers similar growth opportunities and represents an even more important opportunity for poverty reduction. The overall agriculture sector represents 24% of national GDP and nearly 80% of employment. However, the contribution of agriculture to growth has been low compared to other low-income countries, suggesting a significant dormant potential in the sector. Creating earnings opportunities in activities at the periphery of basic agriculture also holds great promises for poverty reduction in

⁴ By the World Bank.



Madagascar. A recent World Bank analysis of poverty trends in Madagascar found that those households able to diversify into off-farm activities experience higher welfare levels.⁵ The report also pointed to the need for setting the right price policies along agricultural value chains: policies aimed at stabilizing consumer prices have in the past led to isolating rural producers from rising world prices and have deepened poverty levels. In recognition of the sector's crucial role, the government has set ambitious goals to enhance access to export markets and double the value of exports by 2025. In 2017, agribusiness exports (including livestock and fisheries products) accounted for 48% of total export earnings in Madagascar, of which around 50% came from vanilla exports.

10. To unlock investment, job creation and growth in both sectors several binding constraints need to be tackled at the local level. The potential of both sectors is geographically dispersed and faces fundamental infrastructure and capacity challenges, requiring a set of integrated transversal, sectoral and locally-concentrated interventions to resolve market failures and de-risk private investments. Capacity to deal with the challenges that come with additional investment needs to be supported both in terms of sectoral expertise but also to help local government structures deal with additional needs that will be generated new investments. Such an approach has already been applied successfully through previous phases of this Series of Projects (SOP) to lay the necessary foundations for growth in key agribusiness and tourism value chains.

11. Deficiencies in essential infrastructure services constitute one of the most important binding constraints for both sectors. According to the Global Competitiveness Index, the quality of roads in Madagascar is rated 2.2 on a scale of 1 to 7, while air and port transport perform only slightly better (3.2). In fact, while road investment planning and maintenance are officially delegated to independent agencies, minimum repair and maintenance work have fallen short due to poor planning and management, combined with a lack of properly allocated resources. In 2012, half of the secondary roads and two thirds of tertiary roads—which are critical to the development of the agricultural sector and to the reduction of poverty in rural areas—were classified to be in “bad condition”. Deteriorated urban roads also deter the potential for many agglomerations to play their role as tourism hubs. Costly and erratic electricity supply is also a particularly serious obstacle to businesses including tourism and agribusiness, and directly affects living conditions.

12. Capacity and resource constraints of relevant sectoral ministries and other stakeholders constitute another binding constraint. In the tourism sector key constraints include regulatory and fiscal incentives that have encouraged informal rather than formal activity, growing insecurity at tourism sites, health and hygiene (including unreliable water supply), as well as a lack of cohesive organization due to fragmented mandates of the various public institutions involved. Similarly, airport improvements are needed in some regions to ensure compliance with international standards. In the agricultural sector commercial value chains often remain constrained by weak organization, with a multiplication of intermediaries. This increases the likelihood of opportunistic behavior and reduces incentives to invest (e.g., side-selling). The absence of essential support services such as quality control, traceability, sanitary and phytosanitary standards and storage facilities adds to the challenge. Regulatory obstacles to competition hinder entry, adversely impacting market dynamics as observed, for example, in the lychee value chain, where the largest players, concentrated in the Eastern part of the country, are colluding to deter new players in the Southern region to enter the market (e.g. by effectively enforcing export quotas).

⁵ World Bank (2016). “Recent Trends and Analytical Findings on the Causes of Madagascar’s Persistent Poverty.”



13. Finally, local government capacity in dealing with increased investments and the increased demand these generate for public services constitutes another binding constraint that needs to be tackled. Local governments can be a limiting or a supporting factor when it comes to private investment in local communities. As economic activities expand they will compete for existing resources in the area, which can challenge other interests and lead to resistance. Local governments that are both financially and technically prepared for these new challenges are more likely to support the change. PIC 2.1 provided capacity building to reinforce the fundamentals of governance in selected communes in the project areas. This project will build on the success of these interventions with a focus on institutionalizing, sustainable and inexpensive maintenance of roads.

C. Proposed Development Objective(s)

The project development objective is to contribute to the sustainable growth of the tourism and agribusiness sectors by enhancing access to enabling infrastructure and services in Target Regions of Madagascar.

PIC 2.1 (Phase I) has supported economic recovery by improving the investment climate, increasing investor confidence, and restoring economic governance, to lay the foundation for inclusive growth and shared prosperity in the Target Regions.

The PDO-level results expected from the project are:

- (a) Increase in number of formal jobs created in targeted poles/corridors.
- (b) Value of private investment enabled by the project.

D. Project Components

Component 1: Leveraging private investment in tourism and agribusiness (IDA allocation: US\$11.5 million, total US\$16.5 million)

14. The objective of this component is to strengthen the government's ability to attract and channel private investments into productive infrastructure and improved services delivery, as well as to provide direct support to new investment in productive sectors and support services.

1.1 Madagascar Business and Investment Facility – MBIF (IDA allocation: US\$8.5 million, total US\$12.5 million)

15. The MBIF, a competitive grant program, will support the creation of new enterprises and growth-oriented SMEs and the realization of investments with significant economic, environmental and social externalities in the project's key sectors, tourism and agribusiness.

16. **MBIF grants (IDA allocation: US\$7.5 million, total US\$12.5 million).** Three different funding windows (summarized below) reflect specific objectives, grant recipient profiles and scales of subprojects, corresponding to identified market needs and market failures, which cannot be internalized by private



investors. The MBIF Implementation Manual will further detail the processes, governance, functions, and detailed eligibility and selection criteria of the program.

- (a) **MBIF Business Plan Competition (BPC) Window** will provide grants on a highly competitive basis for entrepreneurs leading startups/early-stage firms that fill gaps in the agribusiness and tourism ecosystems in the Target Regions.
- (b) **MBIF Tourism Window** will provide matching grants on a competitive basis to SMEs proposing eligible private commercial subprojects to improve product and service offerings in the tourism sector.
- (c) **MBIF Agribusiness Window** will provide grants⁶ on a competitive basis for agribusiness SMEs working with outgrowers, supporting the development of key value chains in the Target Regions.

17. MBIF support activities (US\$1.0 million). The project will fund regional-level MBIF Implementation Units, which will report to the project PIU and locally-managed Business Development Centers (BDCs).⁷ BDCs will provide an extended range of services and assist MBIF beneficiaries to: (a) access commercial financing to cover non-grant parts of their business plans and to continue investments beyond the grant financing stage; and (b) participate in Personal Initiative (PI) training⁸ financed by the project (mandatory for BPC beneficiaries).

1.2 Investment promotion and transaction support (US\$3.0 million)

This sub-component will provide the GoM with investment promotion and transaction advisory support to improve the public-private interface for investors and build capacity to strategically invite and manage more private investment.⁹ The project will finance TA, training and CB to: (a) reinforce investment promotion and facilitation to attract private investment in the hospitality sector as prioritized in the Tourism Policy Letter; (b) provide transaction support and prepare feasibility studies for selected pilot projects, including PPPs (e.g., Airport Master Plans for ADEMA secondary airports in the poles); (c) support implementation for selected PPP projects in the Target Regions; and (d) help EDBM and public-private platforms to strengthen their expertise to make targeted investment promotion and market intelligence efforts and promote inclusive and sustainable investments in the targeted value chains. This sub-component will also build upon the institutional and regulatory advancement achieved under PIC 2.1 to further improve commercial justice and enforce commercial laws and to strengthen One Stop Shops (OSS) in the Target Regions in support of private sector businesses¹⁰.

Component 2: Removing key binding constraints for private investment in tourism (US\$32.5 million)

⁶ Grants will finance the part of the proposals requiring the provision of public or semi-public investment or externalities related to innovation, learning or the environment.

⁷ Central-level MBIF support activities are funded under Component 4.

⁸ PI training has shown potential to increase firm sales and profits, especially for women-owned businesses, compared to traditional training. PI is also expected to help entrepreneurs in their efforts to access commercial financing.

⁹ The project aims to support the government in generating private investment in key infrastructure from minimal public investments.

¹⁰ The project will support OSS in business facilitation in particular to facilitate administration of issuing permits/licenses through procedural and institutional reforms.



18. The objective of this component is to help the targeted destinations to grow into sustainable, standalone tourism destinations anchoring a growing portfolio of circuits for increasingly diverse markets. These activities are clearly aligned to priority pillars identified in the Tourism Policy Letter and will target development corridors clearly identified by the GoM as priority tourism development areas for the country with strong potential to attract domestic and foreign direct investment in the hospitality sector.

Figure 1. Geographical scope of tourism activities



2.1 Supporting public management capacity related to tourism (US\$10.0 million)

19. This sub-component will provide continued support to tourism institutions to encourage more strategic tourism development approaches and market-oriented coordination for sector development. It will finance TA, CB, equipment and civil works to: (a) support the Ministry in charge of Tourism in the implementation of the vision of the Tourism Policy letter; (b) develop Strategic Tourism Physical Master Plans to guide tourism development while ensuring sustainability of the destinations¹¹; (c) support the institution in charge of tourism promotion at the national level¹² and the Tourism Confederation of Madagascar in the implementation their strategic plans; and (d) support the Ministry in charge of Transport, Civil Aviation (ACM) and ADEMA to implement the Air Transport Policy Letter to improve competitiveness and increase international long-haul flights and domestic routes. At the regional level, this sub-component will build on PIC 2.1 efforts to improve basic tourism-related infrastructure and implement site upgrades for existing nature-based tourism products, improve management of key tourist attractions, increase supply and quality in the accommodation sector, and enhance local skills through skills development programs for the tourism industry.

¹¹ The Tourism Master Planning will include Strategic Environmental and Social Screening tools to ensure all cumulative impacts are considered and addressed.

¹² The National Tourism Office (ONTM).



2.2 Upgrading urban connectivity and services for tourism development (US\$19.5 million)

20. This sub-component will finance public works and equipment to create a more favorable and safer urban environment for citizens and tourists and to enhance the attractiveness for investment in the hospitality industry, through:

- (a) **Urban roads:** In **Nosy Be**, design, supervision and works, including upgrade of the road surface and bridge repairs, and construction of structures to prevent landslides to 24km of V1 and V2 roads, and full rehabilitation of 1.6km of the “Crater” road. **In Diego** design, supervision and works to rehabilitate 24km of paved road between the city center of Diego and neighboring Ramena. **In Tulear**, design, supervision and works for the rehabilitation of 5km of paved and cobbled roads and side-road drains.
- (b) **Water:** In **Tulear**, investment in infrastructure, equipment and related TA to build or replace approximately 13km of water distribution network and install around 300 connections, improving access for an estimated 75,000 people (70% population coverage).
- (c) **Airports:** In **Fort Dauphin** and **Tulear**, targeted improvements in terms of security standards, terminal upgrades and night lighting, which would allow for certification as International Airports.

2.3 Preparing local governments for private investment (US\$3.0 million)

21. A strong capacity building program at the local level will improve overall municipal service delivery, render expected outcomes of project interventions more sustainable, and enhance local municipalities' capacity to conduct the planning processes required in cases of private investment in the key sectors. More specifically, this transversal sub-component will finance TA, CB, equipment and small civil works related to: (a) updating/improving regional and commune-level development plans and sectoral investment strategies and action plans in tourism; (b) improving revenue mobilization and collection of tourism-related infrastructure and service-related data for improved decision-making and coordination; and (c) supporting the local budget planning process by providing small grants based on Opération Communale d'Appui Intégré (OCAI)¹³ to local authorities that encourage delivery of communal and intercommunal projects linked to tourism value chains.¹⁴ Finally, the project will also finance the provision of TA, CB and small civil works for improved service delivery in water supply, solid waste management and rural electricity provision in targeted communes.¹⁵

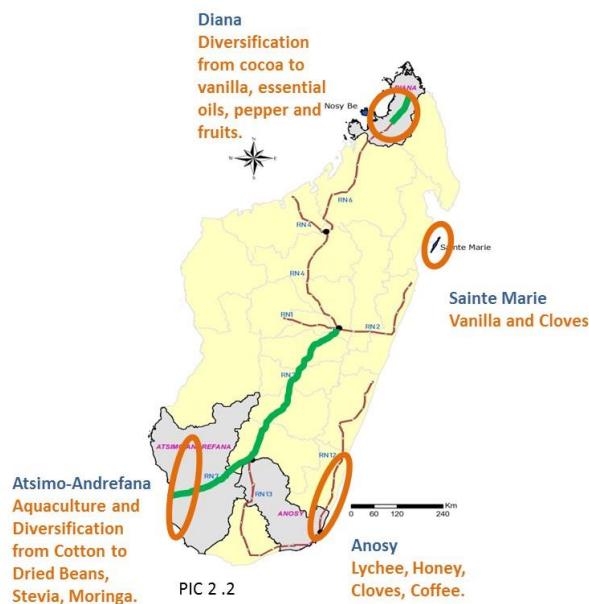
¹³ The design of this component follows the successful OCAI model implemented under PIC 2.1, which is based on participatory budgeting and citizen engagement, revenue management and local public service delivery. It allocates and monitors the use of modest grants to local authorities to support change management. Grants are identified through a participatory planning process and linked to target sectors tourism and agribusiness (under sub-components 2.3 and 3.3).

¹⁴ The design of this sub-component follows the successful OCAI model implemented under PIC 2.1, which is based on participatory budgeting and citizen engagement, revenue management and local public service delivery. It allocates and monitors the use of modest grants to local authorities to support change management. Grants are identified through a participatory planning process and linked to the target sectors of tourism (sub-component 2.3) and agribusiness (sub-component 3.3).

¹⁵ Activities will include improving water supply (standpipes), primary and secondary solid waste management systems, and rural electricity provision linked to the tourism sector. PPP models will be promoted where possible.

**Component 3: Removing key binding constraints for private investment in agribusiness (US\$22.0 million)**

22. The objective of this component is to build on PIC 2.1 results in key agribusiness value chains to support the establishment of efficient, diversified and sustainable agribusiness systems for high potential export crops in the Target Regions. Specifically, activities seek to increase profitability (increased revenues and exports and decreased transaction costs) and reduce risks (financial, social and environmental) for value chain actors, in turn unlocking private investments into further value addition. The component will support anchor value chains (cocoa, cotton and aquaculture, lychee) and diversification value chains (pre-identified value chains include vanilla, essential oils, cloves, dried beans, stevia, moringa).

Figure 2. Geographical and value chain scope of agribusiness activities***3.1 Supporting public management capacity related to agribusiness (US\$8.0 million)***

23. This sub-component will provide TA and CB to the Ministry in charge of Agriculture and the Ministry in charge of Trade at the national level to: (a) review and update the legal and regulatory framework covering key value chains and develop a market-based vision and strategic action plan for each value chain; (b) strengthen data collection and dissemination (on prices, production volumes, traded values) and strengthen nascent and existing private-private and public-private platforms in supported value chains; (c) develop advocacy strategies to address sector-specific regulatory obstacles to competition; (d) support simplification and harmonization of requisites and procedures for the licensing of economic activities; and (e) strengthen and automate regional and export One Stop Shops (OSS). At the regional level this sub-component will build on and expand PIC 2.1 efforts to support research into and the renewal of plantation and selected seeds; build capacity of farmers and primary processors to improve practices to renew plantations and to improve post-harvest techniques; support farmers to regroup and link with primary processors as well as export markets; and accelerate mechanization and phytosanitary certification for higher-value products.

***3.2 Upgrading rural and urban connectivity for agribusiness development (US\$11 million)***

24. This sub-component will finance civil works to rehabilitate urban and rural secondary and tertiary roads directly linked to key agricultural value chains.
- (a) In **Diana**: (i) targeted rehabilitation and maintenance for the 47km rural access *High Sambirano road*, which concentrates 60% of national cocoa production and other target crops and; (ii) design, supervision and works to rehabilitate 6km of selected tracks of urban roads in *Ambanja*, with a mix of paved and cobbled roads and side road-drains, to enhance the economic attractiveness of the city and encourage the development of agro-industrial, commercial activities.
 - (b) In **Atsimo-Andrefana, Anosy and Sainte Marie**: the design, supervision and works of approximately 10 km of rural connectivity secondary and tertiary roads key to the project supported sectors.

3.3 Preparing local governments for private investment (US\$3.0 million)

25. This sub-component will finance TA, CB, equipment and small civil works to improve overall municipal service delivery¹⁶, render expected outcomes of project interventions more sustainable, and enhance local municipalities' capacity to conduct the planning processes required in cases of private investment in the agribusiness sector. The sub-component will also provide small grants based on the OCAI model to local authorities that encourage delivery of communal and intercommunal projects linked to agribusiness value chains.

Component 4: Project Implementation, Monitoring and Evaluation, Safeguards and Impact Evaluation (US\$4.0 million)

26. This component will finance the PIU and allow it to implement the project, comply with fiduciary rules and safeguards, and fulfill monitoring and evaluation and impact evaluation commitments. Specifically, it will fund: (a) the continued operation of the PIC 2.1 National Project Secretariat Project Implementation Unit based in Antananarivo (the PIU), as well as decentralized technical units in the three Target Regions and Sainte Marie; (b) the MBIF Implementation Unit Coordinator at the national level; (c) the project's monitoring and evaluation system; and (d) preparation of all safeguards processes and documentation.

Component 5: Contingent Emergency Response (US\$0 million)

27. This component, a “zero-dollar” component, will provide immediate assistance (e.g., emergency works) in response to an eligible crisis or emergency that causes a major disaster, as needed. Following such an event, the GoM may request the World Bank to channel resources from this component into an Immediate Response Mechanism (IRM). The IRM would enable the use of a portion of uncommitted funds from the overall IDA portfolio to respond to emergencies. Specific details of this component (including activation criteria, eligible expenditures, and specific implementation arrangements, as well as required staffing for the Coordinating Authority) will be defined in greater detail in the IRM Operations Manual.

¹⁶ Activities will include improving water supply (standpipes), primary and secondary solid waste management systems, and rural electricity provision linked to the agribusiness sector. PPP models will be promoted where possible.



C. Project Beneficiaries

28. The project is expected to benefit four key stakeholder groups in the Target Regions and sectors:

29. Businesses. In tourism: (i) businesses in the Target Regions will benefit from improved market access, better public goods provision in targeted tourism segments and better skilled workers; (ii) SMEs, including micro-enterprises in the tourism value chain (e.g., accommodation, services, creative industries) will benefit from enterprise formation, and growth through the project's capacity strengthening and matching grants. In agribusiness: (i) existing SMEs, especially exporters and processors of the targeted value chains, will benefit from increased productivity and lower costs from improved logistics, higher value products from better value chain organization and quality control; (ii) new or previously growth-constrained MSMEs, including those involved directly in the value chains, will benefit from improved competition and licensing conditions, as well as those serving the value chains that will benefit from larger and more diversified markets. New businesses and entrepreneurs more broadly, especially youth and women, will benefit from (i) a stronger entrepreneurial ecosystem and innovative capacity building/training with proven impact on sales and profits, with results especially strong for women entrepreneurs (ii) matching grants that allow them to reach proof of concept stage.

30. Workers and farmers. Workers and farmers in the Target Regions will benefit from increased revenues from higher quality products, increased productivity, and the creation of new opportunities (e.g., new hotel investments, new value chain developments/formalization), and lower risks from diversification and higher market positioning that help hedge against global market fluctuations. Formalization drives and requirements for beneficiary firms will ensure social safety net coverage for employees. Women's labor force participation rate is high in Madagascar and women are over-represented in tourism and agriculture but tend to occupy low-paying positions. Capacity-building programs and extension services under the project will ensure women's access to training and opportunities for positions of greater responsibility and leadership, reducing gender pay gaps.

31. Key sectoral institutions. The project is directly supporting such institutions, which can be public, public-private or private, in both the tourism and agribusiness sectors, and are essential in the achievement of project results and their sustainability. In agribusiness, this includes helping previously supported cocoa and cotton platforms reach full capacity to manage the value chains and financial sustainability, as well as supporting or strengthening institutions in the new value chains to be supported by the project. In tourism, project support includes: at the national level, the Ministry in charge of Tourism for the implementation of its vision, financial sustainability for ONTM, and TA and CB to the Air Route Development Committee; at the regional level, this includes support to PRAT-D and regional public-private and private-private tourism dialogue platforms.

The broader population. Populations in the Target Regions will directly benefit from improved access to infrastructure and services as well as spillovers from improved electricity access and irrigation that may result from MBIF activities. They will also benefit indirectly from the creation of service jobs through new sectoral activities. Improving access to clean water and sanitation reduces the opportunity cost of collecting water for women and girls and has a clear impact on improving child health and in turn educational outcomes. Together with connectivity improvements, these investments are expected to result in greater access to/use of health and education facilities for sustained human capital accumulation.



E. Implementation

32. Building on lessons learned from the first phase implementation arrangements, the project will be implemented through the following institutional arrangements (details on Implementation Arrangements are provided in Annex 1).

33. **Ministry of Finance and Budget.** The Borrower will be the Republic of Madagascar, represented by the Ministry of Finance and Budget. As the Borrower's representative, this Ministry's key responsibilities under the project will be to ensure that the executing Ministries carry out their responsibilities in accordance with the terms of the Financing Agreement.

34. **The Ministry of Finance and Budget** will chair the Project Steering Committee and the PIU will report to the Minister of Finance and Budget.

35. A **Project Steering Committee.** Given the multi-sectoral approach and multi-region scope of the project, the project will be overseen by a Project Steering Committee. The Steering Committee is charged with defining the strategic orientation of the project and mobilizing technical and financing partners as well as Ministries, public sector entities and the private sector in terms of technical and financial support to the project. The Steering Committee will meet at least once every 12 months to perform a strategic review of Project Progress Reports, validate yearly reports, annual work plans and budgets and provide oversight and support for effective project implementation. The Committee will consist of high-level representatives of relevant Ministries (e.g., Agriculture, Tourism, Trade, Transport, Industry and Private Sector Development), and will be chaired by the Ministry of Ministry of Finance and Budget.

36. The PIC 2.1 **Project Implementation Unit**, based in Antananarivo, whose core staff will remain in place following the closing of PIC 2.1 and will be supported at the technical level by expert advisors, will be responsible for project implementation and management of all components. The PIU will be responsible for overseeing the flow of project funds for each component and sub-component, monitoring and evaluation, management of the Madagascar Business and Investment Fund (through a MBIF Implementation Unit), and ensuring project reporting between agencies, the PIU and the Ministry. The PIU will report regularly to and seek guidance from the Steering Committee on strategic aspects of the project.

37. **Decentralized technical units** in Diana, Atsimo-Andrefana and Anosy consisting of specialists in the fields covered by the project in each region will act as regional focal points, overseeing implementation and leading and reporting on dialogue with local stakeholders. Key regional technical staff will remain in place following the closing of PIC 2.1.

38. **MBIF Implementation Unit.** A MBIF implementation unit will be created, which will report to the PIU on overall MBIF fiduciary management, monitoring and evaluation, project oversight and coordination. MBIF Implementation Unit members will be responsible for appraising and scoring each funding request and submitting requests to regional MBIF Validation Committees for review and approval. The team managing MBIF will consist of the Coordinator, and at least one financial management specialist,



procurement specialist, private sector specialist, operations and M&E specialist. One designated MBIF project manager will be located in each of the PIU decentralized units.

39. Regional MBIF Validation Committees. The MBIF Validation Committees will ensure the coherence of the MBIF program with the regional and national economic context and priorities, and maximize transparency in the screening and selection of applications. The Committees will be responsible for reviewing initial proposals and business plans that have been previously appraised by the MBIF Implementation Unit and accepting or rejecting PIU recommendations, providing justifications for decisions.

40. The PIU will open a Designated Account (DA) in the Central Bank of Madagascar denominated in US Dollars to receive funds from the World Bank. A secondary USD account will be opened at an acceptable commercial bank to enable payment of eligible expenditures. An account at a commercial bank will be opened for each regional office. Transaction-based disbursements will be used. An initial advance up to the ceiling of the DA and representing four months forecasted project expenditures payable through the DA will be made into the DA and subsequent disbursements will be made monthly against submission of the Statement of Expenditures (SOEs) or other documents as specified in the Disbursement and Financial Report Information Letter (DFIL).

41. Robust FM arrangements (including a comprehensive annual audit of project accounts, and FM supervision including review of transactions and asset verification), have been designed to mitigate the fiduciary risks in addition to the PIU's overall internal control systems.

42. Robust FM arrangements (including a comprehensive annual audit of project accounts, and FM supervision including review of transactions and asset verification), have been designed to mitigate the fiduciary risks in addition to the PIU's overall internal control systems.

Project components and Safeguards

Proposed activities and investments	E & S impacts and Safeguards Instruments prepared
<p>Sub-Component 1.2 Investment promotion and transaction support (US\$ 3 million)</p> <ul style="list-style-type: none">• Support to EDBM to support to attraction of hotel investments and tourism services.• Support facilitation of agribusiness partnerships or key connecting and/or logistics infrastructure.• Support the government in selecting priority PPP and management contract for infrastructures and services in Target Regions (e.g., secondary airports managed by ADEMA, private management of water supply to local community's standpipes and solid waste collection.)• Development of Airport Master Plans for ADEMA secondary airports in the poles (e.g	<ul style="list-style-type: none">• Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF) prepared by the Government take into account activities supported by this component.• PPP support will not focus on large PPP investments such as energy and dams.: Technical assistant to rehabilitate Airport and tourism infrastructures; technical assistant for all waste management site.• A screening tool will be included in ESMF to ensure no Category A PPPs will be supported through project.



<p>Diego) leveraging the feasibility and costing study on airport upgrading conducted under PIC 2.1</p>	
<p>Sub-Component 1.1 Madagascar Business and Investment Facility (US\$ 8.5 million)</p> <ul style="list-style-type: none"> • MBIF Grants: MBIF Business Plan Competition (BPC) Window, Tourism Windows and Agribusiness Window. • Locally-managed Business Development Centers (BDCs) and PI (US\$ 1 million), supported by the project in the poles will provide a range of services, providing business services from assisting with formalization and regulatory requirements to individualized coaching at every stage of business incubation and acceleration • MBIF manual will include in the safeguard instruments required the WB's EHS General and Specific Guidelines • MBIF Manual will be updated to include MBIF Agribusiness Window. 	<ul style="list-style-type: none"> • MBIF interventions are taken into account by ESMF and require EMPS for the selected subprojects. • MBIF is under implementation under PIC2.1 with an approved Implementation Manual including clear Social and Environmental screening tool/criteria for selection of the eligible sub-project with the requirement to prepare a specific ESMP which should be approved by the National Environment Agency. A total of 104 sub-projects have been approved and to date 104 ESMPs have been prepared. 102 beneficiaries have already received training on accounting management, technical support on the selected activities; ESMPs implementation process, grievance mechanism and ESH measures to be adopted. 2 remaining beneficiaries will be trained within 2 months.
<p>Sub-Component 2.2 and 3.3: Preparing local governments for private investment (US\$ 6 million) Project will provide capacity building to reinforce the fundamentals of governance in the communes in the project areas, to improve service delivery and strengthen regional and local public-sector institutions as driving forces of development in tourism and agribusiness, and increase their ability to enable private sector investments. make outcomes of project interventions more sustainable.</p> <ul style="list-style-type: none"> • The project will finance TA, CB (and, where relevant, equipment and small civil works¹⁷⁾ at the <i>regional and local level</i> to update/improve and implement regional and communal development plans, develop sectoral investment strategies and action plans; improve revenue mobilization. • OCAI Grants The project will provide modest grants to local authorities as incentive tools and mechanisms to commune cluster initiatives to encourage them to deliver joint projects identified through a participatory 	<ul style="list-style-type: none"> • Environmental and Social Management Framework (ESMF) and Resettlement Policy Framework (RPF) prepared by the Government take into account activities supported by this component. ESMP is required before launching activities. • Equipment and small civil works are limited to new communes not currently supported by PIC, and will encompass rehabilitation of communal buildings. (as per PIC2.1). • ESMF and RPF take into account all potential activities funder under OCAI. <p>OCAI grants are under implementation under PIC2.1 with an approved Implementation Manual with clear a Social and Environmental screening tool/criterion. A total of 68 grants have been approved with their respective ESMP.</p>

¹⁷ For communes not previously supported under PIC 2.1



<p>planning process, following the successful OCAI model implemented under PIC2.1.</p>	
<ul style="list-style-type: none"> • Investment in infrastructure and equipment and related TA for energy: (a) minor civil works linked to targeted rural energy systems that might be directly linked to implementation of value chain activities; and (b) support to solar pumps and mini-grid IPP energy systems for SMEs (tourism and agribusiness) in the Target Regions, • The project will finance TA, CB and equipment for improved service delivery linked to primary and secondary solid waste collection services in urban and semi-urban areas. This activity will seek to promote a viable PPP management model for waste collection. 	<ul style="list-style-type: none"> • ESMF and RPF take into account all water distribution, rural energy and solid waste collection management activities under this sub-component. • The main principle is to prepare a specific ESMP and RAP during implementation in compliance with the safeguard framework documents (ESMF and RPF) for Bank's approval before launching the civil works. • Water distribution system for Tulear has not yet been finalized. ESMP and RAP will be prepared once the networks delimitation is confirmed. These works will not be initiated during the first year of the project. • Small civil works financed under this sub-component would be related to installation of systems. • Environmental and Social Management Framework (ESMF) prepared by the Government take into account the Solid waste and other activities not fully identified at this stage of preparation
<p>Sub-component 3.1 Supporting public management capacity related to tourism (US\$ 10 million).</p> <p>43. This sub-component will provide continued support to tourism institutions to encourage more strategic tourism development approaches and market-oriented coordination for sector development. It will finance TA, CB, equipment and civil works to: (a) support the Ministry in charge of Tourism in the implementation of the vision of the Tourism Policy letter; (b) develop Strategic Tourism Physical Master Plans to guide tourism development while ensuring sustainability of the destinations¹⁸; (c) support the institution in charge of tourism promotion at the national level¹⁹ and the Tourism Confederation of Madagascar in the</p>	<ul style="list-style-type: none"> • ESMF and RPF prepared by the Government encompass envisioned tourism development activities. • In particular for Nosy Be, where support is anticipated to generate substantial increases in the number of tourist from the current 82000 visitors per year, the project will finance the Preparation and implementation of Strategic Tourism Master Plans including Strategic Environmental and Social Assessment Screening tools and guidelines to ensure all cumulative and potentially induced impacts are considered in the prioritization and selection of investments and investment-specific impacts are screened and identified early in the process. • Standard Code of conduct included into all workers contract integrated in ESMF, in addition to

¹⁸ The Tourism Master Planning will include Strategic Environmental and Social Screening tools to ensure all cumulative impacts are considered and addressed.

¹⁹ The National Tourism Office (ONTM).



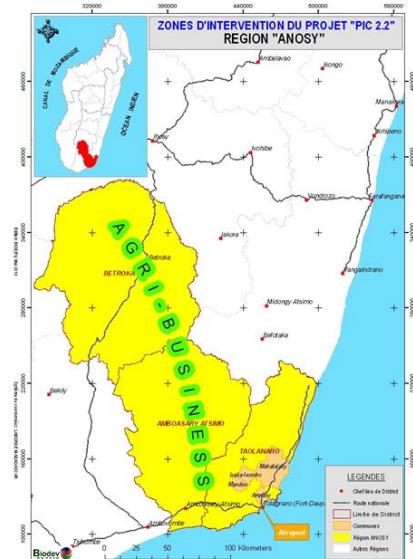
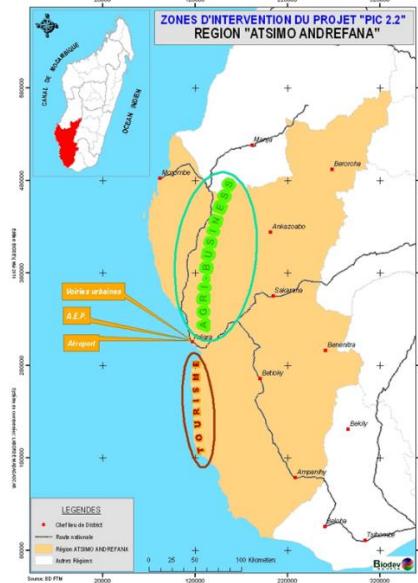
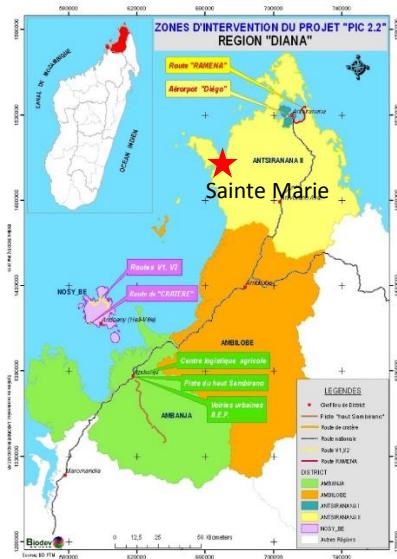
<p>implementation their strategic plans; and (d) support the Ministry in charge of Transport, Civil Aviation (ACM) and ADEMA to implement the Air Transport Policy Letter to improve competitiveness and increase international long-haul flights and domestic routes. At the regional level, this sub-component will build on PIC 2.1 efforts to improve basic tourism-related infrastructure and implement site upgrades for existing nature-based tourism products, improve management of key tourist attractions, increase supply and quality in the accommodation sector, and enhance local skills through skills development programs for the tourism industry. Specific interventions include</p> <ul style="list-style-type: none">• Implement co-management and conservation model developed under previous PIC phases to the sites of Mer d'Emeraude (Diego)• Small-scale civil works investments on islands of high tourism interest surrounding Nosy Be (e.g., Nosy Komba, Nosy Iranja) to enhance basic tourism infrastructure, facilitate access and provide visitor services that can generate revenue for site management, enhancing sustainability of existing and future visitation;• TA, CB and small civil works linked to tourism site upgrades for Ankarana, Montagne d'Ambre and Tsimanampesotse National Parks following existing Management Plans.	<p>the Gender Based Violence strategy prepared by the project and integrated into each ESIA/ESMP</p> <ul style="list-style-type: none">• ESMF and RPF prepared by the Government encompass envisioned tourism development activities. (including Master Plans and SESA).• ESMF and RPF prepared by the Government encompass envisioned upgrades to co-managed tourism sites of Mer d'Emeraude as well as small potential civil works upgrades for tourism sites such as (visitor center, signage of trails, rest areas). The main principle is to prepare a specific ESMP during implementation in compliance with the safeguard framework documents (ESMF and RPF) for Bank's approval before launching the civil works.• Upgrade to infrastructures in the ecotourism zones of National Parks (e.g. visitor center, signage of trails, rest areas) are also taken into account by ESMF and RPF but will also follow the zoning and management plans prepared for Madagascar National Parks under the Third Environmental Program (EP3), funded by the Bank. The main principle is to prepare a specific ESMP during implementation in compliance with the safeguard framework documents (ESMF and RPF) for Bank's approval.• Standard Code of conduct included into all workers contract integrated in ESMF, in addition to the Gender Based Violence strategy prepared by the project and integrated into each ESIA/ESMF
<p><u>Upgrading urban connectivity and services for tourism development (US\$19.5 million)</u></p> <ul style="list-style-type: none">• Urban roads: In Nosy Be, design, supervision and works, including upgrade of the road surface and bridge repairs, and construction of structures to prevent landslides to 24km of V1 and V2 roads, and full rehabilitation of 1.6km of the "Crater" road. In Diego design, supervision and works to rehabilitate 24km of paved road between the city center of Diego and neighboring Ramena. In Tulear, design, supervision and works for the rehabilitation of 5km of paved and cobbled roads and side-road drains.• Water: In Tulear, investment in infrastructure, equipment and related TA to build or replace	<ul style="list-style-type: none">• ESMF and RPF take into account all connectivity infrastructure investments. (Tulear urban Road and Tulear and Fort Dauphin Airports)• Environmental and Social Impact Assessments (ESIA) and Resettlement Action Plans (RAP) have been developed V1/V2 Road and Crater Route (Nosy Be) and Ramena Road (Diego).• Resettlement Action Plans (RAP) have been developed for Crater Route (Nosy Be) and Ramena Road (Diego).• No RAP has been prepared for V1/V2 as it involves rehabilitation of existing road with displacement.• The main principle is to prepare a specific ESMP and RAP during implementation in compliance



<p>approximately 13km of water distribution network and install around 300 connections, improving access for an estimated 75,000 people (70% population coverage).</p> <ul style="list-style-type: none">• (c) Airports: In Fort Dauphin and Tulear, targeted improvements in terms of security standards, terminal upgrades and night lighting, which would allow for certification as International Airports.	<p>with the safeguard framework documents (ESMF and RPF) for Bank's approval before launching the civil works related to Tulear urban roads and Water Supply.</p>
<p><u>Sub-component 3.1 Supporting public management capacity related to agribusiness (US\$8.0 million)</u></p> <p>This sub-component will focus on: (i) ensuring that previously established private-private and public-private value chain platforms reach full capacity and financial sustainability; (ii) supporting the creation or strengthening of adequate platforms in newly supported value chains, where needed, including by combining with existing ones where relevant; (iii) support to linkages with national-level regulation entities (e.g. Ministry of Agriculture and Livestock, Ministry of Commerce) to define and implement necessary regulatory improvements.</p> <p>Sub-component 3.2 Boosting sustainable and diversified agribusiness systems</p> <ul style="list-style-type: none">• Diana: TA and CB to support improvement of local seeds for cocoa plantations and their distribution, to counter the effects of plant aging and climate change; TA and equipment for quality certification in other crops and agroforestry practices• Atsimo-Andrefana: CB and TA to support farm mechanization, and certification services such as Better Cotton Initiative; TA and equipment to facilitate responsible use of innovative irrigation techniques in areas with proven excess reserves, accompanied by CB for community-based management of resources and equipment; TA for sustainable expansion of the aquaculture value chain• Anosy: TA, CB and equipment to improve farmers practices, value chain organization and replanting, in particular for lychee	<ul style="list-style-type: none">• ESMF takes into account all Agribusiness Value Chain Support.• Pest Management Plan (PMP) has been prepared to take into account TA and CB activities linked to agribusiness promotion, improving agricultural performance and agribusiness investments• ESMF takes into account all Agribusiness Value Chain Support.• Pest Management Plan (PMP) has been prepared to take into account TA and CB activities linked to agribusiness promotion, improving agricultural performance and agribusiness investments.
<p><u>Sub-component 3.2 Upgrading rural and urban connectivity for agribusiness development</u></p> <ul style="list-style-type: none">• In Diana, the project will finance targeted rehabilitation and maintenance for the critical	<ul style="list-style-type: none">• ESMF and RPF take into account all connectivity and quality infrastructure and services investments. (Atsimo-andrefana and Anosy rural roads, and Ambanja urban road and Ambanja water)



<p>47km access rural road to the High Sambirano area in Diana.</p> <ul style="list-style-type: none"> In <i>Atsimo-Andrefana, Anosy and Sainte Marie</i>, the project will support targeted rehabilitation and maintenance of key rural roads linking agricultural areas to primary roads. (estimated 10 km) In Ambanja rehabilitate 8km of selected tracks of urban roads to enhance the economic attractiveness of the city. The selection of the 8km will be based on potential economic, industrial and tourism activities along these axes. The roads will be a mix of paved and cobbled roads, and the works will include side-road drains. in Ambarja, provision of standpipes and TA for improved water supply management to poor, underserved neighborhoods and in other locations, small civil works, such as community standpipes, where required. 	<ul style="list-style-type: none"> An ESIA and a RAP has been developed for High Sambirano Road (Ambarja). The main principle is to prepare a specific ESMP and RAP during implementation in compliance with the safeguard framework documents (ESMF and RPF) for Bank's approval before launching the civil works for urban roads in Ambarja and secondary rural roads in Atsimo-Andrefana and Anosy.
--	--



**F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)**

The PIC 2.2 project will operate in four regions of Madagascar: Pôle de Tuléar (Atsimo-Andrefana region) in the South-West, Nosy Be in the North-West, Diego and Ambanja (Diana region) in the North, Pôle de Fort Dauphin (Anosy region) in the South-East and Sainte Marie (Analajirofo region) in the Middle East.

G. Environmental and Social Safeguards Specialists on the Team

Antoine V. Lema, Social Safeguards Specialist

Paul-Jean Feno, Environmental Safeguards Specialist

Andrianjaka Rado Razafimandimby, Social Safeguards Specialist

Maria Do Socorro Alves Da Cunha, Social Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The policy is triggered because the proposed PIC 2.2 activities will potentially induce adverse environmental and social impacts : (i) the rehabilitation and upgrading of rural and urban roads within their existing alignments and RoWs; (ii) the technical assistance and equipment to upgrade the lighting and navigation equipment in two of the growth pole's airports; (iii) the strengthening and extending water supply infrastructure networks to the urban vulnerable/poor population; (iv) the construction or rehabilitation of municipal infrastructures under OCAI activities (such as the common market in Ambanja); and (v) the boosting private investments in agribusiness value chains and tourism investments in project target poles. The infrastructure investments (road, water supply, market) may result in both direct and indirect environmental and social impacts by activities at the main work sites, including the camps and quarries for the rehabilitation and exploitation of roads (community health and safety risks such as the increased STD/AIDS transmission risks as a result of the number of workers during the civil works, the



local recruitment, accident risks, Sexual Exploitation and Abuse (SEA) risks, nuisances such as noise, dust, vibration). Tourism activities may expose to significant risks to increase HIV/AIDS transmission, Risk/impact assessment of social aspects (e.g. GBV, community health and safety, population influx).

To reduce these risks and adverse environmental and social consequences and meet triggered safeguard policy requirements, the Borrower has prepared : (i) an Environmental and Social Management Framework (ESMF) for the activities related to rehabilitation of urban road, extension and rehabilitation of water supply, installing of equipment to upgrade the lighting and navigation equipment in two airports, and construction of building and areas for the custom control in pole regions (Sub-component 2.1), since the specific sub-projects and locations of these infrastructure investments and activities cannot be determined prior to project appraisal; (ii) a full Environmental and Social Impact Assessment (ESIA) with a specific ESMP for the civil works related to the rehabilitation of Sambirano road, rehabilitation of VI/V2 road, Rehabilitation of Ramena road and Cratère road; and (iii) prepared Terms of Reference for Tourism Master Plans that will incorporate Strategic Environmental and Social Assessment (SESA) for the support of the project to the Tourism Development Strategy in Nosy Be and Sainte Marie. The ESMF, ESIA and ESMP have been approved by the Bank and have been disclosed publicly in-country and on the World Bank's external website on July 11, 2018.

Performance Standards for Private Sector Activities OP/BP 4.03	No	Not applicable
Natural Habitats OP/BP 4.04	Yes	The instruments to mitigate any potential impacts are described under Environmental Assessment OP BP 4.01. The ESMF assessment has demonstrated that the project has as main objective to preserve natural habitat, no major activities could affected natural habitat. The environmental assessments conducted for the selected roads, field visits and public consultations during the preparation of ESIA and ESMF did not indicate any negative impacts to



natural habitats due to their localization out of these sensitive zones.

Potential tourism or agribusiness investments supported could trigger this policy. Even though the project envisages supporting tourism investments within a few protected areas, activities will be sited within buffer (called “Zones d’utilisation contrôlée”) and/or peripheral areas. Layout plans have already been approved and prepared in participatory approach with the local communities around the potential ecotourism zones. The Plans contain the various zoning within and around the protected areas and characterize the activities like ecotourism could be conducted on certain zones. The potential ecotourism zones are composed of weak sensitivity environmental and poor in biodiversity. These plans have been elaborated under Third Environmental Program (EP3), the project has been funded by the Bank. They are in implementation by Madagascar National Parks (MNP), the national agency which manages the National protected areas network in the Country). No Natural habitat will be impacted by the project activities with agribusiness and tourism component. As these activities will be near of protected and site-sensitivity areas, the project could trigger this policy and the ESMF has considered all mitigation measures should be considered to preserve these zones. The tourism and agribusiness activities will be developed in compliance with the zoning and requirements around the Protected Areas Networks under MNP responsibility and all activities could affected sensitive areas where full ESIA is required following environmental national laws and should be in compliance with the legal frameworks of protected areas in Madagascar under MNP responsibility.

Forests OP/BP 4.36	No	The project will not involve deforestation, nor will it involve afforestation.
Pest Management OP 4.09	Yes	Improving agricultural performance and agribusiness investments may lead to the extensive use of pesticides to boost agriculture productivity. To ensure safe pest management, the project has prepared a Pest Management Plan for sub-projects and value chains selected to be supported by



		project in the project regions. The PMP is a stand-alone report and has been approved by the RSA, disclosed publicly in-country and on the World Bank's external website on July 11, 2018.
Physical Cultural Resources OP/BP 4.11	Yes	This policy is not expected to be triggered by any of the Project activities. No Physical Cultural Resources are expected to be impacted by the Project following the results of public consultation and field visits. Nevertheless, Tombs are widely dispersed in the Toliara region and so are sacred places in Diana region. However, to date, no project activity will trigger this policy. Concerning infrastructure subprojects (mainly roads), no archaeological vestiges will be impacted because the project will work under the existing right-of-ways. For more assurance, The ESMF has considered a chance find procedure for the project which will be included in the contractors' contract.
Indigenous Peoples OP/BP 4.10	No	Based on the World Bank definition of Indigenous Peoples, this policy will not be triggered by any of the project activities as there are no Indigenous Peoples in Madagascar.
Involuntary Resettlement OP/BP 4.12	Yes	The policy is triggered because of the proposed infrastructure investments (road rehabilitation, water supply, market construction) under the proposed Component 2. These activities will require land acquisition. Economic displacement is also expected, but physical resettlement is not likely to occur, as infrastructure investments are focused on the rehabilitation of existing infrastructures. Around 624 households are expected to be affected by these project activities. To reduce these risks and to meet safeguard policy requirements, the Borrower has prepared a detailed Resettlement Policy Framework (RPF) for activities not yet clearly identified or not planned for the first year of the project, as well as three Resettlement Action Plans (RAP) (road rehabilitation in Haut Sambirano, Ramena and Cratère) of the planned activity for the first year. The RPF sets forth the basic principles and procedures/directives to be followed by the



		Borrower for the preparation of those RAPs once the physical locations of the proposed activities are yet unknown or planned after the first year of the project. No Process framework is necessary to this project as access restriction to natural resources is not expected to happen under the project. The RPF of the project, and the three PARs of (road rehabilitation in Haut Sambirano, Ramena and route de la Cratère) have been disclosed publicly in-country and on the World Bank's external website before appraisal. All other expected RAPs will be reviewed and cleared by the Bank and then ultimately disclosed both in-country and on the Bank's external website on July 11, 2018.
Safety of Dams OP/BP 4.37	No	The Project is not financing any activities related to dams. This policy is not triggered.
Projects on International Waterways OP/BP 7.50	No	This policy is not triggered as Madagascar is an Island country that does not share international waters with neighboring countries
Projects in Disputed Areas OP/BP 7.60	No	This policy is not expected to be triggered by any of the Project activities.

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The Project is classified as Category "B" because the environmental and social impacts are site specific, local, reversible and mainly temporary (during civil works), and can be reduced in acceptable level after adoption of specific mitigation measures. In addition, no physical relocation issues are anticipated under the project. Most of the resettlement aspects are economical and temporary displacement during the work. No impact on natural habitat or national parks could be generated by tourism activities around or in protected areas: use of buffer zones and existing potential ecotourism zones approved under the former Third Environmental Program (EP3) financed by the Bank. Five environmental and social Safeguard Policies are triggered by this operation: OP 4.01 (Environmental Assessment), OP 4.04 (Natural Habitat); OP 4.09 (Pest Management); OP 4.11 (Physical Cultural Resources); OP 4.12 (Involuntary Resettlement).

The proposed PIC 2.2 activities below may result in both direct and indirect environmental and social impacts and risks : (i) MBIF Grant on the activities and investments supported by the selected Business Plans, OCAI Grant to the local authorities for the subprojects retained for project financing; (ii) improving regional and municipal service delivery by rehabilitation and extension of water distribution networks to vulnerable/poor population with standpipes, primary and secondary solid waste collection services in urban and semi-urban areas; (iii) Enabling sustainable development and private investment in tourism by preparation and implementation of Strategic Tourism



Master Plans, financing of small-scale civil works investments on sites of high tourism interest to enhance basic tourism infrastructure, facilitate access and provide visitor services, visitor center, signage of trails, rest areas; (iv) upgrading rural and urban connectivity by rehabilitation and upgrading of rural and urban roads within their existing alignments and RoWs, technical assistance and equipment to upgrade the lighting and navigation equipment in two of the growth pole's airports; (v) boosting private investments and diversification on selected agribusiness value chains in project target poles.

These activities may result in both direct and indirect environmental and social impacts and risks: community health and safety risks including: community health and safety risks such as risks to increased HIV/AIDS transmission; risks related to the influx of workers and local recruitment during civil works, as well as to the development of tourism activities (e.g., gender based violence, Sexual Exploitation and Abuse (SEA) risks); increased risk of accidents during works; general nuisances such as noise, dust and vibration; and temporary/ permanent land acquisition and economic displacement

The main environmental impacts associated with the civils works fully reflected in the available safeguard instruments (ESIAs and ESMF) include: generation of noise, dusts and vibration; erosion on the quarry sites of rocks and earth, traffic disturbance and accident traffic risks and community health and safety risks such as the increased STD/AIDS transmission risks as a result of the number of workers during the civil works. For the subprojects pre-identified during the preparation (High Sambirano rural, Ambanja peri-urban road, V1/V2 road in Nosy Be, Ramena Road in Diego and the Crater Road In Nosy Be), Environmental and Social Impacts Assessments (ESIA) have been prepared by the project. The relevant and adequate mitigation measures to address the risks and adverse environmental and social impacts are described in their respective ESIA/ESMP.

For the following activities : MBIF Grant on the activities and investments supported by the selected Business Plans, OCAI Grant to the local authorities for the subprojects retained into the project financing; (ii) Improving regional and municipal service delivery by rehabilitation and extension of water distribution networks to vulnerable/poor population with standpipes, primary and secondary solid waste collection services in urban and semi-urban areas; (iii) Enabling sustainable development and private investment in tourism by preparation and implementation of Strategic Tourism Master Plans, financing of small-scale civil works investments on islands of high tourism interest to enhance basic tourism infrastructure, facilitate access and provide visitor services, visitor center, signage of trails, rest areas; (iv) technical assistance and equipment to upgrade the lighting and navigation equipment in two of the growth pole's airports; their exact locations of infrastructure investments and activities cannot be determined prior to project appraisal and their technical studies will be conducted during implementation. Therefore, the Borrower has prepared an Environmental and Social Management Framework (ESMF) that includes an Environmental and Social Management Plan (ESMP).

On boosting private investments and diversification on selected agribusiness value chains, the Project will intervene in linking of small-holders with medium to larger investors throughout grower schemes. Therefore, investors will work with the smallholders to improve the quality of the agricultural products in their existing own land, collect and/or buy the products, store them and sell them to large consumers. The investors themselves will not need to secure large plots of land. As land acquisition could lead to social problems, project linked to land acquisition will be not allowed in this phase of the project. Nevertheless, improving agricultural performance and agribusiness investments may lead to the extensive use of pesticides to boost agriculture productivity. The irresponsible using of pesticides and fertilizers could generate contamination and pollution of water and soil; health issues and human toxicity risks with facilities, use, storage/disposal and application of agrochemicals, ..etc. To mitigate risk related to pesticide use the Borrower has prepared a Pest Management Plan (PMP).



The main social impacts associated are related to (i) land acquisition and economic displacement and loss of revenues (without any physical resettlement) which could affect more than 624 households; (ii) labor influx issues of temporary workers during the civil works such as community health and safety risks such as the increased STD/AIDS transmission risks as a result of the number of workers during the civil works, the local recruitment, accident risks. In Tourism, the project will support strategic tourism development objective of reaching 500,000 annual visitor arrivals. This increase in number of tourism arrivals could generate the risk of proliferation of Sexual Exploitation and Abuse (SEA) risks, and community health and safety risks such as the increased STD/AIDS transmission risks. The Borrower has included an analysis in the Environmental and Social Management Framework (ESMF) to launch the preparation of a Tourism Master plan for Nosy Be (where the larger agglomeration of tourist arrivals is located) which will incorporate a Strategic Environmental and Social Assessment (SESA) to be undertaken at the start of project implementation to address all risks and adverse environmental and social impacts.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: The PIC2.2 project is not expected to have long term adverse environmental and social impacts on future activities in the potential project areas. Overall project impacts are generally considered substantial, with the most significant impacts linked to land use during the road rehabilitations and water supply civil works. The overall number of Tourists to Madagascar remain still very low and potential cumulative impacts are very limited as compared to country landmass and population. In 2016 Madagascar received 296 thousand tourists in, as compared to neighboring Mauritius, 300 times smaller in size, which received 1.27 million, and to Costa Rica 10 times smaller (considered an example of sustainable tourism development) which received 2.9 million. The GoM vision for Madagascar is to receive 500,000 tourists by 2019, which is highly unlikely due to impact of the plagues crisis which hit the country in 2018.

Cumulative impacts of Tourism will however be closely monitored and mitigated in particular for Nosy Be, where tourism levels represent 32% of total visitors (localized in a small geographical area of the country) and where the project anticipates to see the largest increase of arrivals and hotel investments (second only to Antananarivo). The impacts will be addressed in early project implementation through the preparation and implementation of Strategic Tourism Master Plans including Strategic Environmental and Social Assessment Screening tools and guidelines to ensure all cumulative and potentially induced impacts are considered in the prioritization and selection of investments and investment-specific impacts are screened and identified early in the process. The project in fact aims to make these increases sustainable by focusing activities on the improvement of infrastructure (e.g. roads) and services (e.g. waste management), which will benefit both tourists and the local population while also providing governance TA to all local communities impacted by the project.

The Project also has the potential to have a positive impact on people in the project's target areas, especially women with their children and youth who disproportionately depend on agribusiness as their main source of livelihood. The project is expected to: (i) promote inclusive growth by enhancing the competitiveness of the tourism and agribusiness sectors in targeted regions in Madagascar; (ii) Increase in export values in targeted value chains; (iii) Increase in daily tourist expenditures in products and services; and (iv) provide avenues for incremental tax revenues, import substitution options, export revenues and social peace / conflict prevention for the government and its decentralized institutions.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

There are no alternatives to the present project design to allow the project to achieve the Project development objectives, thus the , the project will work with existing farmers and investors, rehabilitate existing feeder roads and



urban roads and expand water supply. To minimize impacts, for proposed infrastructures supported, the civil works will be undertaken within the existing right-of-ways so as to avoid environmental sensitive zones and to minimize involuntary resettlement. For water supply interventions , the project will take into account the requirements of the existing planning tools.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The client has been actively responsive in addressing safeguards issues during implementation of the previous phases of the project. At the national level, Madagascar has a legislative and regulatory framework which is conducive to good environmental management. In addition, Madagascar has signed a number of international treaties and conventions to ensure sound environmental management. The Malagasy Environmental law mentions that Environmental assessment for both private and public development is regulated under Décret N°2004-167 (MECIE). This is fairly effective but further institutional capacity needs to be developed to ensure more widespread application and improved monitoring. The national environmental law will be reinforced by the World bank safeguard policies for this proposed project. Safeguards instruments (PMP, ESIAs, ESMPs, RAPs; RPF and ESMF with the ToR for the SESA for the strategic tourism development) have been prepared by the Borrower. The PUI has engaged the services of a consultant firm to support the preparation of the required safeguards instruments.

Environmental and Social Management Framework (ESMF): In compliance with OP 4.01 (Environmental Assessment) since the precise locations and potential impacts of activities related to the following activities/ subprojects cannot be determined prior to project appraisal, an Environmental and Social Management Framework (ESMF) has been prepared to be used to screen sub-project proposals for environmental, social, gender, and health and safety impacts by using the ESMF screening form and checklist. Projects include: (i) rehabilitation of urban road, extension and rehabilitation of water supply, (ii) Investment promotion and transaction support in Tourism, (iii) installing of equipment to upgrade the lighting and navigation equipment in two airports and upgrade of existing airport terminal facilities in pole regions, (iv) sub-projects to be financed by OCAI and MBIF Grants.

The ESMF includes an Environmental and Social Management Plan (ESMP), and has taken into account the urban and rural environmental and social review and the environmental and social profiles in the project regions and the potential activities to be supported by the project. The ESMF/ESMP outlines an environmental and social screening process for the future sub-projects to ensure that they are environmentally and socially sound and sustainably implementable, in line with GOM and World Bank policies and guidelines on environmental and social impact management. The ESMF also outlines the importance of developing an operational grievance redress mechanism which will capture and address environmental, social, governance, and other grievances and any negative impacts of the project. Prior to its commencement, and as soon as the implementation sites are identified, each subproject/activity will be screened as per the Environmental and Social Screening Form (ESSF) procedures detailed in the ESMF. The screening outcomes will determine the need to prepare an Environmental and Social Impact Assessment (ESIA), and a freestanding Environmental and Social Management Plan (ESMP); whereas the Resettlement Policy Framework (RPF) will determine the need for preparation of additional Resettlement Action Plans (RAPs). The works of these selected subprojects will be executed with the environmental and social clauses in the respective enterprise contracts and with the required Contractor Environmental and Social Management Plans (CESMP) included after the specific ESIAs are approved by the Bank. The screening of the sub-projects will be undertaken by the existing safeguard environmental and social focal points, who are currently operational in Project Management Unit. The environmental and social safeguard specialists are responsible for the procurement of consultants to prepare the safeguards instruments, supervision of the consultants and monitoring of the implementation of the ESMPs, and RAPs in the project areas. The safeguard specialists also ensure that all contractor contracts include environmental and



social clauses (including a worker code of conduct, specific grievance redress mechanism, specific measure regarding gender-based violence) , which are attached as an annex to the ESMF and will also be developed in the specific ESIA for the selected subproject sites during implementation in order to ensure adequate environmental and social management practices during construction and operation. The Borrower has included analysis in Environmental and Social Management Framework (ESMF) to launch the preparation of a Tourism Master plan which will incorporate a Strategic Environmental and Social Assessment (SESA) to be undertaken at the start of project implementation to address all this issue.

For the suprojects could be financed by the project, the ESMF has analyzed the EHS guidance general and specific could be applied by the subprojects which are:

General :

https://www.ifc.org/wps/wcm/connect/00dbdb8048855b7588f4da6a6515bb18/010_General%2BGuidelines.pdf?MOD=AJPERES&CACHEID=00dbdb8048855b7588f4da6a6515bb18

Perennial Crop Production :

https://www.ifc.org/wps/wcm/connect/ef0d4b804c3c5ad9bcb9bed8bd2c3114/English_2016_Perennial+Crop+Production_EHS.pdf?MOD=AJPERES

Annual Crop Production (in English only) :

https://www.ifc.org/wps/wcm/connect/c6f002804c3c4596bb44bfd8bd2c3114/Annual+Crop+Production+EHS+Guidelines_2016+FINAL.pdf?MOD=AJPERES

Airports (relevant sections to the project) :

https://www.ifc.org/wps/wcm/connect/76bd458048855a96868cd66a6515bb18/055_Airports.pdf?MOD=AJPERES&CACHEID=76bd458048855a96868cd66a6515bb18

Toll Roads :

https://www.ifc.org/wps/wcm/connect/4c4c238048855590b71cf76a6515bb18/048_Toll%2Broads.pdf?MOD=AJPERES&CACHEID=4c4c238048855590b71cf76a6515bb18

Waste Management Facilities :

https://www.ifc.org/wps/wcm/connect/0fb7f380488554ceb434f66a6515bb18/051_Waste%2BManagement%2Facilities.pdf?MOD=AJPERES&CACHEID=0fb7f380488554ceb434f66a6515bb18

Water and Sanitation :

https://www.ifc.org/wps/wcm/connect/c292fc00488658adb6c6f66a6515bb18/052_Water%2Band%2BSanitation.pdf?MOD=AJPERES&CACHEID=c292fc00488658adb6c6f66a6515bb18

To reduce the risks of social conflicts, Gender Based Violence and Sexual Exploitation and Abuse (SEA) risks related to project interventions in the tourism sector and during the civil works, the ESMF has developed solid and coherent Strategy for Prevention And Fight Against Gender-Based Violence in its annex 18. In addition, It was identified that the tourism sector has established a "Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism," which is also guidelines for tourists and an industry-driven tourism initiative supported by UNICEF and the UNWTO, and the project will work to implement. UNICEF has ongoing activities working with local communities on these issues which will be leveraged and reinforced. An effective and long-term solution however to some of these key social issues is to ensure benefits of tourism are extended to local communities living near tourist accommodation and destinations. All these issues will be taken into consideration by the Tourism Master plan and planned SESA.

For OP 4.11 Physical Cultural Resources: The public consultations and field visits have confirmed that the project activities will not affect any sites defined as physical cultural resources. For more assurance, the ESMF has made provisions for cultural resources management in the event the Physical Cultural Resources OP 4.11 is triggered during the implementation phase and includes "chance finds" procedures for inclusion in the contractor contract.



For OP 4.04 Natural Habitat: The ESMF assessment has demonstrated that the project has as main objective to preserve natural habitat, and therefore no major activities undertaken could affect natural habitats. As some of the project activities will be in the proximity of National Parks and site-sensitivity areas, the project has triggered this policy and the ESMF has considered all mitigation measures that should be considered to preserve these zones. In fact, activities to support tourism (small-scale civil works investments on islands of high tourism interest to enhance basic tourism infrastructure, facilitate access and provide visitor services, visitor center, signage of trails, rest area, renovation of existing interpretation center) will be very limited and developed following the responsibility and supervision of National Park Management Plan under Park Management Agency (MNP), the national agency which manages the National Park network in the Country. Upgrading rural connectivity to tourism sites by rehabilitation and upgrading of rural roads within their existing alignments, will not be undertaken in proximity of protected areas. Additionally the instruments to mitigate any potential impacts and risks are described under Environmental Assessment OP 4.01 above.

For any tourism activities around or in the protected areas including promotion of investments and construction of tourism infrastructures are restricted to the Park buffer and tourism dedicated pre-identified zones in compliance with the approved layout plan around the National Parks, and/or peripheral areas. Layout plans have been prepared and approved following a participatory approach with the local communities around the potential ecotourism zones. These plans have been elaborated under the former Third Environmental Program (EP3) funded by the Bank and are currently implemented by Madagascar National Parks (MNP). The Plans contain the various zoning within and around the protected areas and characterize the activities such as ecotourism activities and investments that could be implemented in the conducted on certain zones. These potential ecotourism zones are composed of weak sensitivity environmental and poor in biodiversity.

Tourism visitation to protected areas are very limited and concern only the visits of biodiversity on the visiting circuits within the National parks that were set up by the Park Management Agency (MNP). For that specific activities, the project will ensure only the promoting of visiting Parks in the package of Tourism products. Tourism activities will be developed in accordance with the zoning and requirements around the National Park networks under the responsibility of the MNP. A full ESIA is required in accordance with national environmental laws and should be in accordance with the legal frameworks of protected areas in Madagascar under the responsibility of the MNP and ESMF of this project.

All activities which could potentially affect sensitive areas will not be eligible.

Environmental and Social Impact Assessments (ESIA): In compliance with OP 4.01 (Environmental Assessment), for the subprojects identified during the preparation, four stand-alone Environmental and Social Impacts Assessments (ESIA) have been prepared by the project, for the civil works to rehabilitate the High Sambirano rural Road, V1/V2 Road in Nosy Be, Ramena Road In Diego and Crater Road In Nosy Be. The construction stage, the impacts are mainly related to noise, vibration, erosion on the quarry sites of rocks and earths, dust, increased STD/AIDS transmission risks with the influx of temporary workers and safety issues with the important number of workers required during the civil works; health and safety issues for workers, the traffic disturbance and accident risks. The environmental and social review of each selected subprojects has noted that the selected activities could cause directly or indirectly impacts at the main work sites, without any major impacts and reversible. No natural habitat or no archaeological vestiges will be impacted following the results of public consultations and field visits due to the project will work under the existing rights-of-way. The ESMP outlines a solid and coherent environmental and social measures to manage and reduce in acceptable level the identified impacts and risks of the identified subprojects. Standard Code of conduct with the Gender Based Violence strategy has been included in ESMF. It is proposed of environmental and social clauses to be



included in enterprise contracts and with the required Contractor Environmental and Social Management Plans (CESMP) to be considered during civil works.

Pest Management Plan (PMP): In compliance with OP 4.09 (Pest Management), for the agribusiness promotion, improving agricultural performance and agribusiness investments may lead to the extensive use of pesticides to boost agriculture productivity. To ensure safe pest management, the project has prepared a Pest Management Plan for sub-projects and value chains selected to be supported by the project in the project regions. Project funds will not be used to purchase and distribute agrochemicals. The PMP includes: (i) a survey on the local bio pesticides and agronomic technical practice to reduce the impacts of pests on the some agriculture value chains in project zones; (ii) actions to reduce the exposure of farmer groups to pesticides used in agricultural production systems; and (iii) guidelines to be adopted on the possibility of agrochemical application and disposal; training sessions to strengthen capacity of different actors (farmers, local vendors, regional agricultural agents, etc.) on the use, storage and disposal of agrochemical products with a coherent budget available in the project financing. Finally, it recommends the application of an integrated pest management approach coupled with the promotion of agro-ecological practices by the farmers' groups.

Resettlement Policy Framework (RPF): In compliance with OP 4.12 (Involuntary Resettlement), since the precise locations and potential impacts of future subprojects is not yet defined, mainly all activities under component 2 of the project, prior to appraisal, an RPF has been developed that takes into account the socio-economic context of the resettlement. Interventions related to the rehabilitation and development of urban road, rural track, municipality infrastructures (activities with OCAI) will affect various elements of the rural and urban environment and are likely to generate land acquisitions that would result in loss of land, property, assets and/or socio-economic activities among the affected communities, including their possible involuntary resettlement. Therefore the RPF has identified a global number of affected households (624 households) for all the project, (i) described the way for the development of potential RAP to be developed after identification of specific activities of the project, (ii) outlined eligibility criteria for PAPs, (iii) defined specific compensation matrix for the project, (iv) outlined consultation process for the future PAR, (v) defined the grievance redress mechanism (GRM) which will be developed into the project and which will capture all complaints related to the project but not only those from resettlement issues, (vi) has proposed the institutional arrangement for resettlement implementation and also defines M&E approach for resettlement.

Resettlement Action Plan (RAP): In compliance with OP 4.12 (Involuntary Resettlement) Resettlement Action Plan have been developed developed to address all aspect related to land acquisition temporary or permanent involuntary resettlement, or loss of livelihoods during for the rehabilitation of road in High Sambirano, Ramena (in Diego) and the Crater Road (in Nosy Be). These firsts RAPs have identified households (248), infrastructures and also PAPs directly or indirectly impacted by the project, and also outlines variable compensation and resettlement support which fits on households and PAPs categorization, and without exclusion even though some PAPs are irregular occupants. RAPs also define a global grievance redress mechanism (GRM) which will capture all complaints related to the project including those from resettlement issues. These RAPs include a clear and coherent implementation plan, including an institutional arrangement with a total budget of approximately \$ 71.359 which will be co-financed by the government and the project.

Environmental and Social Capacity Building: The proposed PIC 2.2 builds on the two previous projects and will be implemented by the same implementing agency. The ESMF and RPF include institutional arrangements outlining the roles and responsibilities for the various stakeholder groups involved, for screening and approval of activities, as well as implementation and monitoring of their mitigation measures and capacity building activities needed. The capacity assessment conducted as part of the ESMF and the RPF concluded that the current environmental and social



institutional arrangement is operational and could be maintained for this new operation. In fact, the PIU has a long-standing experience in implementing complex, Bank funded investments, the predecessors of PIC II, i.e. IG2P and PIC 2.1. Under the implementation of the IG2P and PIC 2.1 projects, the borrower gained tangible knowledge and experience managing social and environmental safeguards risks. The PIU has a full time staff (environmentalist), who, together with seasoned consultants (social specialists and environmentalists), ensure the implementation and monitoring of social safeguards instruments and risks. Instruments such as Environmental and social management frameworks (ESMF); Resettlement policy frameworks (RPF); Environmental and Social impacts assessments (ESIA), likewise Resettlement action plans (RAPs) were timely prepared by the client and well implemented by the enterprise under the supervising of the safeguard focal point at the PIU level. Nevertheless, to further ensure good compliance with Bank safeguards policies, the PIC2.2 PIU will hire a full time Social safeguards Specialist, in support of the current full time Environmental Safeguard Specialist. At sectorial Ministries involved by this project (Agriculture, Tourism and Public Works), an environment unit has been created by the National Environment Office (NOE) but with limited staff without any experiences with the world bank safeguard policy. This is fairly effective but institutional capacity and technical staff needs to be further developed and strengthened to ensure more widespread application and improved monitoring. It is proposed that the Bank Team will continue to provide hands on training in management of environmental and social safeguards risks, including the new Environmental and Social Framework (ESF). The current PIC 2.1 and the former IG2P project have contributed to support capacity building of the National Environment Office (ONE) throughout a MOU to hiring environmental and social experts to train their technical staffs and develop the environmental and social technical review manuals. This capacity building could be maintained with this new operation to further strengthen National capacity in environment and social assessments. The safeguards training workshops will be iterative and open to other key stakeholders including beneficiary communities, private sector (consultant firms, CSOs, etc.) with the aim of reinforcing the grounding of public consultation and participation to foster more engagement, and the ownership and social accountability for the sustainability of project implemented activities.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Key stakeholders of the project include: the public and the private sector, specifically: the ministry of finance, the regions, the municipalities and the local communities; the private sector side, local, national companies. Project preparation as well as implementation will adopt a participatory process; that approach is at the very heart of the project approach. In the context of the project preparation, the PIU with the concerned Municipalities and the sectorial Ministries have conducted of public consultations and meetings relating to the project with these proposed activities in the project areas in the three regions: Anosy, Diana and Atsimo-Andrefana. Extensive public consultations have been conducted during the preparation of safeguard instruments to take into account the local populations and communities preoccupations on the project design and impacts.

The current PUI has a long-standing experience on public consultation and disclosure policy with the ongoing project. During implementation of the proposed project, the environmental and social safeguards instruments (ESIA, RAP, ESMP,...etc.) will be prepared and built upon with the safeguard instruments prepared and approved during appraisal (ESMF, RPF, PMP) through a consultative and participatory process involving all stakeholders at the regional and national levels as well as within local communities and among beneficiaries of the subprojects. In particular, the PIU will consult project-affected groups and local non-governmental organizations on all environmental and social aspects of the project and will take their views into account accordingly. The PIU will initiate these public consultations as early as possible and will provide all relevant material in a form and language(s) that are understandable and accessible to the groups being consulted in a timely manner prior to consultation. All the Safeguard instruments (PMP,



ESIAs, ESMPs, RAPs; RPF and ESMF with the ToR for the SESA for the strategic tourism development) have been approved by the Bank and disclosed in-country and to World Bank's External Website on July 11, 2018.

B. Disclosure Requirements**Environmental Assessment/Audit/Management Plan/Other**

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
04-May-2018	11-Jul-2018	

"In country" Disclosure

Madagascar

11-Jul-2018

Comments

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure
04-May-2018	11-Jul-2018

"In country" Disclosure

Madagascar

11-Jul-2018

Comments

Pest Management Plan

Was the document disclosed prior to appraisal?	Date of receipt by the Bank	Date of submission for disclosure
Yes	04-May-2018	11-Jul-2018

"In country" Disclosure

Madagascar

11-Jul-2018

Comments



If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?

Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP/BP 4.04 - Natural Habitats

Would the project result in any significant conversion or degradation of critical natural habitats?

No

If the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?

NA

OP 4.09 - Pest Management

Does the EA adequately address the pest management issues?

Yes

Is a separate PMP required?

Yes

If yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design? If yes, does the project team include a Pest Management Specialist?

Yes

OP/BP 4.11 - Physical Cultural Resources

Does the EA include adequate measures related to cultural property?

Yes

Does the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?

Yes

**OP/BP 4.12 - Involuntary Resettlement**

Has a resettlement plan/abbreviated plan/policy framework/process framework (as appropriate) been prepared?

Yes

If yes, then did the Regional unit responsible for safeguards or Practice Manager review the plan?

Yes

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?

Yes

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT**World Bank**

Eneida Herrera Fernandes

Senior Private Sector Specialist

Yannick Saleman

Private Sector Specialist

**Borrower/Client/Recipient**

Republic of Madagascar

Implementing Agencies

PIC National Project Secretariat

Eric Rakoto Andriantsilavo

Secretaire National

eric.ra@pic.mg

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>

APPROVAL

Task Team Leader(s):	Eneida Herrera Fernandes Yannick Saleman
----------------------	---

Approved By

Safeguards Advisor:	Nathalie S. Munzberg	12-Jul-2018
Practice Manager/Manager:	Douglas Pearce	12-Jul-2018
Country Director:	Carolin Geginat	13-Jul-2018