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Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 25-May-2021 | Report No: PIDA32043

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

Country Madagascar	Project ID P176811	Project Name Madagascar Road Sector Sustainability Project	Parent Project ID (if any)
Region AFRICA EAST	Estimated Appraisal Date 27-May-2021	Estimated Board Date 29-Jun-2021	Practice Area (Lead) Transport
Financing Instrument Investment Project Financing	Borrower(s) Republic of Madagascar	Implementing Agency Road Agency	

Proposed Development Objective(s)

To improve the longevity, safety and climate resiliency of selected paved primary roads in Madagascar.

Components

Improving Road Condition and Resilience
 Technical Assistance and Support to Roads and Transport Sectors Reforms
 Contingency Emergency Response Component

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

Total Project Cost	200.00
Total Financing	200.00
of which IBRD/IDA	200.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	200.00
IDA Credit	200.00



Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

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Other Decision (as needed)

B. Introduction and Context

Country Context

- Madagascar's economic performance prior to the COVID-19 pandemic had been generally robust thanks to overall political stability and careful macroeconomic management.** Madagascar is the fourth largest island in the world, with a total population of over 26 million. The country has various economic potentials, such as tourism, agrobusiness, fishery, light manufacturing and mining. After the political and economic crisis in 2009, the Malagasy economy has been recovering steadily, with an average growth rate of over 4 percent in the last 5 years, led by strong investment in transport infrastructure, textile and apparel, agrobusiness and mining industries (Figure 1).¹ In 2019, Madagascar attracted about 375,000 international tourists, earning nearly US\$900 million in foreign currency, which accounts for about 20 percent of the country's total exports.²
- The adverse economic impact of the COVID-19 crisis is substantial in 2020 and 2021.** Global trade and travel disruptions as well as domestic containment measures resulted in a recession in 2020 comparable to that associated with the constitutional crisis in 2009, with gross domestic product (GDP) contracting by an estimated 4.2 percent in 2020. Economic conditions are expected to gradually stabilize in 2021 and accelerate in 2022, with export sectors recovering against the backdrop of a modest pickup in global demand and domestic activity driven by public investment, notably in infrastructure, and a modest pickup in private consumption and investment.
- Transport connectivity is a critical enabler for key economic activities of Madagascar's economy.** The agriculture sector still plays a key role in the Malagasy economy and Madagascar's productive sectors, hampered by poor transport connectivity, suffers from low access to local and international markets. The agriculture sector currently employs 75 percent of the country's total labor force, generating 25 percent of GDP and earning 30 percent of foreign currency. Agricultural productivity remains low and most rural farmers are engaged in subsistence production with limited access to markets

¹ IMF. (2020). IMF Country Report 20/60.

² According to *World Development Indicators*.



and only 11 percent of the population has access to good road network in rural Madagascar. Firms, particularly agribusiness, do not operate in rural areas due to poor connectivity and some high value export crops, such as lychee and coffee, are at least 3 days away from the main port in Toamasina. Limited transport connectivity has long been a constraint on the country's agricultural growth as well as stable food security, which could become an important challenge given the current rapid urbanization of the country. Poor transport connectivity, including on main transport links and primary roads such as the RN2 linking the main port of Toamasina to the Capital Antananarivo, is hindering firms' productivity and raising costs. Meanwhile, tourism sites in the north and west of the country, such as Nosy Be and Morondava, are difficult to access by road from Antananarivo the primary entry point for many international tourists.

4. **The transport sector is a key driver for the overall development of Madagascar's economy and services, and to ensure local and international connectivity to markets.** Yet it is also costly due to Madagascar's geography (very large island), difficult topography (central mountains and dense coastal forests), climate & other shocks, and the generally scattered population with low concentration of volumes (both goods and passengers) outside the Capital. This results in transport unit costs being high, and the attractiveness of transport sector to private investments – outside few key transport modes – generally low. It is therefore necessary to mobilize large resources to “jump-start” the economy and break the isolation of markets and the pockets, which will then trigger more economic activity and investments, followed by increased financial and fiscal revenues. The mobilization of such large resources should be coupled with important measures to also ensure the financial and socio-economic sustainability of such investments.

Sectoral and Institutional Context

5. **The road sector is the backbone of the transport network in Madagascar yet remains one of the most underdeveloped in the world.** The road sector moves around 90% of total goods and passenger volumes, yet road density is 5.4 km per 100 km² of land, among the lowest in Sub-Saharan Africa and the world. Among the 32,000km of roads in Madagascar, there are 11,000 km of national roads (the rest are regional and local roads) and only 6,000 km are paved. Most of the paved network are national roads. About 40% of the paved national roads are in fair to poor condition requiring periodic maintenance, while most of the unpaved national roads require heavy rehabilitation. Meanwhile, over 70% of feeder regional and local roads are in poor condition, hampering people's access to markets and social facilities in rural areas (Figure 8). The Rural Access Index – measured by the share of rural population who live within 2 km of an all-season road – is only 11.4 percent and among lowest globally, leaving 17 million of rural residents unconnected.

6. **Madagascar has among the highest road fatality rates globally.** Madagascar road safety performance is quite poor and ranks 152 among 175 countries assessed for road safety. In 2016, the road crash fatalities in Madagascar were estimated by WHO at 7,108 (or 28.6 per 100,000 people, higher than the 26.8 average for all of Africa)³ and serious injuries at 106,620, costing the economy about US\$949 million. Averagely, road traffic crashes are estimated to cost about 1 to 5 percent of GDP in developing countries. As the economy of Madagascar grows and the traffic picks up, road crashes would likely increase if proper measures are not put in place. There are little efforts to systematically address road safety challenges, and no concrete plans or coordination between the various agencies to tackle this

³ World Health Organization (WHO). Global Status Report on Road Safety 2018. Geneva. WHO.



important challenge.

7. **The Government of Madagascar is cognizant of the importance of the road and transport sectors which are a key part of its national and sectoral plans.** The Plan Emergence Madagascar (PEM), a key national document setting an ambitious vision for the country's development, highlight the roads and transport sectors as key sectors for the development and modernization of Madagascar, which ambitious targets for the upgrade and expansion of all transport modes. The PEM is also being developed in parallel to another long-term infrastructure development plan, the Marshall Plan, which would further detail the large infrastructure investments needs and priorities. The Ministry of Public Works is also developing a new road sector strategy that identifies the key priorities and vision for the sector, especially for the national roads network. The new draft strategy, "Strategies et Programmation des Activités 2020-2024" prioritizes the upgrade of the existing trunk road network of national roads which carries the bulk of traffic volumes and assures the connectivity between the various parts of the country, and which despite its relatively small size remains in an overall bad condition. The strategy aims to upgrade most of the 11,000 km of the national roads from earth roads to paved roads to ensure year-long accessibility, while also increasing expenditures on periodic and routine maintenance to ensure the sustainability of these investments. Select feeder roads in the vicinity of the national/primary roads will also be improved in parallel to major upgrades to ensure last mile connectivity for rural communities in proximity to the trunk network.

Relationship to CPF

8. **The project is fully aligned with the World Bank's Country Partnership Framework (CPF) for FY17–21 which aims to build on the current relative political stability to help address structural fragilities that hamper the sustainable development in Madagascar.** The project supports the two focus areas of the CPF which are: (a) promoting inclusive growth and (b) increased resilience and reduced fragility. The CPF's focus areas support the priorities of Government's National Development of generating a higher, inclusive and sustainable growth path to reduce poverty. The CPF recognizes the constraints poor transport connectivity have on limiting access to economic activities and markets. The CPF also cites access to well-performing transport infrastructure as one of the most serious impediments to the country's competitiveness and inclusive growth in urban and rural areas. The CPF references the Global Competitiveness Index, where on a scale of 1 to 7, the quality of roads in Madagascar is 2.2. The constraints within the roads and transport sectors affect other productive sectors of the economy such as agriculture and tourism where the condition of supporting transport infrastructure plays an important role in the economic and financial returns realized in these sectors. By seeking to improve and sustain road connectivity in Madagascar, the project echoes the CPF's proposal for increased focus on measures that will unlock constraints and promote investments.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Project Development Objective (PDO) is to improve the longevity, safety and climate resiliency of selected paved primary roads in Madagascar.



Key Results

The PDO-level indicators and targets of the project include:

- Additional paved roads in good or excellent condition (percentage);
- Paved roads with safe and more climate-resilient features (percentage).

D. Project Description

The design of the proposed Madagascar Road Sector Sustainability Project (MRSSP) started in early 2020 under the then proposed, *Infrastructure Governance and Lifeline Connectivity Program for Results - P173932* (the PforR). The PforR was being prepared with an aim to support the Government of Madagascar to advance reforms and investments to improve infrastructure connectivity in both the electricity and the transport sectors, anchored on the Plan Emergence Madagascar. The transport activities of the PforR focused on enhancing the sustainability (financial, institutional, environmental) and safety of the road sector in the country. Following the need by the Government for more time to advance proposed reforms in the electricity sector, in April 2021 it was agreed to proceed with the transport elements of the PforR through an Investment Project Finance (IPF) instrument.

The proposed MRSSP project components are based on the transport sector activities that, in essence, had been under preparation in the PforR, and emphasize the need to preserve the existing assets and improve resilience of the network through periodic and routine maintenance works while supporting the consolidation of institutional reforms including for better road safety management. The activities under the MRSSP are limited to the road sector and are largely about periodic and routine maintenance works, which are well suited for an IPF instrument.

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

E. Implementation

Institutional and Implementation Arrangements

The project will be implemented by the Road Agency (RA) in line with the ongoing sector reforms to empower



the RA as the implementing agency on all national roads. A dedicated Project Implementing Unit (PIU), financed by the proposed project, will be created at the RA to implement the project. The RA will also be supported by the Road Fund and the Ministry of Public Works given the close working relationship between these agencies. The creation of a dedicated PIU at the RA will also support the efforts of strengthening the capacity of the RA and preparing it to execute larger works. Having an existing road sector PIU at the Ministry, and creating a new PIU at the RA will also significantly increase the absorption capacity in the sector, which is essential given the upcoming large investments including those financed by the World Bank and other donors.

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APPROVAL

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