I. Introduction and Context

Country Context

Madagascar remains one of the poorest countries in the world with respect to the breadth, depth and multiple dimensions of poverty. Close to 80 percent of Madagascar’s population of over 22 million lives below $1.25 per day. There has been almost no change over the years in the proportion of the extremely poor—an incredible 62 percent of the people in Madagascar are extremely poor, living on less than the cost of 2100 calories a day and hardly able to survive above starvation. The extreme poor, defined as people who have difficulty meeting basic caloric needs, comprised 60.5 percent of the population in 2001, and 61.7 percent in 2010. Two thirds of people living in rural areas are extreme poor, a proportion that has not changed in the last 10 years.

Absolute poverty in rural areas has consistently deteriorated over the three different years when
measurements were made, while the situation in urban areas deteriorated in the first half of the decade, then slightly improved in the second half. The incidence of poverty rose in both urban and rural areas during the 2001-2005 period. In the 2005-2010 period, the incidence of poverty in rural areas was stagnant, or slightly increased, but fell in urban areas (see figure above). A similar trend is observed in case of extreme poverty. Close to 80 percent of Madagascar’s population live in rural areas, and poverty in rural areas is nearly twice as high there than in the urban areas. As a result, 86 percent of the poor live in rural areas. About a third of the population in Madagascar is deprived on multiple dimensions—the so-called “have nothings” -- whether in consumption, literacy and education, basic household assets, or public services such as electricity.

Madagascar is also one of the most vulnerable countries in the world to hydro-meteorological hazards affecting up to one quarter of the country’s population – representing over 4 million people – that currently live in zones at high risk of cyclones or floods. In the future, rising sea levels and increasingly severe and frequent cyclones, floods and droughts will increase these risks. In addition to human exposure, the country's infrastructure has not been developed to cope with the effects of existing or future climate events. The Government and Development Partners recognized the need to adopt a resilience-building approach that focuses on pre-disaster planning and preparedness, climate change adaptation (CCA), as well as disaster recovery and reconstruction.

The protracted economic and political crises, coupled with recurrent exposure to natural disasters, have created cumulative vulnerabilities with adverse impacts on food security and human development. The economic decline of the past few years has been exacerbated by the devastating consequences of recurrent natural disasters, including cyclones, flooding, droughts, and the effects of deforestation. The recent locust plague and erratic rains have negatively affected food production. Market prices for staple foods are on the rise. Worryingly, indications from the latest household survey are that food consumption has shifted to lower quality food items over the decade.

The education system has considerably deteriorated during the extended period of crisis. A recent World Bank study on primary education finds a rapid deterioration in education indicators which was acerbated during the recent political crisis. Primary enrollment has been stagnant at 4.3 million students between 2009 and 2012, despite sustained estimated demographic growth. The enrollment rate for children aged 6 to 10 years has witnessed a serious drop from 80 percent to 75 percent between 2005-10, and the decline was more pronounced for boys than for girls, and more in the South where enrollment rates declined by more than 10 percentage points. It is estimated that between 400,000 and 600,000 additional children are out of school due to the crisis. In the 2013/14 school year, the sector encompassed about 30,170 schools. 18.9 percent of students were enrolled in private schools. Overall, 49.7 percent of students are girls. Of the 84,600 teachers, 78 percent are community teachers paid by parents. Two thirds of the community teachers also receive a subsidy from the Government. The student-classroom ratio is high at 53:1 while the student teacher ratio is relatively low at 44:1. However, teachers are not equitably distributed across the nation, and thus the ratio varies considerably between regions and districts. Of 100 pupils that access primary school, less than half currently reach Grade 5, against 63 in 2007/08. Furthermore, all learning outcomes (CEPE, PASEC and French and math in the South) have deteriorated, continuing the trend started 10 years ago. Finally, class repetition rates are high, especially in public schools where the percentage of repeaters is more than 23 percent while it is less than 10 percent in private primary schools. More than 77 percent of fifth graders enrolled in private schools succeed in the national examination CEPE while it is about 73 percent in public schools.
Households’ out of pocket expenditure on education are a major factor affecting schooling patterns. Public education expenditure has been reduced by about 25 percent between 2008-11, equivalent to a drop in public (recurrent) unit costs of about 15 percent. At the same time, household spending on education has increased considerably between 2005 and 2010, both for public and private services (+36 percent on average). Sadly, the increase is even higher in rural areas (+45 percent, against +20 percent in urban areas). This has led to a substantial increase in education's share of household spending, from 2.1 percent in 2005 to 3.1 percent in 2010. The high levels of direct and indirect costs are often voiced by parents and teachers as the main reason for drop-out.

Madagascar’s health sector is also characterized by poor and unequal health outcomes. Maternal mortality rates have basically stagnated between 469 per 100,000 live births in 2003 and 478 per 100,000 live births in 2012. In 2010, pregnant women and children under five bore almost 40 percent of the total disease burden in the country. Poor and unequal health outcomes find their root in disparities in terms of household income. Out-of-pocket costs for health service delivery have risen as greater numbers of households are falling deeper into poverty, resulting in a more vulnerable population that is at greater risk of falling and staying in poverty. The recent MDG survey found that financial barriers and distance to services are key constraints in accessing quality health care. With the exception of the cost of prescriptions, primary care services are delivered free-of-charge at facility level, but the cost of accessing health services entails out-of-pocket expenditures, such as for transportation and supplies, which often put these services out of reach for the poor.

Over forty percent of children under five are chronically malnourished, one of the highest prevalence rates in the world. Since the early 1990s, the Office National de Nutrition (ONN) under the Prime Minister’s office has implemented the National Community Nutrition Program which delivers direct nutrition interventions to pregnant/lactating women and children under five years of age, free-of-charge. At present, about 70 percent of children under-five are enrolled in this program which involves regular growth-monitoring and promotion activities as an entry point to raise awareness of mothers about the importance of malnutrition. Results from a long term-multi-round impact evaluation suggest that the program has a significant and sustained effect on nutritional outcomes of the target population. However, the results also show that the extent of the improvement from the intervention exhibit an important variation across household characteristics (maternal education), as well as across conditions of the living environment (such as poverty, access to social services and remoteness). Better-off households and better-off areas are better placed to benefit from this type of intervention. And since 2012, the rates of acute malnutrition have risen by over 50 percent in some of the most food insecure regions in the southeast, southwest, and central parts of the country.

Effective protection of the most vulnerable and poor population in Madagascar is largely absent. Because of Madagascar's high levels of extreme poverty, high costs of accessing and benefiting from essential social services, and its vulnerability to natural disasters and other shocks, a large part of its population has been deprived of the most basic conditions of life. They are no longer able to support their children's human development or even essential consumption. A refocus of government policies and resources on these extremely vulnerable and poor populations is essential and urgent, in order to protect them from further deprivation with irreversible effects on their human and productive development.

**Sectoral and Institutional Context**
To date, the social protection sector lacks a coherent policy framework, financial resources and effective programs suitable to meeting the needs of the poorest and most vulnerable population. Madagascar’s CPIA rating for Social Protection stands at 2.0, one of the lowest scores in Africa and globally. A 2012 World Bank Study on Madagascar: Three Years into the Crisis: An Assessment of Vulnerability and Social Policies and Prospects for the Future (Report No. AAA68 – MG) found that the political crisis of 2009 left a leadership vacuum in the Social Protection sector and prompted the withdrawal of important development partners and resources from Madagascar, including a reduced engagement of the World Bank. Social Protection expenditures as a share of GDP declined from 1.9% in 2008 to 1.1% in 2010, with remaining expenditures concentrated largely on social insurance expenses for public sector employee pensions. The few existing social safety net programs, supported mostly by international partners (World Bank, World Food Program, etc.) lack adequate coverage of even the poorest as well as effective coordination and efficient implementation based on the use of modern technologies (for details on Social Protection Programs, see Annex 3). The mentioned report proposes a set of priority short and medium term measures to address the situation of the poorest population. It argues that a social safety net systems approach for Madagascar should provide adequate support for the different vulnerabilities and poverty situations in the country. To this end, it should be able to quickly respond to the needs of disaster affected families in emergency situations, and also address structural poverty to break the inter-generational cycle of extreme poverty in the longer term. The study therefore proposes the following measures (i) development of a coherent Social Protection Policy Framework. (ii) the expansion of the existing public works program, and (iii) piloting a conditional cash transfer program. Following this lead, under the recently approved Emergency Food Security and Social Protection Project (P147514), the Bank is supporting a labor intensive public works program as well as the design and implementation of a pilot Conditional Cash Transfer (CCT) program that seeks to bring children back to school and promote better nutrition for the most vulnerable population in the poor areas of the country.

Madagascar’s newly elected Government has made it a priority to develop a Social Protection Policy. In its recently released Politique Generale de L’etat (May 2014), the Government declares the fight against poverty, vulnerability and destitution as the priority of priorities. Social Protection is mentioned as the first sector (after cross-cutting issues like national reconciliation, governance, poverty alleviation and justice) in the list of challenges. Within the social protection sector, the following four strategic priorities are identified: (i) restructuring of the social protection policy, (ii) develop labor intensive public works (cash for work), promote access to housing, and ensure food security of vulnerable populations. During a high level Colloquium on Social Protection held in May 2014 in Antananarivo, the President gave instructions to the Ministry of Population, Social Protection and Gender to develop the country’s SP policy. The Government’s ambitious plan is now to develop this policy by end of 2014. The World Bank in collaboration with other Development Partners (UNICEF, ILO, WFP, etc.) is supporting this process.

The Fonds d’Intervention pour le Developpement (FID) under the Prime Minister’s office has been the most prominent Government social safety net institution in the country. With support from the Bank, the FID has been responding to the recurring emergency situations in Madagascar through short term Cash for Work interventions and community infrastructure. Given that the implementation of these activities was carried out under emergency procedures, they relied on community engagement and contracting of NGOs. Important safety net system elements such as a beneficiary registry, IT enhanced payments and social accountability mechanisms are only now
being developed with support from the Bank, and in consultation with other development partners (e.g. UNICEF, WFP).

After years of weak political leadership and emergency operations, the development of a programmatic approach to social protection is imminent. First, this would entail the development of a Social Protection Policy with defined goals, clear priorities and a strategy for its implementation and monitoring. Given the country’s state of high poverty and informal sector, the policy would likely emphasize the development of safety net systems and the provision of social services rather than the expansion of the social insurance system. The draft policy is planned to be available by end of 2014. Second, a programmatic approach to social protection would require a financing strategy that encompasses both government and donor funds, to be reflected in the national budget. With the crisis of 2009, public spending on safety nets has basically come to a halt. Both the World Bank and the IMF are working with the Government to see how pro-poor expenditures can be increased. The Bank is exploring ways to support this effort through a programmatic approach. The scaling up of the CCT pilot could be a suitable candidate to explore this option by establishing the fiduciary and institutional structures to programmatically support the expansion of a national safety net for the poorest of the poor. Third, effective instruments for program coordination and harmonization must be put in place such as a common targeting mechanism, the establishment of compatible beneficiary registries, and other elements that would help build a social safety net system.

The Bank has been supporting Madagascar’s Social Protection Agenda through multiple projects. During the crisis years, the Bank funded an Emergency Food Security and Reconstruction Project (P113134) to provide basic community infrastructure as well as short term employment opportunities for the poor through cash for work activities. This project was implemented by FID and was rated “satisfactory” by its Implementation Completion and Results Report (ICR). At present, there are two operations within which the social protection agenda is supported: Under the Madagascar Emergency Infrastructure Preservation and Vulnerability Reduction Project (P132101), the Bank is supporting the FID with US$ 20 million to carry out emergency rehabilitation of basic infrastructure as well as emergency cash for work activities. This project was approved in 2012 and is under full implementation. In addition, the Bank recently approved the Madagascar Emergency Food Security and Social Protection Project (P147514) through which FID is implementing a US$ 20 million component to support extremely poor households in locust affected regions through a Cash for Work program seeking to promote community productive development, as well as a pilot Conditional Cash Transfer program conditioned on primary school enrollment and attendance, and promoting participation in the national nutrition program implemented by ONN. The pilot CCT program has been launched in September 2014 with a first payment to 50 00 households, targeted through community pre-selection and the application of a newly developed Proxy Means Test (PMT). Payments are made, on a pilot basis, through micro-finance institutions and mobile banking providers. The FID, the Ministry of Education and the ONN are working closely together in the design and implementation of the CCT program. This pilot is designed to be scaled up under the proposed Safety Net Project, based on the findings of the pilot’s evaluation.

The Bank is also providing technical assistance to support the development of key elements of a future social safety system. In collaboration with the Bank, FID has developed a combined geographical, community and Proxy Means Test based targeting system which is presently being tested by FID in collaboration with INSTAT in the pilot CCT program. In addition, the Bank provided technical assistance to design new payment modalities for cash transfers by using mobile banking and micro-finance institutions. Furthermore, FID is in the process of enhancing its MIS to
better manage the safety net modalities, and the institution is also exploring how to strengthen its social accountability mechanisms based on technical assistance from the Bank. Further activities include capacity building through such events as the mentioned Colloquium on Social Protection, participation in training courses, study tours and the inclusion of Madagascar in the Africa region’s ‘Community of Practice’ on Safety Nets (French). The Technical Assistance and Capacity Building activities are supported through a Rapid Social Response (RSR) Trust Fund that has recently been approved. They lay the foundations for the implementation of the institutional strengthening component of the proposed Social Safety Net project.

The proposed project seeks to prepare the ground for a more systematic and programmatic approach to social safety nets as part of a larger social protection policy. It would do so by (i) expanding the safety net program for extreme poor households who would receive support over several years, (ii) providing rapid disaster response through cash for work activities and rehabilitation of community infrastructure, and (iii) building key elements of a safety net system – an essential part of a social protection system. At the same time, the proposed project would have a strong focus on gender as most of its benefits go directly to women: the safety net payments are mostly made to women.

**Relationship to CAS**

The proposed project would directly contribute to the World Bank’s twin goals of reducing extreme poverty and promoting shared prosperity through targeted, direct support to the extreme poor population coupled with safety net systems building. It would promote resilience, equity and opportunities for poor and vulnerable households and communities. The development of a social safety net is a key element of the Bank’s strategy in Madagascar. Madagascar’s two-year Interim Strategy Note (ISN) was discussed by the Board in February 2012 and highlights the need to establish an effective and well-targeted safety net system to help protect the most vulnerable from idiosyncratic shocks, to strengthen resilience and to smooth consumption. It further states that for poor urban consumers, safety nets would be a key instrument to mitigate the likely impact of future food price increases (e.g. in the context of fuel subsidy reforms) so that agricultural producers can reap greater benefits from market prices. However, due to limitations of financing, the project does not include safety net measures for the urban poor.

The ISN also recognizes the role of women as a catalytic factor of development and suggests that women’s empowerment should be accompanied by programs that can free up the time that rural women typically spend on fetching water and fuel wood for more productive uses. The proposed project, through its CCT program, would precisely respond to this suggestion as international experience has shown that CCT programs not only improve family food consumption and some human development indicators, but also provide women with the means to spend some of the cash on productive activities. The envisioned payments through micro-finance institution and their mandatory training of account holders in financial literacy is likely to produce similar effects for the beneficiaries in Madagascar.

**II. Proposed Development Objective(s)**

**Proposed Development Objective(s) (From PCN)**

The Development Objective of the proposed Project is to improve access to income support and primary education for selected extreme poor and vulnerable groups, and lay the foundation for a social safety net system.

**Key Results (From PCN)**
- Number of safety net beneficiaries (by gender) (CCT: 110,000 households, Disaster Response: estimated 100,000 households)
- Percentage of beneficiaries belonging to the 30 percent poorest population (at least 70 percent)
- Improvements in primary school enrollment and attendance of beneficiary families;
- Number of beneficiaries included in beneficiary registry;

Intermediary indicators
- Percent of beneficiaries paid through financial sector institutions.
- Number of complaints registered and addressed in FID MIS
- Impact Evaluation of the CCT program including baseline and two follow up measurements carried out
- Number of community rehabilitation projects build

III. Preliminary Description
Concept Description
The project would be implemented over a 4.5 year period from August 2015 –February 2020 (to allow for an impact evaluation). A Project Preparation Facility is proposed to ensure that first payments for the expansion of the CCT program can be made in September 2015, just prior to the new school year. Four components are included:

Component 1: Building a safety net for extreme poor families in selected rural areas

This component would provide Conditional Cash Transfers (CCT) of Ar. 20,000 per month (over a three year period) to selected, extremely poor families with children 0-10 years of age, in poor geographic regions of Madagascar. The geographic areas of intervention would be determined based on their poverty status, on the availability of schools, student retention data and demographic criteria. The cash transfers would consist of two elements: Each selected family would receive a base payment of Ar. 10,000 per month to support the family’s income. In addition, families with children of primary school age (6-10 years) would receive for each child enrolled and attending school regularly (80% of school days) Ar. 5,000, for up to two children in primary school. Thus, the highest amount possible for any family to receive is Ar. 20,000 per month. In addition, families with primary school children will receive a one-time payment of Ar. 20,000 in September of the first year they enroll their children in primary schools to ensure that they can enroll their children. Payments would be made bi-monthly through financial institutions where possible, to promote financial inclusion. Families would be encouraged to access other services available in the community, for example the community nutrition program implemented by the ONN. Collaboration between the project’s implementing agency FID and the Ministry of Education and ONN have already been defined through a Memorandum of Understanding (“Convention”) with each agency. FID is presently in the process of preparing a CCT pilot whose first payment is scheduled for September 2014 (just prior to the start of the new school year). The pilot includes the main elements of a safety net including (i) targeting (in collaboration with INSTAT), (ii) enrolment (for information about co-responsibilities of beneficiaries), (iii) payments (through financial sector), (iv) co-responsibility monitoring (through social organizers and “lead mothers”), and (v) reconciliation (adjustment of payments depending on compliance of beneficiary families with co-responsibilities). The pilot is accompanied by a public information campaign that informs key stakeholders about the program as well as the specific roles and responsibilities. The results from the process evaluation of
the CCT pilot will inform the roll-out of the CCT program. Questions arise, for example, (i) whether the targeting process is efficient and cost-effective, (ii) which payment modus (through micro-finance institutions or through mobile banking) is better suited for the target group, (iii) whether it is feasible and necessary to monitor school attendance regularly and for all students (or whether spot checks would be sufficient), and (iv) if social accountability mechanisms are effectively working. Results from the evaluation should be available prior to appraisal so that the project design can benefit from them.

Component 2: Strengthening of natural disaster resilience of affected poor communities

This component would provide a fast response mechanism for natural disasters based on FID’s experience in early recovery. It would provide financing for disaster response through Cash for Work activities and selected rehabilitation of infrastructure in affected community. FID has been the main government institution providing fast income and reconstruction support to affected communities. Funding of up to US$6 million would be made available for the rehabilitation of basic infrastructure (e.g. schools) that would be rebuilt in a cyclone proof way, with designs developed by FID and the Ministry of Education. In addition, quick income earning opportunities would be offered to the poorest members of the affected communities through Cash for Work activities for clean-up and rehabilitation activities, at a daily rate of Ar. 3,000 up to 45 days of work. 75 percent of the project cost would be used for cash transfers, 15 percent for materials, and 10 percent for coordination, and organization of the communities and technical supervision of the public works by NGOs. FID will budget US$2.5 million for disaster response each year. In case that there are only minor disasters during one year, the remaining funds can be used to rehabilitate the backlog of damaged community infrastructure that has been accumulated from past disasters.

Component 3: Building the institutional capacity for safety net administration

This component would provide the financing for the targeting system, establishing a beneficiary registry, rolling out the electronic payment mechanisms for safety net beneficiaries, the strengthening of FID’s management information systems to be able to process the program, as well as the general program administration including audits and social accountability mechanisms. It would also include an impact evaluation of the CCT program (component 1), and provide technical assistance to the larger social protection policy development agenda (e.g. development of a common targeting system, promotion of coordination and policy dialogue).

Component 4: Building the institutional capacity of the Ministry of Population, Social Protection and Gender for coordination, monitoring and evaluation of social protection programs

This component would strengthen the capacity of the Ministry of Population and Social Protection to provide oversight and guidance to key social protection programs. To this end, the Ministry’s capacity to supervise and evaluate selected programs would be enhanced including through the establishment of a basic Management Information System and contracting of evaluations.

IV. Safeguard Policies that might apply

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Natural Habitats OP/BP 4.04  ×
Forests OP/BP 4.36  ×
Pest Management OP 4.09  ×
Physical Cultural Resources OP/BP 4.11  ×
Indigenous Peoples OP/BP 4.10  ×
Involuntary Resettlement OP/BP 4.12  ×
Safety of Dams OP/BP 4.37  ×
Projects on International Waterways OP/BP 7.50  ×
Projects in Disputed Areas OP/BP 7.60  ×

V. Financing (in USD Million)

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