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INTERNATIONAL DEVELOPMENT ASSOCIATION
PROJECT APPRAISAL DOCUMENT

ON A
PROPOSED CREDIT

IN THE AMOUNT OF SDR 28.5 MILLION
(US\$40 MILLION EQUIVALENT)

TO THE
REPUBLIC OF MADAGASCAR

FOR A
SOCIAL SAFETY NET PROJECT

August 19, 2015

Social Protection and Labor Global Practice
Africa Region

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CURRENCY EQUIVALENTS
(Exchange Rate Effective April 30, 2015)

Currency Unit	=	Ariary (MGA)
US\$1	=	MGA 2990
US\$1	=	SDR 0.71102516

FISCAL YEAR
January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ACS	Community Health Workers (<i>Agents Communautaires de Santé</i>)
ACN	Community Nutrition Workers (Agents Communautaires de Nutrition)
AGEX	Local Executing Agency (<i>agence d'exécution</i>)
AGSANV	Global Analysis of Food Security, Nutrition, and Vulnerability (<i>Analyse Globale de la Sécurité Alimentaire et Nutritionnelle et de la Vulnérabilité</i>)
BNGRC	National Office of Risk and Disaster Management (<i>Bureau National de Gestion des Risques et Catastrophes</i>)
CCA	Climate Change Adaptation
CCT	Conditional Cash Transfer
CEPE	Certificate of Primary Studies, (<i>Certificat d'études primaires élémentaires</i>)
CPIA	Country Policy and Institutional Assessment
CRIC	Coordination Unit for the Disaster Interventions (<i>Cellule de Réflexion pour les Interventions en post Catastrophes</i>)
CQS	Consultant's Qualifications Selection
CSA	Center for Agricultural Services (<i>Centre de Services Agricoles</i>)
CSFVA	Comprehensive Food Security and Vulnerability Analysis
DA	Designated Account
DL	Disbursement Letter
ENSOMD	Madagascar Millennium Development Goals National Monitoring Survey (<i>Enquête Nationale du Suivi des Objectifs du Millénaire pour le Développement</i>)
EOI	Expression of Interest
EPM	Priority Household Survey (<i>Enquête Prioritaire auprès des Ménages</i>)
ESMF	Environmental and Social Management Framework
ESSF	Environmental and Social Screen Form
EU	European Union
FBS	Fixed Budget Selection
FID	Intervention Fund for Development (<i>Fonds d'Intervention pour le Développement</i>)
FM	Financial Management
GDP	Gross Domestic Product
GDSP	General Directorate of Social Protection
GRS	Grievance Redress Service

HDCT	Human Development Cash Transfer
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HQ	Headquarters
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICR	Implementation Completion Report
IDA	International Development Association
IFR	Interim Financial Reports
ILO	International Labor Organization
IMF	International Monetary Fund
INSTAT	National Statistical Institute (<i>Institut National de la Statistique</i>)
ISN	Interim Strategy Note
IT	Information Technology
LC	Letter of Credit
LCS	Least Cost Selection
LEGOP	Legal Operations
MDG	Millennium Development Goal
MEN	Ministry of National Education (<i>Ministère de l'Éducation Nationale</i>)
MGA	Malagasy Ariary (national currency)
MIS	Management Information System
MoU	Memorandum of Understanding
MPSPPW	Ministry of Population, Social Protection, and Promotion of Women (<i>Ministère de la Population, de la Protection Sociale, et de la Promotion de la Femme</i>)
NCB	National Competitive Bidding
NGO	Non-governmental Organization
NPPC	National Public Procurement Code (<i>Codes des Marchés Publics</i>)
NTB	National Tender Board (<i>Commission Nationale des Marchés</i>)
ONN	National Nutrition Office (<i>Office National de Nutrition</i>)
OVC	Orphans and Vulnerable Children
PASEC	Program on the Analysis of Education Systems
PAUSEN	Emergency Education, Health, and Nutrition Services Project (<i>Projet d'appui d'urgence aux services essentiels de l'éducation, de la santé et de la nutrition</i>)
PDO	Project Development Objective
PIE	Project Implementation Entity
PFE	Essential Family Practices (<i>Pratiques Familiales Essentielles</i>)
PFM	Public Financial Management
PMT	Proxy Means Test
PPA	Project Preparation Advance
PPF	Project Preparation Facility
PPL	Public Procurement Law
PRMP	Head of Public Procurement (Personne Responsable des Marchés Publics)
PSN	Productive Safety Net
PSNP	Productive Safety Net Program

PUIRV	Emergency Infrastructure Preservation and Vulnerability Reduction Project (<i>Projet d'Urgence pour la Préservation des Infrastructures et la Réduction de la Vulnérabilité</i>)
PURSAPS	Emergency Food Security and Social Protection Project (<i>Projet d'Urgence de Soutien à l'Agriculture et la Protection Sociale</i>)
QBS	Quality-based Selection
QCBS	Quality and Cost-based Selection
RFP	Request for Proposal
RSR	Rapid Social Response
SADC	Southern African Development Community
SCD	Strategic Country Diagnosis
SEC	Social Environmental Clause
SECALINE	Surveillance and Education for Schools and Communities on Food and General Nutrition
SWC	Soil and Water Conservation
SWG	Sector Working Group
UCT	Unconditional Cash Transfers
UGPM	Public Procurement Unit (<i>Unité de Gestion des Marchés Publics</i>)
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
UTP	Territorial Planning Unit (<i>Unité Territoriale de Planification</i>)
WFP	World Food Programme
WDR	World Development Report
ZIP	Priority Intervention Zones (<i>Zones d'Intervention Prioritaires</i>)

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MADAGASCAR

Social Safety Net Project

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PAD DATA SHEET
Madagascar
Social Safety Net Project (P149323)
PROJECT APPRAISAL DOCUMENT

AFRICA

Report No.: PAD1198

Basic Information			
Project ID P149323	EA Category B - Partial Assessment	Team Leader(s) Andrea Vermehren	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 10-Sep-2015	Project Implementation End Date 31-Mar-2020		
Expected Effectiveness Date 10-Dec-2015	Expected Closing Date 30-Sep-2020		
Joint IFC No			
Practice Manager/Manager Dena Ringold	Senior Practice Director Arup Banerji	Global Country Director Mark R. Lundell	Regional Vice President Makhtar Diop
Borrower: Ministry of Finance and Budget (MFB)			
Responsible Agency: Ministry of Population, Social Protection and Promotion of Women			
Contact: Dr. Hanta Baraka Telephone No.: 261331479807		Title: Directeur General Email: hanta_9baraka@yahoo.fr	
Responsible Agency: FID			
Contact: Rasendra Ratsima Telephone No.: 0320700779		Title: Directeur General Email: "FID - Rasendra RATSIMA" <dirgen1@fid.mg>,	
Project Financing Data(in USD Million)			
[] Loan	[] IDA Grant	[] Guarantee	
[X] Credit	[] Grant	[] Other	
Total Project Cost:	40.00	Total Bank Financing:	40.00

Financing Gap:	0.00					
Financing Source		Amount				
BORROWER/RECIPIENT		0.00				
International Development Association (IDA)		40.00				
Total		40.00				
Expected Disbursements (in USD Million)						
Fiscal Year	2016	2017	2018	2019	2020	2021
Annual	4.30	8.50	10.70	12.50	4.00	0.00
Cumulative	4.30	12.80	23.50	36.00	40.00	40.00
Institutional Data						
Practice Area (Lead)						
Social Protection & Labor						
Contributing Practice Areas						
Cross Cutting Topics						
<input type="checkbox"/> Climate Change <input type="checkbox"/> Fragile, Conflict & Violence <input type="checkbox"/> Gender <input type="checkbox"/> Jobs <input type="checkbox"/> Public Private Partnership						
Sectors / Climate Change						
Sector (Maximum 5 and total % must equal 100)						
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %		
Agriculture, fishing, and forestry	General agriculture, fishing and forestry sector	10				
Education	Primary education	20				
Finance	Other non-bank financial intermediaries	10				
Health and other social services	Health	10				
Health and other social services	Other social services	50				
Total		100				
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.						

Themes		
Theme (Maximum 5 and total % must equal 100)		
Major theme	Theme	%
Social protection and risk management	Natural disaster management	15
Social protection and risk management	Social Safety Nets/Social Assistance & Social Care Services	50
Social dev/gender/inclusion	Gender	10
Human development	Education for all	15
Human development	Nutrition and food security	10
Total		100
Proposed Development Objective(s)		
The project development objective (PDO) is to support the government in increasing the access of extremely poor households to safety net services and in laying the foundations for a social protection system.		
Components		
Component Name	Cost (USD Millions)	
Component 1: Building a safety net for the poor in selected rural areas	30.20	
Component 2: Strengthening safety net administration, monitoring and social accountability	6.50	
Component 3: Building the institutional capacity for coordination, monitoring and evaluation of the social protection system	3.30	
Systematic Operations Risk- Rating Tool (SORT)		
Risk Category	Rating	
1. Political and Governance	High	
2. Macroeconomic	Moderate	
3. Sector Strategies and Policies	Substantial	
4. Technical Design of Project or Program	Substantial	
5. Institutional Capacity for Implementation and Sustainability	Moderate	
6. Fiduciary	Substantial	
7. Environment and Social	Moderate	
8. Stakeholders	Moderate	
9. Other		
OVERALL	Substantial	

Compliance			
Policy			
Does the project depart from the CAS in content or in other significant respects?		Yes []	No [X]
Does the project require any waivers of Bank policies?		Yes []	No [X]
Have these been approved by Bank management?		Yes []	No []
Is approval for any policy waiver sought from the Board?		Yes []	No [X]
Does the project meet the Regional criteria for readiness for implementation?		Yes [X]	No []
Safeguard Policies Triggered by the Project		Yes	No
Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04			X
Forests OP/BP 4.36			X
Pest Management OP 4.09			X
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10			X
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37			X
Projects on International Waterways OP/BP 7.50			X
Projects in Disputed Areas OP/BP 7.60			X
Legal Covenants			
Name	Recurrent	Due Date	Frequency
Procurement Complaint Handling Mechanism		10-Mar-2016	
Description of Covenant			
No later than three (3) months after the Effective Date, FID and the MPSPPW shall each have established a procurement complaint handling mechanism acceptable to the Association.			
Name	Recurrent	Due Date	Frequency
Auditors		30-Jun-2016	
Description of Covenant			
The Recipient shall engage independent auditors for the purpose of timely carrying out of the audits not later than six (6) months after the Effective Date, in accordance with the provisions of Section III of Schedule 2 of the Financing Agreement.			
Conditions			
Source of Fund	Name	Type	
IDA	Disbursement condition for Component 3	Disbursement	

Description of Condition				
No withdrawal shall be made for payments: (a) under Category (3), unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that the GDSP has recruited the following staff: a project coordinator; a procurement specialist; and a financial management specialist.				
Source Of Fund	Name		Type	
IDA	Operational Manuals and Qualified Staff		Effectiveness	
Description of Condition				
a) The Recipient has adopted the Operational Manuals, in the form and substance acceptable to the Association; b) The Project Implementing Agency has recruited qualified staff as set forth in Section I.A.2(c) of Schedule 2 to the Financing Agreement under terms of reference and conditions acceptable to the Association and in accordance with the terms of section III of Schedule 2 of the Financing Agreement; and (c) The Subsidiary Agreement has been executed on behalf of the Recipient and the Project Implementing Agency.				
Bank Staff				
Name	Role	Title	Specialization	Unit
Andrea Vermehren	Team Leader (ADM Responsible)	Lead Social Protection Specialist		GSPDR
Lova Niaina Ravaoarimino	Procurement Specialist	Senior Procurement Specialist	Procurement	GGODR
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Laura B. Rawlings	Team Member	Lead Social Protection Specialist	Lead Evaluation Specialist	GSPDR
Lydie Anne Billey	Team Member	Program Assistant	ACS	GSPDR

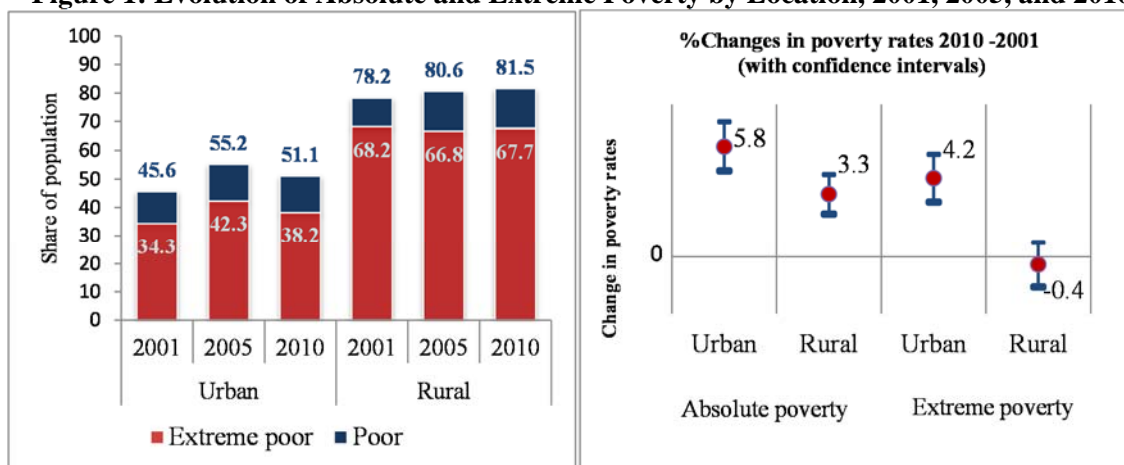
Nathalie S. Munzberg	Counsel	Senior Counsel		LEGEN	
Paul-Jean Feno	Safeguards Specialist	Senior Environmental Specialist		GENDR	
Randa G. El-Rashidi	Team Member	Social Protection Specialist		GSPDR	
Ziva Razafintsalama	Team Member	Senior Rural Development Specialist		GFADR	
Extended Team					
Name	Title	Office Phone	Location		
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Brigitte Bouchet	Cash Transfer Specialist				
Christophe Ribes Ros	Consultant		Barcelona		
Julia Rachel Ravelosoa	Sr. Human Development Consultant		Antananarivo		
Marie Diop	Social Development Specialist				
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Consultants (Will be disclosed in the Monthly Operational Summary)					
Consultants will be required					

I. STRATEGIC CONTEXT

A. Country Context

1. **Madagascar is one of the poorest countries in the world with respect to both the breadth and depth of poverty.** Close to 80 percent of Madagascar's population of over 22 million people live on less than US\$1.25 per day. A stunningly high proportion of close to 60 percent of the population is estimated to be extremely poor based on the minimum food intake methodology. This means that close to 13 million Malagasy people earn or live on resources that fall below the cost of about 2,100 calories a day.¹ Two-thirds of the people living in rural areas are extreme poor, a proportion that, as Figure 1 shows, has barely changed over the last 10 years. Close to 80 percent of Madagascar's population lives in rural areas, and poverty in rural areas is nearly twice as high as in urban areas. As a result, 86 percent of the poor live in rural areas.

Figure 1: Evolution of Absolute and Extreme Poverty by Location, 2001, 2005, and 2010



Source: World Bank staff estimates from EPM data in World Bank (2014) "Madagascar: Poverty, Gender, and Inequality Assessment." World Bank Report No. 78131-MG

2. **About one-third of the population in Madagascar—the so-called “have nothings”—is deprived in multiple dimensions including** consumption, literacy, education, basic household assets, and access to public services such as electricity. Typically, these households cannot afford to send their children to school, do not have adequate access to health or nutrition services, and suffer from unstable incomes. As has been seen in other countries, the situation of extreme poverty demands scarce cognitive resources to help individuals survive--this comes at the expense of cognitive resources that could be used to counteract natural human psychological biases faced by all. Symptoms of this phenomenon include limited executive control and a reduced capacity to focus on the future in the face of overwhelming present need. When individuals suffer from such cognitive constraints, this compounds the challenge that they face in trying to better their own circumstances and those of their families, thus perpetuating the cycle of extreme poverty.²

¹ World Bank (2014) "Madagascar: Poverty, Gender, and Inequality Assessment." World Bank Report No. 78131-MG

² World Bank (2015) "Mind, Society, and Behavior", World Development Report (WDR)

3. **The protracted economic and political crises in Madagascar coupled with the country's recurrent exposure to natural disasters have had adverse effects on food security and human development.** The economic decline experienced during recent years has been exacerbated by the devastating consequences of recurrent natural disasters (including cyclones, floods, and droughts) and the effects of deforestation. Madagascar is very vulnerable to hydro-meteorological hazards that can affect up to one-quarter of the country's population. Over 4 million people 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 sufficiently developed to cope with the effects of climate change. The government and development partners have recognized the need to adopt a resilience-building approach that focuses on pre-disaster planning and preparedness, climate change adaptation (CCA), and disaster recovery and reconstruction.

4. **The majority of Madagascar's population suffers from serious quantitative and qualitative food security deficiencies despite the country's great potential for agricultural production.** In 2013, a national survey³ found that 76 percent of households have a diet that is low in quantity and 84 percent of households have diet of poor quality. Between 2005 and 2012, the percentage of the food-insecure population remained very high, at around one-third of the population.⁴ The recent locust plague, erratic rains, and droughts are likely to have further negatively affected food production and market prices for staple foods are on the rise. At the same time, Madagascar is often described as a country with vast untapped agricultural potential given that the agricultural land area is about 41 million hectares of which only 2.5 million hectares are currently being cultivated.⁵ Increases in food production have not kept up with population growth, resulting in rising food imports and declining levels of national food self-sufficiency. Over 50 percent of the area being farmed suffers from severe to very severe soil degradation. As the vast majority of the poor live in rural areas, agriculture is their main means of subsistence and a major source of income, thus providing an important safety net.

5. **Human capital development in Madagascar has been hampered by increasing out-of-pocket expenditures, which are preventing children from accessing and performing well in school.** Public education expenditure was reduced by about 25 percent between 2008 and 2011, equivalent to a drop in public (recurrent) unit costs of about 15 percent. At the same time, household spending on both public and private education services increased considerably between 2005 and 2010 by an average of more than 36 percent. The increase was even higher in rural areas (over 45 percent compared with over 20 percent in urban areas) where most poor families live. This led to a substantial increase in the share of household spending devoted to education, from 2.1 percent in 2005 to 3.1 percent in 2010. Parents and teachers often cite these high levels of direct and indirect costs as the main reason why their children drop out of school. At the same time, the education system has considerably deteriorated during the extended crisis period. A recent Bank study on primary education⁶ found that education indicators have rapidly deteriorated and that this has been exacerbated by the recent political crisis. Primary enrollment was stagnant at 4.3 million students between 2009 and 2012 despite sustained estimated demographic growth.

³ The National Survey on Monitoring the Millennium Development Goals (ENSOMD), 2013

⁴ Madagascar: Analyse Globale de la Sécurité Alimentaire et Nutritionnelle, et de la Vulnérabilité (AGSANV), World Food Program, Septembre 2014

⁵ Madagascar Agricultural Census, 2004/2005

⁶ Madagascar: Primary Education in Times of Crisis", The World Bank 2013, Report No: ACS6584

The enrollment rate for children aged between 6 to 10 years old dropped sharply from 80 percent to 75 percent between 2005 and 2010, and the decline was more pronounced for boys than for girls and 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 as a result of the crisis. Of every 100 pupils who access primary school, less than half currently reach grade 5, compared to 63 in 2007/08. Furthermore, all learning outcomes have deteriorated, continuing a trend that 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.

6. Over 40 percent of Madagascar's children under the age of 5 suffer from chronic malnutrition, one of the highest prevalence rates in the world. With 50 percent of under-5 children suffering from stunted growth, Madagascar is among the 10 countries around the world with the highest burden of chronic malnutrition and among the 20 countries where 90 percent of the world's stunted children live. Punctuated by repeated peaks of acute malnutrition, the situation in Madagascar is critical. Global acute malnutrition among children under 5 years of age varies from 10 percent to 20 percent during the lean season when food supplies are limited in the country's most vulnerable regions. This occurs mainly in the semi-arid south where unreliable rainfall frequently damages harvests. Since the early 1990s, the National Nutrition Office (*Office National de Nutrition* or ONN) under the Prime Minister's Office has implemented a national community-based nutrition program (SECALINE) that delivers direct nutrition interventions free of charge to pregnant and lactating women and children under 5 years of age. At present, about 70 percent of under-5 children are enrolled in this program, which provides regular growth monitoring and health promotion activities as a way to increase mothers' awareness about the importance of nutrition. The results of a long-term, multi-round impact evaluation⁷ of the program suggested that it has had a positive and sustained effect on nutritional outcomes of the target population. However, the results also showed that the extent of this improvement varied depending on household characteristics (such as maternal education) and on the condition of the family's living environment (such as poverty, access to social services, and remoteness). Better-off households and better-off areas are more able to benefit from this type of intervention. Since 2012, 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.

7. There is massive under-investment in the human and productive capacities of the extreme poor in Madagascar, which has created a vicious cycle of lagging development. Madagascar's high levels of extreme poverty have deprived a large part of its population from satisfying their most basic needs. The high costs of accessing and benefitting from essential social services, recurrent natural disasters, and other shocks (droughts and food and fuel price increases) have led to a situation where extremely poor households are unable to support their children's human development or even essential consumption. Refocusing government policies and resources on these extremely poor and vulnerable populations must be an essential and urgent priority to protect these households from further deprivation that will have irreversible effects on their human and productive development.

⁷“ Improving nutritional status through behavioral change: lessons from Madagascar”, Journal of Development Effectiveness, 2009, E. Galasso, <http://www.tandfonline.com/loi/rjde20Galasso>

B. Sectoral and Institutional Context

8. **As a result of the past years of crisis, there has been no coherent policy framework for the social protection sector, programs aiming at meeting the needs of the poorest and most vulnerable population were in sufficiently coordinated, and financial resources for the sector were extremely limited.** A 2012 World Bank study of the social protection sector in Madagascar⁸ found that the political crisis of 2009 had left a leadership vacuum in the social protection sector and had prompted the withdrawal or reduction of engagement of important development partners and resources from Madagascar, including the Bank. A draft social protection policy had been developed in 2008/2009 with broad support from the donor community, but it was never adopted by the Government due to the political crisis. Social protection expenditures as a share of the country's gross domestic product (GDP) declined from 1.9 percent in 2008 to 1.1 percent in 2010, with the remaining expenditures being concentrated largely on social insurance expenses for public sector employee pensions.

9. **The main social safety net programs in Madagascar are supported by international partners.** The World Food Programme (WFP) supports programs that provide school feeding, prevent and treat acute malnutrition, increase access to markets for smallholder farmers, and provide relief and early recovery assistance in the form of cash- or food-for-work programs to vulnerable households affected by natural disasters. The United States Agency for International Development (USAID) implements the Food for Peace Program, an integrated community development program that seeks to reduce malnutrition, increase agricultural productivity, and strengthen household and community resilience, including through food-for-work activities. During the crisis years, the World Bank supported the safety net agenda through the Intervention Fund for Development (*Fonds d'Intervention pour le Développement* or FID). The FID worked with communities to provide small community infrastructure and carried out cash-for-work activities designed to provide the poor with short-term employment while rehabilitating basic community infrastructure.⁹ More recently, the Bank has supported the government in developing a more programmatic approach to social protection by designing a “productive safety net approach” through cash for work, as well as a Conditional Cash Transfer (CCT) pilot (see paragraph 14 below).

10. **In response to this situation, Madagascar's recently elected government has made it a priority to develop the social protection sector.** The government's general policy (*Politique Générale de L'Etat*), which was released in May 2014, declares the fight against poverty, vulnerability, and destitution as the “priority of priorities.” Social protection (or the lack thereof) is mentioned as the first in the list of sectoral challenges (after cross-cutting topics like national reconciliation, governance, poverty alleviation, and justice). The policy sets the following strategic directions for the social protection sector: (i) developing a social protection policy; (ii) developing labor-intensive cash-for-work activities; and (iii) ensuring the food security of vulnerable populations.

⁸ The World Bank (2012) Madagascar: Three Years into the Crisis: An Assessment of Vulnerability and Social Policies and Prospects for the Future.” (Report No. AAA68 – MG), Washington 2012

⁹ These activities were financed under the Bank's Emergency Food Security and Reconstruction Project, which closed in 2013.

11. **The Ministry in charge of Social Protection is the Ministry of Population, Social Protection, and the Promotion of Women (MPSPPW) which is in the process of developing the country's social protection policy.** The government assigned the responsibility for social protection to the former Ministry of Population, which was then renamed to reflect this new sectoral priority. The MPSPPW has taken up the challenge of developing a National Social Protection Policy, which it plans to finalize in 2015, to be followed up by a Social Protection Law approved by the National Assembly. The World Bank in collaboration with the United Nations Children's Fund (UNICEF), the International Labor Organization (ILO), the WFP, the European Union (EU), and others are supporting this policy development process since the policy is expected to provide a framework for collaboration, coordination and harmonization of the sector. To make the process fruitful and collaborative, the MPSPPW has created an Ad Hoc Social Protection Committee comprising relevant government and non-government agencies engaged in the sector as well as key development partners. The stakeholders agreed on the vision and objective for social protection in Madagascar: *“to contribute to the reduction of extreme poverty and social inequalities and strengthen the resilience of the poor and vulnerable groups to natural and socioeconomic shocks.”* The Ad Hoc Committee has also identified four strategic priorities for the sector: (i) support the human capital development of the poorest and most vulnerable population (through health and education); (ii) increase food security, improve nutrition, and strengthen resilience against natural disasters; (iii) provide income support to ensure income security; and (iv) provide targeted support to special vulnerable groups.

12. **The MPSPPW is also in the process of developing key technical competencies to lead the development of the social protection sector.** The Ministry has started to engage actively in the coordination of the sector, not only by leading the development of the social protection policy, but also by strengthening its technical capacity for coordination, monitoring and evaluation. To this end, it intends to build a program monitoring system that will include key performance indicators of the main social protection programs available in the country. Furthermore, it seeks to harmonize the targeting approaches of the different programs and intends to create, over time, a unified beneficiary registry which would include the beneficiary data based from the main social safety net programs. Finally, the ministry intends to strengthen its capacity to actually monitor social protection program progress in the field and to evaluate scientifically program outcomes and results. The Social Safety Net Project will support the ministry in these efforts.

13. **The FID has played a critical role in the social protection sector in Madagascar.** It is guided by a Board of Directors with representation from several sectoral ministries, the private sector, mayors and local community representatives, and it is headed by the representative of the Prime Minister's office. The institution has built its reputation for being responsive to the immediate needs of poor and disaster-affected communities which it has supported initially through the provision of basic services infrastructure and increasingly through cash-for-work activities. The Bank has financed several operations that were implemented by the FID. Under the new government, the MPSPPW is taking the lead in the sector and thus the FID is closely collaborating with this ministry and others to develop the operational foundation of a future safety net system. As part of the social protection policy development, the MPSPPW has commissioned a study (with support from UNICEF) to develop the institutional architecture for the sector. This framework will allow the government define the possible role, institutional setting and governance arrangements for implementing agencies such as the FID in the medium and long term.

14. **The Government has developed two complementary safety net approaches.** The MPSPPW, the FID and the Ministry of Agriculture have been working together to develop a Productive Safety Net (PSN) program based on the country's own experience with cash for work activities as well as international experience (e.g. Ethiopia, Niger). This enhanced cash for work approach includes a more integrated approach and longer-term horizon towards improving the productive capacities of households and communities. In addition, the MPSPPW and FID in collaboration with the Ministry of Education and the ONN have launched a conditional cash transfer program (the 'Human Development Cash Transfer program – [HDCT]) providing cash transfer to the mothers of extreme poor families conditioned on their children's school attendance, and promoting their participation in Madagascar's community nutrition program. The HDCT pilot was launched in September 2014 when a first cash payment was made to almost 5,000 households in the district of Betafo. Cash payments are made through microfinance and mobile banking service providers. The MPSPPW, the FID, the Ministry of Education, and ONN are collaborating closely in the implementation of the HDCT program. It includes an important element of empowerment for women since it builds on elected "mother leaders" that not only support beneficiary families in meeting their co-responsibilities, but also organize the mothers for sessions to strengthen their self-confidence, and learn about successful family practices and early childhood development.

Box 1: The Bank's Support for Madagascar's Social Protection Agenda

Prior and during the political crisis of 2009, the Bank has supported the country's social protection agenda through community driven development projects and cash for work activities that were designed to improve access to basic social services for the poor and provide temporary employment during times of hardship. The Bank's support was financed through several projects that were implemented by the FID under the leadership of the Prime Minister's office.

Since the new government was elected, the World Bank has been working closely with the authorities, particularly the MPSPPW, to support the development of the social protection policy. This policy support was complemented by capacity building activities fostering South-South policy exchanges between Madagascar and Ethiopia, Brazil, Sudan, Niger, and Comoros and by facilitating Madagascar's participation in the Community of Practice on Social Safety Nets that UNICEF and the World Bank are jointly sponsoring. In addition to the policy work, the Bank has also been providing technical assistance for building a safety net system which included the development of a proxy means test based targeting system, the exploration of electronic payment mechanisms, and the development of innovative social accountability mechanisms. More recently, the Government has requested the Bank's support in analyzing the country's pension system. The extensive technical assistance has been made possible by a Rapid Social Response (RSR) Trust Fund that the Bank team had acquired.

In parallel, the Bank has been supporting the social protection agenda through two operations. The Madagascar Emergency Infrastructure Preservation and Vulnerability Reduction Project (*Projet d'Urgence pour la Préservation des Infrastructures et la Réduction de la Vulnérabilité* or PUIRV), approved in 2012, finances emergency rehabilitation of basic infrastructure as well as emergency cash-for-work activities (US\$20 million) through the FID. The second project, the recently approved Emergency Food Security and Social Protection Project (*Projet d'Urgence de Soutien à l'Agriculture et la Protection Sociale* or PURSAPS), includes a social protection component of US\$20 million that supports poor households in locust-affected regions through: (i) cash-for-work activities aimed at providing a safety net for the poorest population of selected communities and promoting their productive development and (ii) a pilot Conditional Cash Transfer (CCT) program.

The Bank's future support to Madagascar's social protection agenda is multifaceted and designed to (i) strengthen the government's leadership role in the sector; (ii) to harmonize and consolidate safety net programs; and (iii) develop the institutional architecture needed for the social protection sector with a focus on helping the poorest and most vulnerable groups to access and benefit from existing social services and productive employment opportunities, and to increase their resilience to shocks and disasters.

15. The Social Safety Net Project will help to establish a systematic and programmatic approach to social protection focusing on investing in the human capital and productive assets of Madagascar's extreme poor in addition to supporting the government's leadership capacity through policy coordination, as well as program monitoring and evaluation. The return of a democratically elected government and its explicit focus on social protection is making it possible for development partners to support the social protection agenda in a more programmatic and coordinated way. The objective is to equip the government with the technical capacity and systems needed to take the lead in the sector in order to contribute to the country's development through a balanced social, economic, and environmental approach. The Social Safety Net Project represents the first phase of a long-term engagement between the government, the Bank, and other development partners (e.g. UNICEF, WFP and others) in building the country's social safety net system. It will begin with a new generation of poverty-targeted investments to build human and productive capital, coupled with institutional strengthening and systems building of the MPSPPW

and implementing agencies (e.g. through a harmonized targeting system, a beneficiary registry, and regular program results monitoring & evaluation) focused on establishing the core building blocks of a social protection system.

C. Higher Level Objectives to which the Project Contributes

16. **The project is aligned with the Government of Madagascar’s priorities, as well as with the Bank’s global social protection strategy and its specific strategy for the Africa Region, both of which focus on building social protection systems.** As mentioned above, the Government of Madagascar has made social protection one of its top priorities as evidenced by the President’s repeated mentioning and support to the sector, the creation of a dedicated ministry, and the requests for technical support and financing of the sector. In response to this request, the project will help develop key elements of an effective social safety net system to ensure that safety net programs are targeted to the extreme poor, transparently implemented and properly evaluated to draw lessons and deduce policy recommendations for their continuation. An effective safety net system also seeks to protect families and communities from the devastating effects of natural disasters, shocks from which many households never fully recover. The project is aligned with these objectives as well as the Bank’s Africa Social Protection Strategy, which focuses on strengthening social protection systems to reduce vulnerability and poverty by helping poor citizens manage risk, respond to shocks, build their assets, and increase their access to basic services.

17. **The project will directly aim to help achieve the twin goals of reducing extreme poverty and promoting shared prosperity in Madagascar.** It will do so by investing in the economic and human capital of extremely poor households, in the productive capital of poor communities, and by strengthening the institutional capacity of key government and non-government institutions (e.g. payment agencies). Setting up some of the core building blocks of a social protection system will be achieved by (i) expanding the Human Capital Cash Transfer pilot through which cash payments are made to women and which is linked to investments in children’s development through improved nutrition, health, and education; (ii) implementing a productive safety net (PSN) program that will target cash-for-work opportunities to extremely poor households through subprojects designed to enhance communities’ productive capacity; (iii) providing quick disaster response to households and communities, and (iv) developing the core components of a social protection system that are necessary for the effective services delivery. This approach will promote the resilience and equity of extremely poor and vulnerable households and communities and increase their food security and their opportunities to participate in the country’s productive and human development while strengthening the capacity of the Government of Madagascar to deliver core social protection services to extremely poor citizens.

18. **The development of a social safety net is a key element of the Bank’s strategy in Madagascar.** The Bank’s two-year Interim Strategy Note (ISN) for Madagascar, which was discussed by the Board in February 2012, highlighted the need to establish an effective and well-targeted safety net system in Madagascar to protect the most vulnerable population from idiosyncratic shocks, strengthen their resilience, and smooth their consumption. The ISN also recognized the role played by women as a catalyst for development and suggested that women’s empowerment initiatives should be accompanied by programs aimed at reducing the time typically spent by rural women on fetching water and fuel wood to free it up for more productive uses. The

Bank is presently developing a Systematic Country Diagnosis (SCD), which builds on the ISN and highlights the need for targeted interventions to promote the human capital and productive assets of the poorest of the poor. The design of the Social Safety Net Project reflects international experience that has shown that long-term safety net programs not only increase family food consumption and improve human development outcomes but also yield more opportunities for households and communities to engage in productive activities.

Box 2: Transitioning from a Project to a Programmatic Approach for Social Protection

The Social Safety Net Project is designed to support the social protection sector in Madagascar transition from a project to a programmatic approach by supporting the government in establishing the systems, processes, and institutional capacity necessary for it to coordinate the country's social protection policies, and for the government and its partners to transparently implement productive and human development safety net programs with the goal of reducing poverty in the country. While the government's capacity is expected to grow to eventually provide a platform for social safety net implementation, the question arises as to the role of the FID which, in the past, has provided the operational tools for social safety net implementation.

Various scenarios are possible: (i) the MPSPPW gradually builds its technical and operational capacities, including of its local offices and IT systems and the functions of the FID are carried out by the ministry or an office under the ministry; (ii) the MPSPPW continues to lead the social protection policy dialogue including program monitoring and evaluation, as well as the coordination of the sector while it contracts the services of a diverse set of agencies for safety net implementation, among them possibly the FID as one of the service providers. In parallel, FID could diversify its sources of funding and provide services to a variety of financiers for multiple activities, from community development to disaster response and safety net implementation; and (iii) the MPSPPW continues to lead the policy dialogue and program monitoring and evaluation, and delegates the safety net implementation to other levels of government such as regional or local governments.

All these options will require substantial institutional capacity building, resources and time to become feasible alternatives to the present model of collaboration, and it will be important for the government to soon develop an institutional and fiscal vision to define these important aspects of a future social protection system.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

19. The project development objective (PDO) is to support the government in increasing the access of extremely poor households to safety net services and in laying the foundations for a social protection system.

B. Project Beneficiaries

The project beneficiaries will be extremely poor households living in communities in selected regions in the poor south and east of the country. The regions and districts to benefit from the project's safety net activities have been selected jointly by the MPSPPW, the Ministry of National Education (MEN), the Ministry of Agriculture, ONN, and the FID based on data on the areas' poverty levels, malnutrition rates, school attendance rates, food security, productive potential and

complementary programs/interventions. Based on this data analysis, the project will focus on some of the 22 regions of the country's, mainly in the poor south and east, *inter alia*, Atsinanana (East), Atsimo Andrefana (South), Haute Matsiatra (South), Vatovavy Fitovinany (South East) and Vakinankaratra (Central). Within these regions, the districts have been chosen based on their topography, their poverty levels and their potential to foster synergies between social safety nets and education, nutrition & health services and rural development programs. The project's disaster response activities can benefit communities nationwide based on the country's system in determining disasters.

20. **Women will particularly benefit from the project activities.** The PSN program will target 32,500 extremely poor households, thus reaching more than 162,500 individuals. It will ensure overall equal participation of men and women. In the past, almost 60 percent of the beneficiaries of the cash-for-work activities carried out by the FID were female. The PSN program will also pay special attention to meeting the needs of the elderly, the disabled, pregnant women and women with children under two years of age who are unable to work by providing them with direct transfers (with no work requirements). The expanded HDCT pilot will cover approximately 39,000 extremely poor households, thus reaching almost 200,000 individuals in the selected communities. The program will make cash payments to the female head of the eligible households since the mothers tend to participate in the nutrition program activities and to ensure that their children attend school regularly. Combined in these two programs, more than 70 percent of direct (cash receiving) project beneficiaries are expected to be female.

C. PDO Level Results Indicators

21. Progress towards the achievement of the PDO will be measured in two ways: (i) through the ongoing monitoring of primarily administrative data related to the HDCT collected by the FID, the MPSPPW, and the MEN, and (ii) by conducting evaluations of the PSN and HDCT programs to assess their impact on the welfare of their beneficiaries.

22. Collecting the PDO-level indicators that will measure progress towards meeting the basic program objectives will be the direct responsibility of the FID overseen by the MPSPPW. These regularly monitored indicators will be collected for all sub-programs and will consist of:

- (i) Number of direct project beneficiaries - (Core indicator)
- (ii) Percentage of female beneficiaries - (Core indicator)
- (iii) Percentage of beneficiaries of the safety net programs (HDCT, PSN) belonging to the 30% poorest population.
- (iv) Percentage of primary school-aged children of HDCT beneficiary families who attend school at least 80 percent of the time
- (v) Integrated beneficiary registry established at MPSPWP (Yes/No)

23. **In addition, a series of intermediary indicators have been established to monitor institutional progress in establishing the foundations of a social protection system.**

Component 1: Building a Safety Net for the Poor in Selected Rural Areas

- Number of beneficiaries of safety net programs - (Core), consisting of:
 - ☐ Number of beneficiaries of conditional cash transfers (number)
 - ☐ Number of female beneficiaries of safety net programs
 - ☐ Number of beneficiaries of cash-for-work and public works programs
- Number of landscape development plans developed in a participatory way
- Number of hectares treated with soil and water conservation (SWC) measures
- Number of hectares re/afforested through the PSN
- Number of employment days created under the PSN and the disaster response cash-for-work activities
- Percentage of registered complaints that have been addressed by the FID
- Percentage of community assets maintained one year after their completion.

Component 2: Strengthening Safety Net Administration, Monitoring, and Social Accountability

- Operational costs of the FID as a percentage of safety net program implementation expenditures.

Component 3: Building Institutional Capacity for the Coordination, Monitoring, and Evaluation of the Social Protection System

- Establishment of a social protection program monitoring system within the MPSPPW
- Impact evaluation carried out and results made publicly available.

III. PROJECT DESCRIPTION

A. Project Components

24. The project will be implemented over a four and a half year period from September 2015 to March 2020. A Project Preparation Advance (PPA) has been prepared to ensure that the first payments for the expansion of the HDCT pilot can be made in September 2015, just before the new school year.

25. The project will lay the foundations of an evolving social protection system by:

- Turning the existing cash-for-work program into a Productive Safety Net that will provide regular, multi-year income support to extremely poor households in exchange for them using their labor to help to build productive assets within their communities, thus increasing food security and mitigating the effects of climate change in the longer term.

- Expanding the HDCT pilot, which targets extremely poor households with young children (between 0 and 12 years of age) and which couples the provision of income support with incentives to encourage beneficiaries to make appropriate investments in the nutrition, early childhood development, health, and education of their children. The payments are primarily made to mothers and are combined with training in effective parenting techniques and encouragement to use the available nutrition, health, and education services, promoted by elected “mother leaders”.
- Providing short-term rapid disaster response in the form of cash-for-work activities aimed at cleaning up and rehabilitating damaged community infrastructure.
- Establishing the core institutional building blocks of an evolving social protection system starting with a transparent and versatile targeting system for identifying extremely poor households, a beneficiary registry, and a streamlined payment system.

Component 1: Building a Safety Net for the Poor in Selected Rural Areas (US\$30.2 million)

26. **The objective of this component is to build an effective safety net for extremely poor households in selected areas.** The component will address the different vulnerabilities and risks faced by extremely poor households in Madagascar by: (i) introducing a Productive Safety Net (PSN) that will provide cash-for-work activities in targeted poor communities in areas of the country where there is potential to address environmental and soil degradation, and increase local agricultural production; (ii) expanding the Human Development Cash Transfer (HDCT) pilot program to provide conditional cash transfers (CCTs) to extremely poor households in areas with particularly low human development outcomes; and (iii) providing rapid support to poor households and communities in areas affected by natural disasters. Component 1 will be implemented by the FID.

27. **Intervention areas will be selected taking into account the complementarity with other social programs (e.g. nutrition, livelihood development) as well as implementation efficiency.** To the extent possible, the HDCT and PSN programs will be implemented in the same regions but not in the same districts to avoid overlap. The HDCT will be offered in areas with particularly low human development outcomes while PSN activities will be implemented in areas with high productive potential but with no large irrigation schemes (*Bassins Versants et Périmètres Irrigués*, BVPI). It is noteworthy that all beneficiary households of either the HDCT or the PSN program will receive a similar cash amount per year.

Subcomponent 1.1: Establishing a Productive Safety Net Program (US\$14.7 million)

28. **This subcomponent will create a Productive Safety Net (PSN) program that will offer regular cash-for-work opportunities during the lean season to the poorest families in the selected communities over a three-year period.** The aim of this subcomponent is to smooth their consumption in the short term and help them to develop productive activities over the longer term. Approximately, 32,500 households will participate in the program for three years. PSN cash-for-work activities involving soil conservation, water harvesting, reforestation, and terracing will be planned and implemented sequentially over a period of three years in clusters of villages based on landscape management plans (see paragraph 33). These activities will be labor-intensive, and at

least 70 percent of the funding for the subprojects will be used to cover the cash payments to beneficiaries. The remaining financing will cover non-wage costs such as small equipment and material inputs as well as supervision costs.

29. **A combination of community-based pre-selection and a Proxy Means Test (PMT) survey will be used to select the beneficiary households, and the resulting list will be validated by the communities themselves.** Around 30 percent of the households in each selected communities are expected to be eligible for the program based on their poverty status. Selected labor-constrained households will receive direct cash transfers but will not be expected to supply labor in return. The daily wage rate of the PSN will be kept below the market rate for unskilled labor (MGA 3,000 per day) to ensure that only the poorest households have an incentive to join the program. The wage rate may need to be adjusted taking into account the economic development of the country. Participating households will be offered 80 days of work a year for three years.

30. **The Cash-for-work activities will be implemented based on a five-year landscape development plan** that will be developed jointly by the FID, the Ministry of Agriculture, the MPSPPW, and other relevant government representatives and stakeholders in partnership with the participating communities. The methodology that will be used for this joint planning is spelled out in a detailed technical guide produced by FID in collaboration with the Ministry of Agriculture, with technical assistance from the Bank. The five-year plans will be updated annually, taking into consideration the activities implemented during the previous year and ensuring that past subprojects are properly maintained and used. This methodology will ensure immediate improvements in households' living conditions in the context of a long-term productive development vision for the selected area.

31. **Cash payments and compliance monitoring.** The level of benefits received by each selected household will be higher than in previous cash-for-work operations and will be aligned with the benefit levels that are provided in the HDCT program. Participating households will be able to work for 80 days per year for three years. Direct transfers will be provided to labor-constrained households with no work requirements. The percentage of these labor-constrained households to receive direct transfers in each of the selected communities has been fixed at 20 percent, based on the experience of previous cash-for-work activities. PSN beneficiaries will receive their payments on a monthly basis during working months. Payments are made by a payment agency (either micro-finance institution or a mobile banking service provider) in areas where this service is available. If no payment agency can be contracted (due to lack of a market), the supervising agencies will make the payments (as in the past). The number of days worked by each beneficiary, as recorded in the attendance sheets, will be entered in the FID MIS and the amount to be paid to each beneficiary will be calculated automatically and communicated to the payment agencies. Direct beneficiaries (i.e. those who are not required to work) will be paid a fixed amount at the same dates as the other beneficiaries.

Subcomponent 1.2: Expanding the Human Development Cash Transfers Pilot (US\$11.5 million)

32. **This subcomponent will provide cash transfers to extremely poor families with children aged between 0 and 12 years old in selected regions of Madagascar.** The regions and communes for the expansion of the HDCT have been chosen based on their human development

indicators and poverty criteria, and on the availability of schools and the national nutrition program. The selection of beneficiary households will be done based on a combination of community pre-selection, application of a Proxy Means Test (PMT), and community validation (see paragraph 80). The cash transfers of up to US\$12 (MGA 20,000) per month over a three-year period will consist of two elements. First, each selected family will receive a base payment of MGA 10,000 per month. While this amount is meant to support their income, caregivers will be encouraged to participate in sessions of the national nutrition program, on essential family practices and in good practice parenting behavior.¹⁰ Second, families with children of primary school age are able to receive an additional MGA 5,000 for each child who is enrolled in and attends school regularly (80 percent of school days) for up to two children in primary school. Thus, the highest amount that any family can possibly receive is MGA 20,000 per month. In addition, families with children attending primary school will receive a one-time payment of MGA 20,000 in September of the first year in which they enroll their children in primary schools to cover part of the costs involved in the enrollment process. Payments will be made every two months through financial intermediaries (such as micro-finance institutions or mobile payment providers) wherever possible to promote the access of poor families to the financial system.

33. **The HDCT pilot has already been successfully implemented with the first transfers issued in September 2014** just before the start of the new school year. The pilot included the key elements of a safety net program, including (i) a combination of geographic, community and household targeting; (ii) an enrollment process to provide beneficiaries with information about their co-responsibilities; (iii) transfers paid through financial intermediary institutions; (iv) the monitoring of beneficiaries' compliance with their co-responsibilities, (v) the election and training of 'lead mothers' to guide the beneficiaries and organize meetings to address topics of their interest, and (vi) a case management approach that includes a complaints process and regular family updates. The pilot is being accompanied by a public information campaign that informs key stakeholders about the program and their specific roles and responsibilities.

¹⁰ The collaboration between the FID, MEN, and ONN has already been agreed in a Memorandum of Understanding (or "*convention*") between the agencies.

Box 3: How Behavioral Science Can Help Parents to Improve their Children's Development

A key objective of the project's Human Development Cash Transfer (HDCT) program is to improve early childhood development, parenting practices, and nutrition as a critical first step in preparing children for school and productive working lives. The Government of Madagascar, and the World Bank team have partnered with ideas42, an applied research group founded by leading experts in behavioral economics, to make use of behavioral techniques such as self-affirmation, labeling, identity activation, and plan-making to encourage beneficiaries to use services and learn effective parenting practices under the HDCT program. The program is introducing the concept of lead mothers, women elected by the beneficiary households who will help the mothers of beneficiary families to learn and apply effective parent-child interaction and nutrition practices. The ultimate goal of the HDCT program is not only to address extreme poverty in the short term through income transfers but to strengthen the capacity of mothers to improve their children's cognitive and physical development, enhance their readiness for school, and increase their chances of achieving long-term educational and economic success.

With a proven track record in early childhood development, behavioral science recognizes that the failures of development programs to achieve their objectives may not be due to a lack of intention on the part of beneficiaries but instead may be due to difficulties of planning ahead or other factors common to all human decision-making. As a result, simple behavioral approaches such as the "Leader Mother" model may succeed in place of or as a complement to explicit financial incentives and more formal capacity building.

The World Bank is supporting the Government of Madagascar in seeking complementary funding to rigorously assess the impact of the "Leader Mother" model in the context of the HDCT program. If approved, a cluster-randomized effectiveness trial will measure both intermediate parenting practices and service delivery as well as early childhood development outcomes using internationally recognized anthropometric and neuro-developmental assessment methodologies.

34. **The sub-component will scale-up the HDCT pilot and will be accompanied by a robust impact evaluation.** The project will finance the scale up of the pilot from presently about 5000 households in one region to 39,000 households in five districts of four regions. The roll-out will be done in two waves. Approximately 23,000 households will be selected to join the program in September 2015, and the remaining 16,000 will be enrolled September 2016. The program roll out will be accompanied by an impact evaluation using a cluster randomized trial to test not only short-term and intermediate outcomes in villages both within and outside the HDCT program but also the impact of a set of parent-child interaction and nutrition practices¹¹ that will be demonstrated to beneficiaries primarily by the elected lead mothers. The evaluation will assess the effects of these nutrition and parenting workshops on child development outcomes related to school readiness, including nutritional and cognitive outcomes, as well as on school enrollment and attendance.¹²

Subcomponent 1.3: Early Recovery Response to Natural Disasters (US\$4 million)

35. **This subcomponent will enable the Government of Madagascar to help households to recover after a disaster by providing them with cash-for-work opportunities and by rehabilitating and reconstructing damaged infrastructure in the affected communities.** The subcomponent includes up to US\$2 million to rebuild basic infrastructure damaged by disasters, all of which will be rebuilt to be cyclone-proof. In addition, the subcomponent will include

¹¹ Essential Family Practices (*Pratiques Familiales Essentielles* or PFE) developed by UNICEF

¹² Impact evaluation proposals are being prepared by the Bank's social protection team in collaboration with ideas42, a not-for-profit research group specialized in behavioral economics.

financing for cash-for-work activities in the affected communities which provide temporary income support at a daily rate of MGA 3,000 for up to 30 days of work. At least seventy percent of the project costs (on average) will be used to pay wages, while the remaining thirty percent can cover non-wage costs (such as the costs of small equipment, capital inputs) and sub-project organization and supervision. The FID will budget US\$1 million for disaster response (for both rehabilitation and cash for work activities) each year. If there are only minor disasters during a given year, the remaining funds can be used to rehabilitate community infrastructure damaged by previous disasters.

36. **The disaster response activities to be funded will be selected and coordinated by the National Bureau for Disaster Risk Management (*Bureau National de Gestion des Risques et Catastrophes* or BNGRC).** The BNGRC is responsible for identifying areas of natural disasters and for coordinating the government's response. The FID will follow the BNGRC's lead and implement income and reconstruction support on the ground. As such, the FID is a member of the Coordination Unit for the Disaster Interventions (*Cellule de Réflexion pour les Interventions en post Catastrophes* or CRIC), which brings together fast intervention institutions such as the WFP, the Red Cross, UNICEF, and other disaster response agencies.

Component 2: Strengthening Safety Net Administration, Monitoring, and Social Accountability (US\$6.5 million)

This component will provide the financing to strengthen the safety net administration. It will finance: (i) the strengthening of the safety net administration through the provision of support for the coordination, implementation and monitoring of Project activities; (ii) the implementation of safeguard requirements; (iii) the implementation of a communications strategy; the establishment of a beneficiary data base, (iv) the rolling out of the electronic payment mechanisms for safety net beneficiaries; (v) training for implementing partners and FID staff, and (vi) the strengthening of the Project Implementation Agency's management information and monitoring systems and the general program administration including social accountability mechanisms. The component will be implemented by the FID.

Component 3: Building the Institutional Capacity for the Coordination, Monitoring, and Evaluation of the Social Protection System (US\$3.3 million)

37. **This component aims to strengthen the institutional capacity of the MPSPPW to manage the coordination, monitoring, and evaluation of the social protection system.** The component is designed to enhance coordination within the social protection sector through (i) the creation of a social protection program monitoring system; (ii) the establishment of a beneficiary registry; (iii) the evaluation of selected social protection programs; (iv) the strengthening of the Ministry's financial management and procurement capacity; (v) the development of a communication strategy; (vi) the financing of operational, technical and financial audits; and (vii) the implementation of a related training and capacity building program. These activities are designed to help the MPSPPW coordinate the implementation of the national social protection policy. The component will be implemented by the MPSPPW.

38. **The creation of a registry of safety net beneficiaries within the MPSPPW will be closely coordinated with the FID.** The beneficiary household data included in the registry will

initially come from the targeting and enrollment process that the FID will be managing for the safety net programs mentioned under Component 1. The MPSPPW will be in charge of managing the registry and of ensuring that updates and changes are made in time and that the data can be analyzed and shared with other relevant organizations. Furthermore, the registry will be designed to include beneficiaries of other safety net programs and services, including those of the Ministry for special target groups. The technical and operational design of the registry will be developed under this component as will the guidelines governing the updates and data sharing of the registry.

39. **The component will also support the MPSPPW in establishing a monitoring system for the country's main social protection programs that will collect key program performance data.** To this end, the MPSPPW will carry out a mapping exercise of existing sources of social protection data to collect the initial program data and will develop protocols governing how and when program managers should report on their progress and results. It is expected that this system will help to harmonize some of the operational features of different social protection programs, such as targeting, payment modalities, and results analysis.

40. **The component will strengthen the capacity of the MPSPPW to design, oversee, and analyze the results of evaluations** by funding: (i) the design and supervision of an impact evaluation¹³ of the HDCT program; (ii) the contracting and management of the follow-up surveys of the cash-for-work impact evaluation¹⁴; and (iii) operational and technical audits of the safety net programs financed under component 1 to monitor implementation quality and measure progress over time. The implementation of the impact evaluations are expected to provide valuable lessons that will inform the implementation of the particular HDCT and PSN safety net programs as well as the larger social protection system in the future.

41. **The component will also support the development of a communication strategy for the social protection work of the MPSPPW and its partners.** This activity will support the dissemination of social protection program results through annual reports, the publication of information and data on social protection programs and results, and the creation of a website in the MPSPPW dedicated to social protection.

42. **Finally, the component will strengthen the MPSPPW's financial management (FM) and procurement capacity.** To this end, the MPSPPW will appoint a procurement officer (a civil servant) and FM consultants to carry out the fiduciary tasks required for the implementation of the component. The component will provide the MPSPPW with the means for technical assistance and equipment to strengthen its broader FM and procurement capacity to enable it to attract and manage possible future donor funding. The Bank will provide training for MPSPPW staff on an ongoing basis. The MPSPPW will also be responsible for designing, contracting, and overseeing the financial audits for the Social Safety Net Project.

¹³ The impact evaluation of the HDCT program is expected to be financed through an external grant, thus the surveys are not part of this project. However, the design and supervision of the impact evaluation remains a core task of the Ministry.

¹⁴ The baseline survey for this impact evaluation was carried out under the PURSAPS.

B. Project Financing

43. The project will be financed by an International Development Association (IDA) credit of US\$40 million equivalent with a total maturity of 38 years including a grace period of 6 years.

Project Cost and Financing

44. Project funding is distributed among the components in the following manner.

Project Components	Project Cost (US\$ million)	IDA Financing	% Financing
1. Building a Safety Net for the Poor in Selected Rural Areas	30.2	30.2	75.50
2. Strengthening Safety Net Administration, Monitoring, and Social Accountability	6.5	6.5	16.25
3. Building Institutional Capacity for the Coordination, Monitoring, and Evaluation of the Social Protection System	3.3	3.3	8.25
Total Costs	40.0	40.0	
Total Financing Required	40.0	40.0	100

C. Series of Project Objective and Phases

45. This four and a half-year project is designed to be the first phase of a 12-year engagement by the Bank in support of the Government of Madagascar's efforts to: (i) establish an effective safety net for the poorest population, and (ii) create the key building blocks of a social protection system (for example, a harmonized targeting strategy, a single beneficiary registry; and coordinated cash-for-work modalities). All of these efforts will be guided by an overall social protection policy that is expected to transcend any single government. The expectation is that an increasing share of funds provided for emergencies and short-term interventions will be channeled through the nascent social protection system, particularly its safety net programs, to contribute to achieving the country's social protection and poverty reduction objectives. Thus, as key safety net programs and system elements are established, the government will expect its development partners to actively engage in furthering the policy and program agenda. Well-established monitoring and social accountability mechanisms as well as the results of robust impact evaluations will contribute to advancing the agenda.

46. The first phase of the World Bank's support to this long term agenda will lay the policy, coordination, and operational foundations of the social protection system, while the second phase would expand the safety net programs (possibly with support from multiple development partners and the government itself) and develop approaches for encouraging beneficiaries to graduate from assistance. The third phase is expected to consolidate the policy and programs and to enable a

significant number of beneficiaries to rise out of extreme poverty.¹⁵ The country's efforts to boost growth, strengthen governance, and increase revenues are expected to yield much-needed fiscal space in the long term, including for safety nets. However, given the depth and width of poverty in Madagascar, safety nets can be expected to continue to be a necessary part of the country's development efforts for the foreseeable future.

D. Lessons Learned and Reflected in the Project Design

47. The design of the project builds on the large body of international and national experience with safety nets using a variety of cash transfer modalities. Several of the lessons that are particularly relevant in the context of Madagascar are discussed here.

48. **The project builds on the rich experiences from Ethiopia where the government has been implementing the large Productive Safety Net Project (PSNP) since 2006.** The PSNP has made a significant contribution to increasing food security in Ethiopia over the past nine years. The food security of PSNP clients has increased from 8.4 months per year in 2006 to 10.1 months per year in 2012 on average. The PSNP provides food and/or cash to chronically vulnerable households during the predictable annual lean season in exchange for their labor on communal projects that address the underlying causes of vulnerability and food insecurity.

49. **Ethiopia's PSNP has shown that cash transfers are an efficient and effective way to support vulnerable households.** Market studies have indicated that, with very few exceptions, there is little justification to provide food transfers, even in highland areas, in response to a lack of food in markets. In Madagascar, several large development partners still mainly provide food transfers, a practice that seems increasingly less adequate given the experience of and evidence from other countries that are as poor as Madagascar. The Social Safety Net Project seeks to strengthen the capacity of the Government of Madagascar to develop alternative safety net delivery mechanisms, such as cash transfers, jointly with interested development partners.

50. **Requiring beneficiaries of cash-for-work programs to work on climate-relevant activities is an effective way to provide a safety net while at the same time manage the effects of disasters and climate change.** Based on this fact, the PSN component of this project includes a climate-smart landscape management planning process based on soil and flood protection, water supply development, reforestation and terracing.

51. **Human capital is easily lost and hard to recover.** Specific efforts are needed to ensure that communities get a chance to recover their human capital. The HDCT program aims to ensure that children attend school and participate in health and nutrition programs and to make up for some of the harm done to their development during the years of crisis. The HDCT focuses particularly on families with out-of-school children. Given the government's efforts to increase the supply of teachers (the government is in the process of contracting 10,000 additional teachers), it will be important to make sure that children from extremely poor families benefit from this national investment as much as those from better-off households, thus matching the supply and

¹⁵ More than 3 million households (out of 8 million beneficiary households) graduated from Ethiopia's Productive Safety Net Program within its 10 years of operation, which is a significant achievement. Similarly, with more children graduating from school due to the HDCT, families are expected to increase their incomes overall.

demand sides. The HDCT constitutes precisely the demand-side intervention needed to capitalize on this opportunity.

52. **The empowerment of mothers makes an important difference in the early childhood development of children.** CCT programs in Latin America have been particularly successful when they have involved mothers intensively in their activities and have built the capacity of “lead mothers.” Colombia’s *Familias en Accion* program has proven to be an effective intervention for the early childhood development of poor children by making mothers the central focus of the program and working with them to develop the cognitive and motor skills of their children. Given the encouraging results of the Colombian model, the HDCT uses lead mothers to work with beneficiaries on early childhood development practices for children aged between 3 and 6 years old. The HDCT’s impact evaluation will include aspects of behavioral economics to assess the impact that this approach is expected to have in Madagascar.

53. **Global experience shows that particularly in poor countries, social safety nets provide the basic platform for developing a social protection system over the longer term.** Thus, the project aims to establish sound and effective safety nets, while at the same time building the capacity of the government to develop an integrated social protection system, including systems for monitoring and evaluation, in the future.

54. **Creating strategic links with key sectors is crucial for the development of the social protection sector.** It is particularly important to establish links with health, education, and nutrition services as the poorest households tend not to be able to access these services. Similarly, linking temporary income support to productive activities provides beneficiaries with an opportunity to rise out of poverty in the future. The design of the project recognizes the need for these links and thus fosters collaboration between the MPSPPW, the FID, MEN, ONN, and the Ministry of Agriculture. This cross-sectoral collaboration is new in Madagascar and will be an intriguing learning experience for everyone involved in the project.

55. **Building alliances between government entities, development partners, and implementing agencies (including NGOs) is essential for building systems rather than simply implementing individual projects.** As the government and key development partners such as the European Community, UNICEF, USAID, and the WFP are currently preparing their medium-term strategies for Madagascar, it will be important for these strategies to include a common understanding of the contributions made by social protection in general and safety nets in particular to the overall development of the country. By strengthening the government’s ability to coordinate the sector, the project will contribute to building these alliances. The safety net programs supported by the project are designed to build on synergies with other sectors and programs (for example, in rural development, nutrition, and education) by helping the extreme poor to access existing services and programs from which they are often implicitly excluded.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

56. **The MPSPPW is in charge of developing, coordinating, and overseeing the country’s social protection policy.** According to the decree determining the responsibilities of the

MPSPPW, it is in charge of the design, implementation, monitoring, and evaluation of the programs that come under the government's social protection policy (which is still being finalized). However, the MPSPPW has gone through a series of reorganizations. Social protection was only added to its remit in 2014 when this sector became more important within the government's strategy. In the past, it has played a limited role in social protection, focusing mainly on small-scale interventions targeted to a very limited number of specific vulnerable groups (for example, female-headed households and the disabled). The MPSPPW used to put less emphasis on policy development and on coordination, monitoring, and evaluation of its policy and programs which are usually among the core functions of a ministry. This can partly be explained by its limited human resources, technical and financial capacity.¹⁶ Nevertheless, the new leadership of the Ministry has dynamically picked up the challenge of developing the policy and intensifying coordination, monitoring and evaluation. The objective of Component 3 of the project is therefore to strengthen the ministry's capacity to fulfill its core functions in the social protection sector.

57. The project seeks to strengthen the MPSPPW's capacity to effectively lead, oversee, and coordinate the country's social protection system by taking advantage of and coordinating existing institutional capacity, attracting government and development partner financing and expertise, and providing technical assistance to strengthen the Ministry's core functions. Cross-sectoral collaboration between the MPSPPW and the other social (education, health, and nutrition) as well as with the productive sectors (such as agriculture and economic development) will be key to achieving this objective and will be enhanced by the design of this project. Institutional continuity and consolidation within the MPSPPW as well as continued political support will be needed to build the necessary framework for the successful development of the MPSPPW.

58. The FID will play an important role in putting into operation the country's social safety net agenda as part of the overall social protection policy. The FID was established in 1993 as a private association of public interest with administrative and financial autonomy under the Prime Minister's Office. It has benefitted from institutional stability, strong leadership, and solid operational and financial capacity and has been an effective mechanism for community development, for carrying out labor-intensive public works, and for responding to emergencies through the prompt implementation of cash-for-work activities and the rehabilitation and reconstruction of basic infrastructure. The FID has successfully implemented several IDA-financed projects, including the recently closed Emergency Food Security and Reconstruction Project, for which the institution got a Highly Satisfactory rating for managing the project in the Implementation Completion and Results Report (ICR). The FID is supervised by a board of directors comprising nine members, including one representative nominated by the Prime Minister and representatives from the Ministry of Finance and other relevant ministries (MPSPPW, Ministry of Education, Ministry of Agriculture, etc), as well as some mayors of rural local governments, and representatives of civil society and professional organizations. The composition of the board of the FID was revised in November 2014 to reflect the creation of the MPSPPW as well as its enhanced collaboration with MEN and the Ministry of Agriculture. The responsibilities of the board of directors encompass policy guidance and overall institutional oversight, under the chairmanship of the Prime Minister's Office.

¹⁶ The budget of the MPSPPW was equivalent to less than 1 percent of the total government budget in 2014.

59. **The implementation of the project will be guided by operational manuals.** For each component of the project, an operational manual has been developed that outlines the processes of and responsibilities for its implementation. There are several operational manuals used by FID: (i) the operational manual for the HDCT; (ii) the operational manual for the PSN (which includes the landscape management planning); and (iii) the operational manual for disaster response. The FM and procurement manuals developed by the FID will also be used, in a slightly adjusted format, by the MPSPPW for the fiduciary management of Component 3. The updated operational manuals have been submitted to IDA prior to negotiations.

B. Results Monitoring and Evaluation

60. **The project will support the strengthening and establishment of core monitoring systems within the MPSPPW and the FID** from which the primary results indicators will be drawn to track the outcomes of the project. In addition, building on the targeting evaluation of the PMT pilot, the ongoing process evaluation of the HDCT pilot, the planned operational and technical audits, and the impact evaluations of the cash-for-work and HDCT programs, the project will support the strengthening of the M&E capacity of both project implementing agencies (the MPSPPW and the FID). This will increase the ability of both agencies to effectively design evaluations, and monitor progress of selected safety net programs.

61. **The MPSPPW aims to develop a simple monitoring system to keep track of the progress of key social protection programs in the country,** including the PSN and HDCT programs. This computerized system will be managed by the director general for social protection within the MPSPPW and will increase the institution's capacity for coordinating and overseeing the development of the sector. This activity will be financed under Component 3 of the project and will be implemented by the MPSPPW.

62. **The FID has already established a comprehensive MIS to monitor the implementation progress of the safety net programs.** This will make it possible to monitor the selection of beneficiaries, payments, beneficiaries' compliance (either with work requirements in the case of the PSN or school attendance in the case of the HDCT), and complaints, among other elements. The MIS will include the socio-economic data of the safety net beneficiaries that will make it possible to monitor their progress over time. The MIS will also include data on the disaster response activities as well as on key safeguards indicators (for example, gender participation, grievance redress, and environmental categories) for the activities financed under this project.

63. **A Mid Term Review will be carried out at the latest 18 months after the project's effectiveness.** The review will assess in detail the progress towards meeting the project development objectives as measured by the key performance indicators, as well as assess progress in the institutional and policy development areas that are supported by the project. Results from some of the evaluations carried out under this project (at least the baseline and first follow up measurement) as well as other projects financing safety net activities (PURSAPS, PUPIRV) would then be available and used to assess the relevance and pertinence of the project design and its main implementation features. Results from the mid-term review will inform the further implementation as well as supervision of the project.

64. **To assess the longer-term outcomes of the Social Safety Net Project, impact evaluations will be carried out.** An impact evaluation has already been designed for the cash-for-work activities implemented under the Bank's Emergency Food Security and Social Protection Project (*Projet d'Urgence de Soutien à l'Agriculture et la Protection Sociale* or PURSAPS). The follow-up measurements of this evaluation will be financed under the Social Safety Net Project. It is also planned to evaluate the HDCT program using cluster randomized trials. These evaluations will be used to determine whether the HDCT and the PSN programs have achieved their medium-term goals of reducing poverty and food insecurity (notably with respect to consumption), protecting and building human capital, and building household and community assets.

C. Sustainability

65. **Support the government's social protection agenda.** The project will support the government in strengthening the MPSPPW's capacity to coordinate, monitor, and evaluate the country's social protection programs based on the country's social protection policy. The aim is to increase the access of poor households to more coordinated and effective social safety net and disaster response programs. It is expected that these efforts will increase support for the poor as well as efficiency in spending in the long term. Training (for example, in fiduciary administration) for ministerial staff will be part of this agenda as much as South-South learning and exchanges.

66. **Shift to a programmatic approach to social protection.** The project supports the current move towards developing a systematic approach to social protection and the preparation of a sector financing strategy for social protection that encompasses both government and donor funds. The project's support for the PSN program and the scaling-up of the HDCT pilot and its strengthening of the MPSPPW's institutional capacity will prepare the foundation of an effective safety net system for the poor. The development of sector-wide instruments such as a beneficiary registry will also help to consolidate the social protection sector.

67. **Long-term development engagement versus short-term emergency response.** The shift of the social protection approach toward a medium-term engagement in the same communities and with the same households is expected to increase the sustainability of the project's expected outcomes. The establishment of solid processes and systems for coordination, monitoring, and accountability are expected to lay the foundations of a responsive and transparent institutional structure to guide and lead the country's social protection sector.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

Risk Categories	Rating (H, S, M, or L)
Political and Governance	High
Macroeconomic	Moderate
Sector Strategies and Policies	Substantial
Technical Design of Project or Program	Substantial
Institutional Capacity for Implementation and Sustainability	Moderate
Fiduciary	Substantial
Environmental and Social	Moderate
Stakeholders	Moderate
Overall	Substantial

68. **The overall project implementation risk is rated as substantial** given Madagascar's volatile political and economic situation, growing public discontent over power shortages and governance practices, and the challenges faced by the project in building a systematic and programmatic approach to social safety nets in one of the poorest countries of the world.

69. **Political and Governance.** The country emerges from a five-year political crisis that has put to the test many of its institutions for good governance and accountability. While good governance is at the core of the Government Policy (i.e. Politique Générale de l'Etat) and of the National Development Plan, no strategy for better governance has been developed yet and corruption remains widespread. On the political front, a process of national reconciliation was initiated under the leadership of President Hery Rajaonarimampianina with the support of the Council of Christian Churches (FFKM). Some of the proposals emerging from the consultations on national reconciliation have fueled tensions between the executive and legislative branches. Municipal elections took place as planned on July 31, 2015. Once the results are announced officially, new political coalitions may form, shifting once again the balance of power. Therefore, the risk rating for this aspect is High.

70. **Macroeconomic.** Macroeconomic stability has come under increasing pressure. Tax revenues are falling, and the government's ability to hold the line on overall spending is strained in the face of political pressures, strikes, and shocks. Current risks to the global economy, especially in Europe, make Madagascar's economy more vulnerable because of its dependence on exports and tourism. The country is also highly vulnerable to natural disasters (as was evident in the cyclones of 2008 and 2012). The risk rating is Moderate.

71. **Sector strategies and policies.** The development of a social protection policy will require strong coordination and harmonization among various actors, which could be hampered by the country's tight fiscal budget and strong competition for scarce resources. Furthermore, establishing the foundations of a social protection system will require strong financial commitment from the government and partners that will need to be reflected in the national budget. This could present a challenge given the current economic crisis and the possible need to allocate resources to other sectors of the economy. Also, delays have already occurred in the MPSPPW's development of the country's social protection policy, and the finalization and approval of the policy could be hampered by any crisis. Therefore, the risk rating is Substantial.

72. **Technical design and institutional capacity for implementation and sustainability.** While the overall project design and institutional capacity builds on the experience of the FID, which has a proven track record of delivering solid results, there are concerns that the complexity of the safety net approach will require significant efforts to ensure effective collaboration among the various stakeholders. Neither the safety net programs nor the social protection policy as a whole will be sustainable in the absence of the ongoing financial support. Therefore, the risk rating is Substantial.

73. **Fiduciary.** The FID has proven FM and procurement capacity because of its experienced staff who have the relevant qualifications and the appropriate knowledge of the Bank's FM and procurement procedures and requirements. The MPSPPW will be implementing a Bank-financed project for the first time. Appropriate fiduciary arrangements will be in place to ensure smooth implementation of the project. Continued close monitoring and mitigation of any potential risks

will be made possible by regular progress and fiduciary reports, the Bank's supervision, and continued capacity building. The risk rating is Substantial.

74. ***Environmental and social safeguards.*** The project has been categorized as “B” in relation to social and environmental safeguards and has triggered three safeguard categories: Environmental Assessment (OP/BP 4.01), Physical Cultural Resources (OP/BP 4.11) and the Involuntary Resettlement Policy (OP/BP 4.12) Considering the expected positive impacts of the project on the environment and gender, as well as its potentially minor negative impacts through, for example, small scale infrastructure rehabilitation in the aftermath of disasters, the risk rating for safeguards is Moderate. The FID has a good track record of complying with social and environmental safeguards (including equitable gender representation). The institution has been trained in environmental and social safeguards, and there have been no major issues in the past. The Social Safety Net Project is likely to follow this trajectory as most of its foreseeable effects are expected to be site-specific, small in scale, and easily manageable. The HDCT program, including the introduction and strengthening of the lead mothers' concept, is designed to empower women beyond the simple provision of income support. The PSN program is designed to mitigate the effects of climate change and is expected to have a positive impact on both the environment and on society as a whole. However, some innovations included in the PSN program such as the landscape management approach may need more attention from a safeguards perspective. Therefore, during project preparation, it was agreed that the FID will enhance its technical and safeguards capacity, particularly related to the PSN program, to adequately support the implementation of the project's activities. Consequently, the Bank will offer a series of safeguards capacity-building activities to the FID, the MPSPPW, and to their partners at both the central and regional levels.

75. Regarding the inclusion and mainstreaming of women and vulnerable groups, both the MPSPPW and the FID have adopted a gender-sensitive approach, which is reflected in the project design. Both institutions have a balanced gender representation in their staff, which is also reflected in their decision-making responsibilities. With regard to project beneficiaries, women are expected to represent over 70 percent of the direct beneficiaries of the safety net programs. The HDCT provides the transfers to mothers as the primary caregivers of children. This approach will be enhanced by the election of lead mothers who will play a key role in working with the other beneficiary mothers and their children. Under the PSN, vulnerable groups like the disabled, chronically sick, pregnant mothers, and the elderly will be exempted from the program's work requirements while benefitting equally from the cash transfers and the community activities. Finally, the evaluations carried out on the safety net programs will specifically take gender impact into account, for example, with regard to the intra-household effects of the cash transfers and the empowerment of women.

76. ***Stakeholders.*** The MPSPPW is in charge of the overall coordination of the sector and has started to meet this challenge by leading the development of the social protection policy. Under this umbrella, the MPSPPW and the FID will work much more closely than in the past with a wide group of stakeholders from the government, communities, the private sector (for example, microfinance and telecommunication institutions), and NGOs (for example, for the implementation of the PSN). The FID has so far managed cross-sectoral relations and processes in a positive and constructive manner, particularly with the MPSPPW, MEN, and the Ministries of Health and Agriculture. Should issues arise due to the existing political tensions, appropriate

mitigation measures are in place to manage these risks, including those outlined in memorandum of understanding (or “convention”) between the Bank and each agency. The risk rating is Moderate.

77. **Mitigation measures.** The continued leadership of the MPSPPW in policy development and of the FID in the implementation of safety net programs and the presence in Madagascar of part of the Bank’s task team will mitigate some of the risks noted above. The Bank is also putting in place a series of additional mitigation measures as follows: (i) providing extensive technical assistance and capacity building to the MPSPPW and the FID related to targeting, payments, management, administration, and monitoring and evaluation; (ii) supporting mechanisms to encourage collaboration between agencies and sectors; (iii) creating dedicated staff positions to manage each of the project components and simplifying and synchronizing interventions; (iv) introducing strong monitoring and evaluation mechanisms (including audits, spot checks, and process and impact evaluations); and (v) establishing transparent and objective systems for selecting, targeting, and paying beneficiaries. The accuracy and effectiveness of these systems will be validated in several ways. For example, internal audit reports of project activities will be submitted to the FID’s executive director, and the project’s external auditor will conduct field visits to a sample of beneficiaries to validate their eligibility for support and their receipt of payments.

78. **Climate Change and Disaster Risk.** In accordance with IDA17 policy commitments, the project was also screened for short- and long-term climate change and disaster risk. Elements of responsiveness are included in the operation, as described in this document.

VI. APPRAISAL SUMMARY

A. Economic and Financial Analysis

79. **The economic benefits of the proposed Social Safety Net Project will consist of both protective and productive benefits to households and communities.** The well-being of beneficiary households will improve as a result of consumption smoothing (through cash transfers), asset protection, and avoidance of negative coping behavior and because of their increased access to human development and productive services that will augment their human capital and productive capacity in the medium and long term. Annex 6 provides an overview of the results of and evidence from similar safety net programs. It also includes the results from a simulation of the expected outcomes of the safety net programs supported by the project. Finally, it analyzes the fiscal implications of rolling out the programs nationwide and provides a rationale for the public provision of these essential services.

80. **Rationale for public financing of the safety net service.** The services provided under the project are not the kind that are typically provided by the private sector, which justifies the use of public financing to provide these services. The works carried out under the PSNP will provide public goods such as improved productive infrastructure for landscape management, the prevention of soil degradation, and reforestation, which will yield public benefits for the communities as a whole. The Bank is supporting similar programs worldwide and is thus in a position to provide value added to the implementation of safety net based on international experience and global knowledge.

B. Technical

81. The targeting strategy for both the HDCT and PSN programs consists of a combination of complementary targeting methods. It combines geographical targeting and community pre-selection of potential beneficiary households with the application of a PMT on the preselected households. The resulting list of potential beneficiaries is then presented to the community for final validation. An evaluation carried out by independent consultants found that the combined geographic, community, and PMT-based targeting process is effectively selecting the poorest. The study revealed that the inclusion and exclusion errors of the HDCT and the current cash-for-work programs are only between 5 and 10 percent. For the HDCT, the inclusion error was 5.1 percent while it was slightly higher for the cash-for-work program at 7.1 percent. The difference might stem from the fact that potential beneficiary households may lack enough information about the program to complete their self-registration. However, the evaluation found that 88 percent of the cash-for-work beneficiaries and 92 percent of the HDCT beneficiaries were the poorest and most vulnerable households in their communities, with their average per capita consumption being lower than that of non-beneficiary households. The evaluation also pointed to some areas where the targeting process could be improved, particularly related to communication and the clarity of the community selection criteria. Details of the targeting process can be found in Annex 7.

82. Tool for landscape management planning. As part of the implementation of the PSN, a number of Priority Intervention Zones (*Zones d'Intervention Prioritaires* or ZIPs) will be created within a selected district through a consultative process involving representatives of the communities (for example, the steering committee of the local Centers for Agricultural Services) and the relevant sectoral authorities (from agriculture, social protection, and environment for example) at the district level. The boundaries of each ZIP will be created on the basis of shared environmental/natural resource criteria such as the state of soil, water, and forests and of the poverty level in the area. They will include one or more villages (*fokontany*). Each village will then be divided into small units ranging from a few tenths of a hectare to several hectares. Each of these territorial planning units (*Unité Territoriale de Planification* or UTP) will have environmental and productive constraints that can be significantly mitigated through appropriate soil and water conservation (SWC) measures implemented using labor-intensive cash-for-work activities.

83. One of the key challenges of the PSN will be to help communities to plan a wide range of well-designed and sequenced activities over a long period of time so that a critical mass of assets can be created that will eventually increase local agricultural production and the livelihoods of the poorer households in those communities. The FID will contract with NGOs to oversee the participatory planning of the UTPs at the village level.¹⁷ Agencies with experience in SWC¹⁸ will help the communities to implement the plans. The FID will make available practical guidelines for planning and implementing appropriate SWC techniques.

¹⁷ This is a modality that is currently being used by several large poverty alleviation and rural development programs such as those of USAID, EU, and IFAD.

¹⁸ These operators may include the current local executing agency (*Agence d'exécution* or AGEX) contracted by the FID. They will all have experience in running labor-intensive public works and the project will provide them with complementary training on SWC activities.

84. The project includes a control and accountability system that encompasses a range of measures to ensure the reporting of accurate and timely information on project implementation and on citizens' engagement. This will include the establishment of a beneficiary registry containing relevant data on households to determine their eligibility for and track their participation in the programs. The strengthening of management information systems both at the MPSPPW and the FID, as well as their regular monitoring of safety net program activities will provide timely information on implementation progress and needs for improvements. The fiduciary controls outlined in the financial management and procurement sections of this report will be complemented by two operational and one technical audits. Finally, the impact evaluations of both the HDCT and the PSN will yield useful information on the impacts of the programs on the households' well-being, the communities and on productive and human development outcomes.

85. Citizens' engagement and social accountability will be promoted throughout the program cycle. The project will support the introduction and scale-up of a variety of social accountability mechanisms such as: (i) community participation in the selection of beneficiaries; (ii) participatory landscape development planning; (iii) a grievance redress mechanism for safety net programs to respond to citizens' complaints; (iv) community monitoring of service provision (which is presently being piloted by the FID using community scorecards); and (v) enhanced capacity for monitoring and evaluation at the MPSPPW. This set of tools will be part of the project's monitoring system, which will systematically track and resolve any problems, thus ensuring transparency and social accountability and protecting the rights of the participants.

C. Financial Management

86. The Bank carried out a Financial Management (FM) assessment of the two implementing entities, namely the MPSPPW and the FID, as part of the project appraisal process. The assessment was undertaken to evaluate whether the proposed FM arrangements were in compliance with the Bank's Policy on Investment Project Financing, OP/BP 10.00 and with the Financial Management Manual. The FM residual risk rating for the project is considered Substantial.

87. The two project implementing entities (PIEs) will be responsible for the FM of their respective components. It has been established that the FID has FM staff who possess the necessary qualifications and sufficient experience with the Bank's FM procedures and requirements. Given that the FID is currently implementing components of two other Bank-funded projects, it was agreed that two additional accountants will be recruited at the head office in Antananarivo together with four additional accountants at the regional level. In the case of the MPSPPW, the implementation of component 3 will necessitate the recruitment of an FM specialist on a contractual basis who will be supported by an accountant who is currently employed by the MPSPPW.

D. Procurement

88. The Bank carried out a procurement capacity assessment of the two implementing agencies, the FID and the MPSPPW, in January 2015. The assessment showed that the FID has procurement staff who have the necessary qualifications and sufficient experience with the Bank's procurement procedures and guidelines. The FID is presently implementing components of two

other projects, the PUIRV and PURSAPS.¹⁹ The assessment found that the existing procurement staff of the FID (at its headquarters in Antananarivo, as well as in its regional offices) is sufficient to implement the project. An additional procurement assistant may be recruited to assist the procurement officer at the central level if needed during the initial stages of the project when many contracts will need to be processed.

89. The procurement capacity assessment of the MPSPPW showed that it has already managed small grants from other donors such as UNICEF and the United Nations Population Fund (UNFPA). However, these grants were directly managed by the recipient department such as the Women's Affairs Directorate (*Direction de la Condition Féminine*) and not by the ministry's Public Procurement Unit (*Unité de Gestion des Marchés Publics* or (UGPM). The MPSPPW has already appointed a dedicated procurement officer to coordinate Component 3, who is a civil servant from the UGPM. The capacity assessment of this assigned procurement officer revealed that she is technically proficient and has considerable experience in public procurement using the National Public Procurement Code (*Code des Marchés Publics*). She already has theoretical knowledge of the Bank's procedures but lacks practice and experience, but with continuous support from the local Bank procurement specialist, she will be able to apply the Bank's procedures and guidelines with confidence. Basic procurement training will be provided to all MPSPPW staff involved in the project before project effectiveness. Procurement training for all Bank-financed project procurement staff started end of June 2015.

90. With regard to procurement readiness, a number of procurement processes such as calls for expressions of interest (EOIs), the evaluation of EOIs, and the drafting of bidding documents and requests for proposals (RFPs) will be carried out by the FID during the implementation of activities executed under the Project Preparation Advance (PPA). Therefore, the project will have its procurement documentation fully prepared, approved by the Bank, and activities launched prior to effectiveness.

91. The overall procurement risk assessment rating is Moderate. Annex Table 3.4 in Annex 3 summarizes the risk assessment and corresponding mitigation measures that have been incorporated into the project's design.

92. The Bank's prior and post reviews will be carried out in accordance with the thresholds described in Annex Table 3.5 in Annex 3 and as displayed in the approved procurement plan. The Bank will conduct frequent supervision missions and annual post-procurement reviews of 20 percent of the contracts. The Bank may also conduct an Independent Procurement Review at any time during the project and within up to two years after the closing date of the project.

93. All procurement activities will be carried out in accordance with the original or updated approved Procurement Plans. The Procurement Plans will be updated by the implementing agencies at least every 18 months or as necessary to reflect actual implementation needs and increases in capacity. All Procurement Plans will be published at the national level and on the Bank's website as stated by the guidelines.

¹⁹ The Emergency Infrastructure Preservation and Vulnerability Reduction Project (PUIRV) and the Emergency Food Security and Social Protection Project (PURSAPS)

E. Social (including Safeguards)

94. **The FID has a good track record of complying with social and environmental safeguards.** It has longstanding experience in implementing IDA operations, including the ongoing PUPIRV (P132101) and PURSAPS (P147514). The FID employs an environmental and social focal person to ensure that all of its activities are in compliance with the Bank's core safeguards requirements. This arrangement will continue under the project. Over time, the staff of the FID has been trained in social and environmental safeguards, and there have been no major issues so far. The FID has developed considerable social and environmental knowledge, including on gender, which is reflected, for example, in the social and environmental clauses that are systematically embedded in contractors' contracts. Given that the project includes only a few infrastructure subprojects and more HDCT and cash-for-work activities (which tend to have little negative social and environmental impact), it is expected to have a positive social impact on the beneficiary communities, especially extremely poor households, women, and children. Not only will the cash transfers of both the HDCT and the PSN provide extremely poor households with much needed income, but the cash-for-work climate-relevant activities will also safeguard both the natural and the physical environment, thus preventing and/or diminishing the likely effects of climate change on poor rural communities. More than 70 percent of the direct beneficiaries of the project are expected to be female. A balanced gender distribution is also reflected in the staffing of the FID and the MPSPPW. The FID focal person on social and environmental safeguards will work closely with the monitoring and evaluation focal person for the project. Both institutions, along with other key partners, will continue to be trained by the Bank's safeguards specialists during the implementation of the project

95. **The project has triggered OP/BP 4.12: Involuntary Resettlement.** The project has been categorized as "B" in relation to social and environmental safeguards and has triggered the Involuntary Resettlement Policy (OP/BP 4.12) because of the emergency cash-for-work activities to be carried out under Component 1 as well as the rehabilitation and reconstruction of infrastructure damaged by disasters. Up until now, the FID has only had to deal with small-scale issues, but the number of these disaster-related activities that are likely to involve land acquisition is unknown at this point. Therefore, the government has prepared a Resettlement Policy Framework to ensure that the project will be in due compliance with the requirements of the Bank's Involuntary Resettlement Policy when the types of activities are defined and the micro-regions of intervention are known. The framework outlines the policies and procedures to be followed in the event that partial land acquisition for the project activities requires some resettlement and associated compensation and if resettlement plans have to be prepared to mitigate any potential adverse social impact. Overall, this framework sets forth the basic principles and prerogatives to be followed when the type and physical locations of the subprojects become known.

F. Environment (Including Safeguards)

96. **The project is classified as an environmental and social Category B project since the activities funded under the project are not expected to have any significant negative environmental and/or social impact.** Most of the activities financed under the project are expected to have no environmental and social safeguards aspects as they are focused on cash transfers, capacity building, and training, and the provision of technical assistance, materials, equipment, and operational costs.

97. The project will mainly finance a PSN program that will provide cash-for-work activities in poor communities in different climatic zones of the country. The PSN activities will be carried out in small areas composed of several villages. A participatory process will be used to plan these activities and to implement them sequentially over a period of three years with the objective of fostering soil conservation, water harvesting, reforestation, and terracing in a sustainable manner. The project will promote the use of organic fertilizers (manure and composts) rather than chemical fertilizers and pesticides (which would in any case be very expensive, inaccessible to the poor beneficiaries, and not available in all project areas). The activities will include training and building the capacity of beneficiaries to carry out soil conservation and terracing, for which the beneficiaries will be provided with the necessary equipment. The reforestation activities will promote a mix of arboriculture and cassava or corn on the existing land owned by the beneficiary households or communal land to increase productivity and soil fertility in the project areas. The areas used for the reforestation activities will be zones surrounding the villages. Existing local species will be grown at a rate only up to 500 plants per subproject to be grown in small community nurseries. The reforestation activities aim to reduce soil erosion and, in the longer term, also contribute to the local economy.

98. The project will also finance emergency cash-for-work activities as well as the rehabilitation and reconstruction of infrastructure damaged by disasters. In the aftermath of a disaster, existing community infrastructure like classrooms/schools, health centers, market places, and feeder roads will be rehabilitated. This part of the project may have some adverse effects such as soil erosion, loss of vegetation, noise, dust, risk of accidents, the proliferation of HIV/AIDS, and the generation of garbage and waste during the civil works. These negative effects are likely to be minimal, site-specific, and easily manageable with common mitigation measures and, in most cases, reversible. There will be no risk of involuntary resettlement or land acquisition as a result of these activities because all rehabilitation and reconstruction after disasters will involve existing infrastructure. Also, the project team will refer to a list of potential subprojects that might involve involuntary resettlement or land acquisition to ensure that no such subprojects are chosen, thus eliminating the chance of any involuntary resettlement from the start.

99. Based on the environmental safeguard analysis carried out by the relevant Bank staff, it was decided that the project triggers two environment-related safeguard policies – OP/BP 4.01: Environmental Assessment, and OP/BP 4.11: Physical Cultural Resources. It is unlikely that there are any physical cultural resources in the project areas, but in the unlikely event that any are encountered during project implementation, the government has prepared an Environmental and Social Management Framework (ESMF) that contains mitigation measures to avoid any potential adverse impact on these physical cultural resources. The ESMF builds on the FID's experience and follows the terms of reference approved by Bank safeguard staff during project preparation. The ESMF describes all conceivable risks associated with the project and proposes mitigation measures and implementation approaches to be taken into consideration before and during the implementation of any project activities. The ESMF outlines an environmental and social screening process (Environmental and Social Screen Form or ESSF) to be applied to future subprojects (whether cash-for-work or basic infrastructure) to ensure that they are environmentally and socially sound and sustainable. The ESMF also includes: (i) instructions on how to manage any potential physical cultural resources that may be found during project implementation in compliance with OP 4.11: Physical Cultural Resources; (ii) guidelines on environmental and social mitigation measures specific to the potential subprojects that are likely to be eligible for project

financing; (iii) a grievance mechanism; (iv) strong and transparent public consultations and participation in the development of subprojects by relevant stakeholders, including women, the elderly, the poor, and other vulnerable groups; and (v) a set of Social and Environmental Clauses (SEC) to ensure that private construction firms comply with the project safeguards measures. In addition, it describes the institutional responsibilities and budgeting and monitoring systems to implement mitigation measures. To simplify the implementation of subprojects, the ESMF includes a simple checklist to be used by the environmental and social safeguards specialists working on the project. During project preparation, the team held intensive public consultations with key stakeholders and in potential project zones, including at the local community level, to discuss these safeguards measures. The ESMF has been approved and disseminated in the country on March 11, 2015 and is available at the Bank's Infoshop.

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats (OP/BP 4.04)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management (OP 4.09)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples (OP/BP 4.10)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Physical Cultural Resources (OP/BP 4.11)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Involuntary Resettlement (OP/BP 4.12)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Forests (OP/BP 4.36)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams (OP/BP 4.37)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (OP/BP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

100. **The safeguard assessment also concluded that the project does not require any exceptions to Bank environmental and social safeguards policies.** The FID will be responsible for the day-to-day management and implementation of the safety net programs, including safeguards management. The FID has appointed a part-time environmental and social safeguards specialist who has a good track record of ensuring that FID complies with the Bank's social and environmental safeguards and ensure equitable gender representation. Given the nature of the productive safety net activities, the FID will hire an additional environmental specialist to support the design and implementation of the landscape management plans as well as other PSN related activities. Finally, the FID has extended the remit of its specialist on citizens' engagement to cover gender as well. Thus, the overall safeguards risk rating for the project is Moderate.

G. World Bank Grievance Redress System

101. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate

GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Annex 1: Results Framework and Monitoring

Country: Madagascar

Project Name: Social Safety Net Project (P149323)

Results Framework

Project Development Objectives

PDO Statement

The project development objective (PDO) is to support the government in increasing the access of extremely poor households to safety net services and in laying the foundations for a social protection system.

These results are at | Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values					
		YR1	YR2	YR3	YR4	YR5	End Target
Direct project beneficiaries (Number) - (Core)	0.00	117000.00	405000.00	452500.00	500000.00	547500.00	547500.00
Female beneficiaries (Percentage - Sub-Type: Supplemental) - (Core)	0.00	65.00	65.00	65.00	65.00	65.00	65.00
Percentage of beneficiaries of the safety net programs (HDCT, PSN) belonging to the 30% poorest population. (Percentage)	0.00	70.00	70.00	70.00	70.00	70.00	70.00
Percentage of primary school aged children of HDCT beneficiary	0.00	65.00	70.00	75.00	80.00	80.00	80.00

families who attend school at least 80% of the time (Percentage)							
Integrated beneficiary registry established at MPSPWP (Yes/No)	No	No	No	Yes	Yes	Yes	Yes

Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values					
		YR1	YR2	YR3	YR4	YR5	End Target
Beneficiaries of Safety Nets programs (number) (Number) - (Core)	5000.00	23400.00	81000.00	90500.00	100000.00	109500.00	109500.00
Beneficiaries of Safety Nets programs - Conditional cash transfers (number) (Number - Sub-Type: Breakdown) - (Core)	5000.00	23400.00	39000.00	39000.00	39000.00	39000.00	39000.00
Beneficiaries of Safety Nets programs - Female (number) (Number - Sub-Type: Breakdown) - (Core)	4000.00	16000.00	56700.00	63300.00	70000.00	76600.00	76600.00
Beneficiaries of Safety Nets programs - Cash-for-work, food-for-work and public works (number) (Number - Sub-Type: Breakdown) - (Core)	0.00	0.00	42000.00	51500.00	61000.00	70500.00	70500.00
Number of landscape development plans developed in a participatory way	0.00	0.00	60.00	60.00	60.00	60.00	60.00

(Number)							
Area “treated” with SWC measures (Hectare (Ha))	0.00	0.00	100.00	400.00	700.00	900.00	900.00
Area re/afforested through productive safety net activities (Hectare (Ha))	0.00	0.00	60.00	240.00	420.00	540.00	540.00
Number of employment days created under the PSN and disaster response Cash for Work activities (Number)	0.00	0.00	1890000.00	4680000.00	7470000.00	8560000.00	8560000.00
Percentage of registered complaints that have been addressed by FID (Percentage)	0.00	50.00	60.00	70.00	80.00	90.00	90.00
Percentage of community assets maintained one year after their completion (Percentage)	0.00	0.00	0.00	60.00	70.00	80.00	80.00
Operational costs of FID as a percentage of program implementation expenditures (Percentage)	20.00	20.00	19.00	18.00	17.00	16.20	16.20
Establishment of a social protection program monitoring system at the MPSPPW (Yes/No)	No	No	No	Yes	Yes	Yes	Yes
Impact Evaluation carried out and results available publicly (Yes/No)	No	No	No	No	Yes	Yes	Yes

Indicator Description

Project Development Objective Indicators				
Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Direct project beneficiaries	Direct beneficiaries are people or groups who directly derive benefits from an intervention (i.e., children who benefit from an immunization program; families that have a new piped water connection). Please note that this indicator requires supplemental information. Supplemental Value: Female beneficiaries (percentage). Based on the assessment and definition of direct project beneficiaries, specify what proportion of the direct project beneficiaries are female. This indicator is calculated as a percentage.	bi-annually	FID MIS	FID
Female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.	bi-annually	FID MIS	FID
Percentage of beneficiaries of the safety net programs (HDCT, PSN) belonging to the 30% poorest population.	This indicator measures the targeting accuracy of the safety net programs.	bi-annually	HDTC and PSN Impact Evaluations	FID
Percentage of primary school aged children of HDCT beneficiary families who attend school at least 80% of the time	This indicators measures the effectiveness of the HDTC program in promoting school attendance of beneficiary families' primary school aged children	bi-annually	FID MIS	FID
Integrated beneficiary registry established at MPSPWP	This indicator seeks to measure the progress in developing a social protection system by establishing an integrated	annually	MPSPPW and FID	MPSPPW

	beneficiary registry of different safety net programs in the MPSPPW.			
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Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
Beneficiaries of Safety Nets programs (number)	This indicator measures the number of individual beneficiaries covered by safety nets programs supported by the Bank. Safety nets programs intend to provide social assistance (kind or cash) to poor and vulnerable individuals or families, including those to help cope with consequences of economic or other shock.	bi-annually	FID MIS	FID
Beneficiaries of Safety Nets programs - Conditional cash transfers (number)	Follows the safety nets programs' classification used in SP Atlas.	bi-annually	FID MIS	FID
Beneficiaries of Safety Nets programs - Female (number)	This indicator measures female participation in SSN programs. It has the same definition as the "Beneficiaries of Safety Nets programs" but applies only to female. This indicator will yield a measure of coverage of SSN projects disaggregated by gender (in absolute numbers)	bi-annually	FID MIS	FID
Beneficiaries of Safety Nets programs - Cash-for-work, food-for-work and public works (number)	Follows the safety nets programs' classification used in SP Atlas.	bi-annually	FID MIS	FID
Number of landscape development plans developed in a participatory way	This indicator reflects part of the citizens' engagement, as well as the systematic preparation of an integrated area development.	bi-annually	FID	FID, Ministry of Agricultures, and others relevant to the process

Area “treated” with soil and water conservation (SWC) measures	SWC measures include hectares of terraces, hectares rehabilitated through gully treatment, and “treated” land management units.	bi-annually	FID MIS and technical audit	FID
Area re/afforested through productive safety net activities	No description provided.	bi-annually	FID	FID
Number of employment days created under the PSN and disaster response Cash for Work activities	No description provided.	bi-annually	FID MIS	FID
Percentage of registered complaints that have been addressed by FID	This citizen’s engagement indicator reflects the responsiveness of FID to any complaints on the safety net programs.	No description provided.	FID MIS	FID
Percentage of community assets maintained one year after their completion	This indicator measures the sustainability of the community assets created under subcomponent 1.1	annually	FID assessment	FID, in collaboration with the Ministry of Agriculture
Operational costs of FID as a percentage of program implementation expenditures	This indicator tracks the efficiency of implementing the safety net programs.	bi-annually	Progress reports	FID
Establishment of a social protection program monitoring system at the MPSPPW	This indicator measures to what extent the Ministry is able to monitor and coordinate social protection programs as the data base on the main indicators of key social protection programs is an essential tool for monitoring and coordination.	annually	MPSPPW	MPSPPW
Impact Evaluation carried out and results available publicly	This indicator reflects the capacity of Ministry to design and oversee the implementation of an impact evaluation on selected safety net programs.	annually	MPSPPW	MPSPPW

Annex 2: Detailed Project Description

Project Components

Component 1: Building a Safety Net for the Poor in Selected Rural Areas (US\$30.2 million)

1. **The objective of this component is to build an effective safety net for poor households in selected areas.** Three subprograms will be supported by the component under three subcomponents and will address different vulnerabilities and risks faced by poor households in Madagascar. Subcomponent 1.1 will create a Productive Safety Net that will target poor communities in areas of the country where there is potential to address environmental and soil degradation, and increase local agriculture production. Subcomponent 1.2 will support a Human Development Cash Transfer (HDCT) program, which is currently being piloted, in providing income support to poor households linked to their children's human capital development. Subcomponent 1.3 will support a post-disaster activities to assist poor households and communities in areas affected by natural disasters.

2. **The regions and districts to benefit from the project have been selected during the preparation phase of the project.** The criteria used in selecting the regions included their poverty level (poorest regions), literacy and malnutrition, food security, and the availability of complementary programs. The selection was done jointly between the MPSPPW and FID, in consultation with ONN, Ministry of Agriculture, and relevant development partners. For selecting districts, the implementing agencies have used data available at the district level such as agricultural statistics and data from MEN and ONN as proxies for households' standard of living. The final selection also took into account accessibility and security of districts, as well as operational efficiency.

Subcomponent 1.1: Establishing a Productive Safety Net Program (US\$14.7 million)

3. **The objective of the Productive Safety Net (PSN) program is to offer regular, seasonal cash-for-work opportunities to the poorest families in the selected communities** over a three-year period with the aim of smoothing their consumption and helping them to develop productive activities. To this end, the PSN is building on the experience of previous cash-for-work programs implemented in Madagascar (by WFP, USAID, BVPI, FID and others). The cash-for-work activities implemented by the FID under the ongoing PUIRV and PURSAPS projects were conceived as emergency operations with the objective of preserving key infrastructure and providing a short-term safety net in the form of cash-for-work activities in times of political and economic crisis.

4. **The Productive Safety Net approach is significantly different in design and implementation from previous cash-for-work programs implemented under previous Bank financed projects.** After the holding of presidential elections in 2014, the new government embraced a longer-term vision for development that included a commitment to building a more permanent social protection system. The social safety net project components implemented under the PUIRV and PURSAPS projects were adjusted in the light of this new approach with the objective of providing a more substantial income support and public works for the targeted households and their communities. Some important new design features were introduced, in

particular, providing more days of cash-for-work per household and allowing households to participate in the program twice a year for three years instead of only once for one year. The Social Safety Net project aims to help the government to increase the impact of these activities through the creation of the PSN, which will build upon past experience but will also introduce some important innovations, taking the cash for work approach another step forward.

5. **Among the key innovations for the PSN program is the adoption of a community-based landscape planning and implementation approach.** In previous cash-for-work activities, planning was done at the village (*fokontany*) level and could therefore only address simple development challenges at that level. In the PSN, planning will be done at the level of micro-regions that will consist of a number of villages that share the same constraints in terms of natural resources (including soil and access to water) and environmental and productive constraints. One of the key activities of the program is to help communities to plan a wide range of well-designed and sequenced activities to be implemented with labor-intensive methods that will eventually address the key constraints affecting local agricultural production and the livelihoods of poorer households – water scarcity and soil degradation, thus also making a contribution to confront the negative effects of climate change.

6. **Micro-regions will be the unit of planning for the PSN activities and the selection of communities.** In previous cash-for-work operations, villages (*fokontany*) were selected according to their level of poverty, and the subsequent planning of activities was done at the village level. However, the PSN program will now target poor villages that have first been grouped into micro-regions that will then be the unit of planning. These micro-regions, to be known as UTPs (*Unité Territoriale de Planification*), will need to be relatively small (between tens to hundreds of hectares) so that the participants can easily walk from their residence to the location of the PSN activities (not more than an hour on foot). The delimitation, listing, and ranking of the UTPs will follow a clear methodology and criteria that will be described in the community-based landscape management guidelines currently being developed by the FID.

7. **Detailed planning of PSN activities will be done at the level of micro-regions.** One of the key challenges of the program will be to help communities to plan a wide range of well-designed and sequenced activities spanning several years so that a critical mass of assets can be created that will eventually increase local agricultural production and the livelihoods of the poorer households in those communities. The project team will contract with NGOs to oversee the participatory planning of the UTPs at the village level. Agencies with specialized knowledge of, for example, SWC, will then be contracted to help the community to implement the plan and to manage the cash-for-work activities every year.

8. **The PSN will be a multi-sectoral program requiring collaboration among various government and non-government agencies.** The community landscape approach implies a shift in the focus of the cash-for-work activities implemented by the FID towards productive activities and away from small-scale social infrastructure (for example, schools and roads). It also involves a longer-term approach to planning and implementation as the activities will be sequenced and implemented over three years, with the combined aims of improving household welfare, creating productive assets, and upgrading the environment. This new approach will require the FID to collaborate with the Ministry of Agriculture and particularly with its regional directorates and the local Centers for Agricultural Services (CSAs). In particular, the FID's planning, design, and

oversight of the implementation of the areas' plans and cash-for-work activities will be done in collaboration with the district and local levels of the Ministry of Agriculture. The MPSPPW will also have a role to play in supervising some aspects of the program (in particular, the targeting of beneficiary households) and in initiating and supervising monitoring and evaluation activities. A detailed description of these institutional arrangements is provided in Annex 3.

9. **The activities to be financed under the PSN will focus on landscape development.** This is in contrast with the previous cash-for-work activities supported by World Bank operations, in which communities chose from a range of stand-alone activities (typically involving the building of schools, new classrooms, or the maintenance of small feeder roads). In the PSN, an integrated set of activities will be implemented in each of the landscape areas geared towards soil conservation, water harvesting, afforestation/reforestation, and land rehabilitation. These activities will be sequenced over time, both during each year and over the whole three-year period of the intervention. The overall and longer-term goal is to address the nexus between land degradation, poor use of natural resources, and poverty in the selected communities and to help poor rural households to rise out of poverty by increasing their own productivity. It is recognized that this will take many years and will also require complementary programs (e.g. for household asset creation) to help households to build their own assets and graduate from the program in a sustainable manner.

10. **The cash-for-work activities will be labor-intensive in nature.** On average, at least 70 percent of the funds for the sub-projects will be used to pay cash benefits to the participating households. The remaining 30 percent will be used for non-labor inputs, such as basic tools and materials, and for the hiring of skilled labor and/or supervision.

11. **An important new feature of the project is the integration of seasonality constraints in the planning and implementation of the cash-for-work activities.** Poor households in rural areas have highly seasonal occupations due to the agriculture calendar. In the proposed project, the timing of the PSN activities will follow this seasonal pattern and will not operate during the months when rural households are busiest in the fields. Other than this, the calendar of PSN activities will depend on the nature of activities, as well as the best time of the year for them to be implemented (for example, the best time to plant trees is during the rainy season).

12. **The criteria for selecting beneficiary households will be different from those used in previous cash-for-work programs.** The PSN will target 30 percent of the households in each *fokontany* (or group of *fokontany*). The number of participating households will therefore depend on the total population of the *fokontany*. This is a departure from the design of previous cash-for-work activities where a fixed number (150) of households were selected per *fokontany* and subproject regardless of the size of the population of the *fokontany*. A low wage rate will continue to be one of the key methods used to ensure that only those households that really need the additional income sign up for the PSN activities. The daily wage rate of MGA 3,000 (equivalent to US\$1.3 for five hours of work per day) that is currently being used by the FID and by other development partners and national agencies for their cash-for-work programs will continue to be applied and will be subject to adjustments during the course of the project to take into account any changes such as inflation. While the low wage rate will ensure some self-targeting, it will not be sufficient in the Malagasy context, given the country's high rate of poverty and the fact that many more families are willing to join the program than the budget will allow. Participating households

will therefore continue to be selected using a combination of community-based targeting and a PMT with the final list of beneficiary households being validated by the community. This methodology was tested for both the pilot HDCT and the FID's current cash-for-work activities in 2014, and the results of a targeting evaluation confirmed the superiority of this approach over the simple community targeting approach.

13. **The level of benefits received by each selected household will be higher than in previous cash-for-work operations** and will be aligned with the benefit levels that are provided in the HDCT program. The daily wage rate will remain the same, but the overall level of benefits available to each household will be increased by significantly extending the number of days to be worked by each household. Participating households will be able to work for 80 days per year for three years, resulting in an overall yearly benefit of MGA 240,000 (approx. US\$105).

14. **Direct transfers will be provided to labor-constrained households with no conditionalities.** The program aims to enroll households with able-bodied members to participate in labor-intensive cash-for-work activities. However, some very poor households may be labor-constrained (that is, they may not have any household member who is able to work). This includes the elderly, the disabled, some female heads of households, and people with chronic illnesses. The program will offer direct transfers to these poor labor-constrained households, and these transfers will not be conditional on their participation in the cash-for-work activities. The percentage of labor-constrained households to receive direct transfers in each of the selected communities has been fixed at 20 percent, based on the experience of previous cash-for-work activities. They will be selected using the same community targeting processes and criteria and will receive the same level of benefits as the non-labor-constrained households.

15. **Cash payments and compliance monitoring.** PSN beneficiaries will receive their payments on a monthly basis during working months. Payments are made by a payment agency (either micro-finance institution or a mobile banking service provider) in areas where this service is available. If no payment agency can be contracted (due to lack of a market), the supervising agencies will make the payments (as in the past). Daily work attendance will be recorded at the work site on attendance sheets, signed by each beneficiary and collected by the agencies in charge of the implementation of the works. Spot checks carried out by FID staff will verify that attendance sheets are duly filled and signed at the work site. The number of days worked by each beneficiary, as recorded in the attendance sheets, will be entered in the FID MIS and the amount to be paid to each beneficiary will be calculated automatically and communicated to the payment agencies. Direct beneficiaries (ie. those who are not required to work) will be paid a fixed amount at the same dates as the other beneficiaries.

16. **Communication with and to communities and other stakeholders will be important during the preparation and implementation of the program.** It will be necessary to communicate the aims of the PSN program to both beneficiary and non-beneficiary households within each community. At the national and regional level, the overall objective of the program will be communicated by the central government to the general public. Second, information about technical features of the program like the planning process and the targeting criteria will need to be communicated in a way that ensures that all stakeholders, including the poor households in the selected communities are aware of the program benefits and of how to participate. Third, it will be important to explain the concept of the landscape development plans, as all economic and

productive activities in the selected areas are interlinked, in particular those activities that use and deplete natural resources such as trees and water.

Subcomponent 1.2: Expanding the Human Development Cash Transfers Pilot (US\$11.5 million)

17. **Objective of the Human Development Cash Transfer.** The HDCT aims to provide income support to the poorest families to smooth their consumption levels, and to enhance their children's human capital by requiring children ages 6- 12 to attend primary school regularly and by enhancing families' health, nutrition, and early childhood practices. The HDCT program builds on the experience of the HDCT pilot in the district of Betafo that was launched in July 2014 when the targeting process for the pilot phase began. The program cycle is composed of following process steps: Targeting, Household Data Processing, Enrolment, Payments, Compliance Monitoring, and Complaints & Updates. Communication about the program continues throughout the program cycle in different styles and with different audiences. Community participation is ensured through Social Protection Committees established at the *fokontany* level, as well as mother leaders which are elected by the beneficiaries to provide a direct link between the beneficiaries and the program implementers.

18. **Targeting.** The targeting process used in the HDCT is composed of a five step process that combines geographic criteria, community participation and a proxy means test.

(i) *Geographical targeting.* Based on a combination of human and poverty related data, complementary program availability and operational efficiency criteria, the government has selected 4 regions and, within those, 5 districts for the implementation of the HDCT expanded pilot. Within these districts, 51 communes have been selected based on their poverty level, accessibility, and the availability of a Health Community Agent,²⁰ and a Nutrition Community Agent.²¹ In each commune, all of the *fokontany* with at least one primary school will be selected to participate in the program.

(ii) *Community household pre-selection.* Household targeting of the HDCT is carried out at the *fokontany* level. A community is first asked to establish a Social Protection Committee that is composed of the *fokontany* chief, primary school representatives, nutrition and health community agents and other local representatives. The first activity of the committee and the FID is to organize a *fokontany* assembly to inform the community about the program and all its processes. The committee is then introduced to the community and its members are given training on the targeting process by social organizers hired by FID for this purpose. The social protection committee identifies the poorest households and then comes up with a pre-selected list of households that meet the pre-established criteria defined by the program.²²

²⁰ Agents Communautaires de Santé (ACS)

²¹ Agents Communautaires de Nutrition (ACN)

²² The number of households to be identified is established by the program management. Pre-selection criteria include that the households have to live in the selected *fokontany*, have at least one child aged between 0 and 10 years old, and be considered among the poorest households. Possession of the following assets is considered an indicator of a certain standard of living that makes the household ineligible: ownership of *zebus* dairy cows, ownership of a large rice field, or the ability to rent a house.

(iii) *Community validation.* At this stage, an assembly is organized by the chief of the *fokontany*. The list of households pre-selected in the previous stage is shared with the community for validation. The social organizers are present during the community validation to explain the criteria for being included on the list. This list is then given to the FID, which then processes the data of households on the lists to give it to the external firm that is in charge of household data collection for the subsequent proxy means test survey. The validated households receive a receipt, which they must show to the external agency as proof that they are on the list so that only validated households are interviewed at the next stage of targeting.

(iv) *PMT data collection and ranking.* Once the list is provided to the external agency, the agency sends enumerators to the pre-selected households to complete a proxy means test (PMT) questionnaire.²³ In the pilot program, the data were collected using a paper questionnaire but in the expanded phase of the HDCT, the enumerators are expected to use smart phones and/or tablets to enter the data, which will then be transferred to the FID and be uploaded into the FID MIS. Households are then ranked according to their PMT score (based on a formula). Once the poorest 10 percent of the estimated total number of households of the *fokontany* have been identified, the remaining households are ranked according to their PMT score at the commune level and the next poorest 20 percent of households are selected. Thus, on average about 30% of the population of each participating *fokontany* is going to be selected which are deemed to be the poorest of the poor (the “have nothings”).

(v) *Final Community validation.* The list of potential beneficiary households selected by the PMT score must finally be validated by the community. The “validated” households are then invited to enroll in the program.

19. **Data processing and beneficiary registry.** The PMR survey agency responsible for collecting the PMT data is also responsible for entering the household data into a computerized system. These beneficiary data are then transferred to the FID where they are used to manage the next steps of the program’s implementation. The FID is then responsible for updating the beneficiary data (in accordance with co-responsibility compliance data, household changes [birth/death of a household member, households moving etc.]).

20. **HDCT Enrollment.** The objective of the enrollment process is to:

- Identify which primary schools the beneficiary children are attending and in which grade they are;
- Determine which household member will collect the transfer (usually the female head of the households) as well as an alternative recipient in case the original person is unavailable;
- Collect the household information required for the payment agency;
- Check the household members’ national identification, which is needed to participate in the HDCT program;
- Correct or update any information collected during the targeting process;

²³ The PMT has been tested and adjusted after the targeting methodology used in the pilot was evaluated

- Train and inform the household about the rules, rights, and obligations of the HDTC program and about how to report updates, make complaints and communicate with the program management and implementing agencies;
- Sign the contract between the FID and the household about roles and responsibilities.

21. **Level of benefits.** The level of cash transfers depending on the household composition and compliance with co-responsibilities.

- *A basic monthly benefit of MGA 10,000* is meant to support the household in meeting their basic needs. This basic transfer is provided to all beneficiary households, thus independent of compliance and household composition.
- *An education-linked monthly benefit of MGA 5,000 per child attending primary school* is provided to a maximum of two children attending primary school.²⁴ This benefit aims to give families an incentive to ensure that their children attend primary school for at least 80 percent of school days per year.
- *A one-time school enrollment benefit of MGA 20,000* is provided to each newly enrolled beneficiary household at the beginning of a school year to cover the expenses of enrolling their children in school.

22. **Cash payment system.** The HDCT uses two types of payment agencies: microfinance institutions and mobile banking institutions. Every two months, the FID sends the list of eligible beneficiaries and the amounts they are supposed to receive to the competitively selected payment agencies which are then required to make the payments electronically. After some difficulties in the pilot phase (due to lack of internet connectivity, transmission of data and knowledge of the beneficiaries) of this new feature of cash transfers in Madagascar, the processes and institutional capacities have now been established to make these payments regularly.

23. **Compliance monitoring of co-responsibilities.** The FID monitors beneficiaries' compliance with two types of co-responsibilities.

- Encouraged (or “soft”) co-responsibilities require beneficiaries to (i) take their young children ages 0 to 5 years old to regular nutritional check-ups at the ONN meetings, and (ii) to attend other community and awareness sessions (organized by the “mother leaders” and others); and
- Sanctioned co-responsibilities require the primary school attendance of children aged 6 to 12 years old from beneficiary households for at least 80 percent of the school days per year.

The first cash transfer is made in September of each year which includes a bonus that is meant to help with school enrollment fees. The first stage of the compliance verification process takes place in December and is designed to verify whether the children were or were not enrolled in school. The second transfer, which is then provided at the end of December, is accompanied by a warning letter to those households that have not yet enrolled their children in school. The third and subsequent transfers take into account the school attendance of children and will be adjusted (possibly reduced) in accordance with the compliance of the household with its co-responsibility.

²⁴ If a household has more than two children attending primary school, the school attendance of all of the children is verified but only the compliance of the two youngest ones is required for receiving the maximum of two transfers.

24. **Complaints and Updates.** Any citizen has the opportunity to complain about the program, whether it is related to the targeting process, the enrollment, the payments received, the compliance monitoring or another other element of the program cycle. They can also complain about any of the service providers' behaviors. Complaints are being registered by the FID and are being addressed one by one. During the pilot testing of the targeting system, the FID received and registered 252 complaints. A summary of these cases is presented in Annex Table 2.1.

Annex Table 2.1: Classification of Complaints Received by the FID

Type of Complaint	Total Number of Complaints	Percentage
Not identified by the social protection committee	30	0.4
Not interviewed	11	0.1
Rejected after PMT	4	
Not selected as beneficiary	152	2.1
Inclusion errors denounced by the community	55	0.7
Total	252	3.4

Note: Of a total of 7,400 households

Once the cases are resolved, a letter is sent to the household with a final decision on their inclusion and/or any other follow-up information. Annex Table 2.2 shows how the complaints received during the pilot phase were resolved.

Annex Table 2.2: Complaint Resolutions

Result	Number of Complaints	Percentage of Total Number of Complaints
Solved complaints, letter sent to the households	182	72.2%
Complaints needed field action	8	3.2%
Complaints that required no action (because they were not relevant to the program)	20	7.9%
Complaints resolved by including the household in the program	1	0.4%
Complaints resolved by excluding the household from the program	41	16.3%
Total	252	100

Updates. Several types of household data updates need to be registered to keep the beneficiary data up to date. The updates introduced during the pilot phase are listed in Annex Table 2.3.

Annex Table 2.3: Updates to Beneficiary Registry

Type of Update	Number of Cases	Comments
Individual information	2	Children who did not originally have a birth certificate and subsequently acquired one so they could be registered
Change of the transfer recipient	2	Due to a death or to someone no longer being a member of the household
New transfer booklet	5	After the original booklet was lost
Change of household status	5	
Total	14	

25. **Mother Leaders.** A new approach is being tested in the expansion of the pilot phase of the HDCT. The beneficiary households will elect a lead mother to be the link between the beneficiaries and the program. This lead mother will be responsible for three things in principle: first they have an operational role by keeping beneficiaries informed about the program's rules, responsibilities, and procedures including payment schedules and complaint mechanisms. Second, they are responsible to organize bimonthly meetings to learn about and discuss issues of nutrition, health, essential family practices (*Pratiques Familiales Essentielles* or PFE), early childhood development (for children 2-6), and other topics of their interest. These meetings will also serve as a place to share opinions and information among community members in the same environment and facing the same challenges. Third, the lead mothers will play a role during the pay days in helping and following up on the nudges that are being developed. For all this, the mother leaders will be trained by the social organizers, UNICEF (on essential family practices) and others based on a training plan developed by FID.

26. **Collaboration among various government and non-government agencies.** The implementation of the HDCT requires a new type of interaction of the MPSPPW and FID with the MEN and ONN. The MEN will provide school attendance reports and ONN will strengthen beneficiaries' nutritional awareness. The MPSPPW will monitor the program's activities (in particular, the targeting process and the lead mothers program). New partners, such as UNICEF will support the implementation of the PFE awareness sessions developed by UNICEF.

27. **Communications and outreach.** The HDCT will include a communications campaign designed to support the roll out of the HDCT along its program cycle. First, the overall objective of the program will need to be widely communicated. Second, it will be necessary to disseminate information at the village level about the targeting process and criteria in such a way that it ensures that households in the selected communities are aware of the program and its selection criteria, have the chance to participate in the community validation process, and know how they can complain if they feel that the program is not being implemented adequately. Third, it is essential to ensure that during the enrollment process the beneficiaries are fully informed about their rights, obligations, (co)-responsibilities, cash transfers, and the functioning of the complaint process, and that the information is communicated regularly and several times to ensure full understanding and engagement over time. Finally, communication is also necessary with local and national stakeholders such as the MEN, ONN, local schools, ONN sites and others to ensure smooth implementation and continued engagement of all important stakeholders.

Subcomponent 1.3: Early Recovery Response to Natural Disasters (US\$4 million)

28. This component will finance activities to support communities and households in the immediate aftermath of natural disasters. It will support two kinds of activities: (i) the rehabilitation of small village-level infrastructure damaged by disasters and (b) short-term cash-for-work activities to provide additional income to poor households affected by natural disasters. Through past and current Bank-financed operations, the FID has been supporting communities and households affected by disasters (mostly by cyclones).

29. **The FID works closely with the BNGRC,** which is in charge of declaring emergencies and of identifying priority areas hit by natural disasters. The FID and the BNGRC have a longstanding collaboration in emergencies in which they provide emergency cash-for-work

activities to poor affected households and/or rehabilitate key community services and infrastructures. A Memorandum of Understanding has been signed prior to project appraisal between the FID and the BNGRC to outline the roles and responsibilities of each one in case of a disaster.

30. **Rehabilitation of small village infrastructure damaged by natural disasters.** The component will finance the repair and rehabilitation of small village infrastructure damaged by natural disasters. The FID will continue subcontracting with private construction companies to carry out the works.

31. **Emergency cash-for-work opportunities.** The component will also finance emergency cash-for-work activities in the immediate aftermath of natural disasters. A manual has been developed by FID to guide these emergency cash-for-work activities, which guides this sub-component's implementation.

32. **Targeting of affected areas and households.** Beneficiary households will be selected by the BNGRC from among the poor households that have been impacted by the natural disaster. The BNGRC will be responsible for targeting, which will therefore vary from the targeting process used in subcomponents 1.1 and 1.2. The BNGRC will compile a list of localities and of affected households and forward it to the FID. The FID will then contract with local NGOs to coordinate and oversee the cash-for-work activities.

33. **Type of activities to be financed.** The types of post-disaster public works activities to be implemented will vary according to the impact of the disaster but will mostly focus on restoring community services and productive capacity, and will include the clearing of debris, the removal of sand, and the clearing of roads.

34. **Level of benefits.** The benefits paid to participants under this component will be different from those paid by the PSN subcomponent. While the daily wage rate will be the same (MGA 3,000), the number of working days will be limited to 25 days per household, and households will only be allowed to participate once per disaster. Payments to beneficiaries will be made by the local NGOs that oversee the cash for work activities.

35. **Operational Manual.** The FID already uses an operational manual for disaster response. This manual outlines the roles and responsibilities of the FID and its partner organizations (for example, the BNGRC) in disaster response activities financed under the project. The manual has been updated and will guide the implementation of the subprojects. It can be amended, from time to time, in accordance with Bank procedures.

Component 2: Strengthening Safety Net Administration, Monitoring, and Social Accountability (US\$6.5 million).

36. This component will provide the financing to strengthen the safety net administration. It will finance: (i) the strengthening of the safety net administration through the provision of support for the coordination, implementation and monitoring of Project activities; (ii) the implementation of safeguard requirements; (iii) the implementation of a communications strategy; (iv) the establishment of a beneficiary data base; (v) the rolling out of the electronic payment mechanisms

for safety net beneficiaries; (vi) training for implementing partners and FID staff; and (vii) the strengthening of the Project Implementation Agency's management information and monitoring systems and the general program administration including social accountability mechanisms. The component will be implemented by the FID.

37. The MIS will continuously need to be reviewed and enhanced to process the increasing amount of data and to ensure transparent and efficient processing of payments and related data (about enrollments, compliance, and complaints and so on). To this end, the FID will contract with MIS experts to ensure that the MIS is functional, transparent, and reliable.

38. Control and social accountability mechanisms in this component will include: (i) the continuous training of project fiduciary staff, as well as fiduciary reviews and controls by the Bank; (ii) reviews of and enhancements to the FID MIS; (iii) the establishment of an effective grievance redress/complaint mechanism including a hotline; (iv) community participation in beneficiary pre-selection and validation, (v) participatory landscape development planning, and (vi) performance monitoring of service provision. External financial audits as well as technical and operational audits will be carried out under component 3 and form part of the project's control and accountability framework.

39. The communications activities will primarily focus on local stakeholders and beneficiaries during the preparation and implementation of the safety net programs. In the HDCT, beneficiaries need to be informed about the program's implementation parameters as well as their rights, co-responsibilities and ways to communicate with the program managers (e.g. for updates, complaints or questions). Mother leaders need to be updated regularly on program operation milestones, and informed about compliance updates and enhancement activities. Schools principals, teachers and nutrition agents of the ONN need to be informed about their role in this conditional cash transfer program and kept in the loop on program implementation activities. Local governments and other local stakeholders (e.g. for training) need to be informed and fully involved in the local activities (payment days, information sessions, etc.).

40. Safety net administration will cover the FID's operational costs related to staff, transportation and mobility, offices, materials, communication, training of service providers and staff, and capacity building initiatives including South-South exchanges on safety net administration, social accountability, and other pertinent subjects. This also includes the provision of vehicles, information materials and office furniture and other equipment.

Component 3: Building Institutional Capacity for the Coordination, Monitoring, and Evaluation of the Social Protection System (US\$3.3 million).

41. The main objective of Component 3 will be to strengthen the institutional capacity of the MPSPPW to manage the coordination, monitoring, and evaluation of the social protection system. This component is designed to enhance coordination within the social protection sector through (i) the creation of a social protection program monitoring system; (ii) the establishment of a beneficiary registry; (iii) the evaluation of selected social protection programs; (iv) the strengthening the Ministry's financial management and procurement capacity; (v) the development of a communication strategy; (vi) the financing of operational, technical and financial audits; and (vii) the implementation of a training program. These activities will support the MPSPPW in

coordinating the implementation of the national social protection policy. The component will be implemented by the MPSPPW.

42. It will also strengthen the ministry's fiduciary capacity to prepare for a future expansion of the social protection agenda.

Social Protection Coordination and Monitoring

43. The component will provide funding to build the institutional and technical capacity the MPSPPW to improve the coordination and monitoring of all stakeholders involved in the social protection system. The main activities of this component will include: (i) coordination meetings at the national level with all stakeholders to assess the progress of the country's social protection policy and programs, discuss bottlenecks in implementation, and agree on the way forward; (ii) an inventory and mapping of key social protection programs; (iii) the establishment of a computerized system for the monitoring of social protection programs that will include key performance indicators for each program, thus enabling the MPSPPW to assess and oversee their progress; and (iv) regular field program supervision visits by MPSPPW staff.

Beneficiary Registry and MIS

44. The component will support the MPSPPW in establishing an integrated beneficiary registry that will include the household data from the safety net programs implemented under component 1 as well as household beneficiary data from other ministerial programs and possibly other safety net programs. The registry will include data on the social and economic characteristics of safety net beneficiaries, and will be designed in a way that it can be linked up to other program data bases. In addition, the component will support the MPSPPW in developing a program monitoring system that will include the main program data of existing social protection programs in the country. This program monitoring system will help the MPSPPW to better coordinate social protection programs and also monitor their progress and results as it will include key performance indicators of each program monitored.

Monitoring and Evaluation of selected Social Protection Programs

45. The component will strengthen the Ministry's capacity to design and oversee the implementation of social protection program evaluations. It will finance the first and second measurement of the ongoing impact evaluation of the Productive Safety Net activities already initiated under the PUPIRV and PURSAPS projects, and coordinate and guide the design of the impact evaluation of the HDCT program which is expected to be financed by an external grant. In addition, the component will finance operational audits of the HDCT and PSN programs, as well as a technical audit of the PSN program. These external evaluations and audits will provide the Ministry, implementing partners and other interested stakeholders with important information about the effectiveness and efficiency of safety net program implementation while also feeding into the country's strategic social protection policy development.

Operational Costs and Training

46. The component will finance the costs incurred by the MPSPPW for coordination as well as travel-related allowances, operating costs such as vehicles, office refurbishing and maintenance,

the purchase and maintenance of equipment (desktop computers and servers), materials and supplies, and utilities including connectivity. The component will also fund training and capacity building on program implementation as well as fiduciary processes and budget execution according to the standards of the Bank (including on procurement and the application of the financial procedures).

Annex 3: Implementation Arrangements

Country: Madagascar

Project Name: Social Safety Net Project (P149323)

Project Institutional and Implementation Arrangements

1. **The FID will implement Components 1 and 2 of the project.** The FID is headed by an experienced executive director who has been at the helm for several years, managing a variety of Bank and other operations. He is supported by four directors: the Director for Finance and Administration, the Director for Monitoring and Evaluation, the Director for Cash for Work and Infrastructure, and the Director for HDCT and Innovations. The Director for Finance and Administration is in charge of the FM of the institution, including budgeting, the maintenance of records and accounts of all transactions related to the general directorate, the consolidation and production of the project financial statements and quarterly unaudited interim financial reports (IFRs), and the administration of the designated account (DA). The Director for Monitoring and Evaluation is responsible for the overall planning and monitoring of the institution, the development of its MIS, and its activities related to complaint monitoring and citizens' response. The Director for Cash for Work and Infrastructure is in charge of implementing the PSN as well as the disaster response activities. Finally, the Director for HDCT and Innovations is in charge of the implementation of the HDCT program as well as being responsible for the coordination between with MEN, the Ministry of Health, and ONN. In addition to the central directorates, the FID has six regional directorates that manage the safety net operations including procurement, disbursements from regional bank accounts, the maintenance of records and accounts for all transactions under their jurisdiction, sending the balance sheet to the general directorate for consolidation on a monthly basis, and the preparation of operational and financial information on project management/monitoring as required by the general directorate. To do so, each regional directorate has an accountant. To adjust to the challenges of developing the new PSN approach while expanding the HDCT program, as well as community infrastructure and cash-for-work subprojects under two ongoing Bank-financed projects, FID management has recently adjusted the institution's organigram by creating the HDCT and Monitoring and Evaluation Directorates. It also strengthened the institution's technical capacity by hiring dedicated staff members in charge of information technology (IT) development, communications, and citizens' attention and social accountability. Furthermore, under the project, the FID will enhance its capacity to manage the PSN program by hiring two rural development/environmental experts.

Specific Arrangements for Subcomponent 1.1: Establishment of the PSN

2. The first step in the selection of beneficiary households (or preselection) will be carried out by village committees called *comités de ciblage*, which have been used in previous cash-for-work programs implemented by the FID. The lists produced by these committees will then be verified through a PMT survey carried out by an external firm contracted by the FID. The whole process will be supervised by the FID.

3. Planning of the cash-for-work activities at the village level will be done by a local multi-disciplinary team composed of, inter alia, the local staff of the Ministry of Agriculture and consultants subcontracted by the FID.

4. NGOs will then be recruited to implement the activities each year during the project's three-year engagement with each community. These NGOs will be recruited through a procurement process and will have to demonstrate that they have the specialized skills that are needed to implement the range of activities included in the local plans. Their role will be to manage the teams of workers and to ensure they are present and participating in the implementation of the activities as well as to supervise the quality of the assets created.

5. Participants in the cash-for-works activities will be paid through specialized payment agencies (in particular microfinance and mobile banking institutions) or – in areas where there are no banking institutions – through the subproject implementing agencies, all subcontracted by the FID.

Specific Arrangements for Subcomponent 1.2: Expansion of the HDCT Program

6. As in the case of the PSN, the first step in the selection of beneficiary households (or preselection) will be carried out by the *comités de ciblage*, which will be organized and trained in their duties by social organizers temporarily contracted by FID. The lists produced by these committees will then be verified through a PMT survey carried out by an external firm contracted by the FID. Once the PMT based list of eligible households is produced, the community will validate the list before the finally selected households are invited to enroll in the program. FID staff will supervise the whole selection process.

7. Transfers to beneficiary households will be made through transfer agencies as was tested during the HDCT pilot. These will consist of microfinance institutions and mobile banking companies contracted competitively by the FID.

8. MEN will be responsible for verifying primary school attendance by the children of beneficiaries of the HDCT.

9. ONN, UNICEF, and others will contribute to the program by providing beneficiaries, and particularly the ‘mother leaders’ with special training and capacity building in health, hygiene, nutrition and early childhood related topics.

Specific Arrangements for Subcomponent 1.3: Early Recovery Response to Natural Disasters

10. The BNGRC will select and compile a list of the areas and villages affected by natural disasters and inform FID about the needs in the affected areas. A convention between the FID and the BNGRC has been signed to lay out the detailed collaboration processes between the two institutions in the aftermath of disasters.

11. Under this subcomponent, small infrastructure will be built or rehabilitated by private firms subcontracted by the FID.

12. The cash-for-works subprojects will be carried out by NGOs subcontracted by the FID. Since the objective is to intervene as soon as possible after a disaster (once the first humanitarian emergency phase is over), the FID will give priority to those NGOs with which it already has experience.

13. The participants in the emergency cash-for-works activities will be paid directly through the contracted NGO.

Specific Arrangements for Component 3: Coordination, Monitoring and Evaluation of the Social Protection System

14. The MPSPPW will implement Component 3 of the project. The MPSPPW has three general directorates of which one is the General Directorate of Social Protection (GDSP). The GDSP has three directors and 22 professional staff at the central ministerial level, some of whom have benefited from capacity building in social protection at national and international forums. The MPSPPW also has 22 regional directorates that provide services at the district level. The MPSPPW's director general for social protection will be in charge of overseeing and guiding the technical implementation of the component. To carry out the operational and fiduciary management of the activities under Component 3, the MPSPPW will set up a coordination unit within the GDSP that will consist of a project coordinator, an appointed procurement specialist, and an FM specialist. The project coordinator will be in charge of helping the central directorates to develop terms of reference for technical assistance, for coordinating the capacity-building activities requested by the directorates, and for managing the day-to-day activities involved in implementing the component. These include preparing implementation plans coordinated across the directorates as well as quarterly progress reports and monitoring results indicators. The procurement specialist and the FM specialist will ensure that the project adheres to the Bank's fiduciary processes and guidelines as well as supporting capacity building activities for the fiduciary management of the MPSPPW.

Financial Management, Disbursements, and Procurement

15. An FM assessment was undertaken to evaluate the adequacy of the project arrangements in accordance with OP/BP 10.00: Investment Project Financing and with the Financial Management Practices Manual as issued by the Financial Management Sector Board. The assessment covered the two implementing agencies, the MPSPPW and the FID. The FID currently manages existing Bank-funded projects while the MPSPPW has no recent experience in the management of Bank-funded projects.

16. This assessment found that the FM personnel in the FID possess the relevant qualifications and the appropriate experience with regard to the Bank's FM procedures and requirements. Given that the FID is implementing components of two other Bank-funded projects, two additional accountants will be recruited at the head office along with four additional accountants at the regional level. In the case of the MPSPPW, the new financing will necessitate the recruitment on a contractual basis of a financial management specialist who will be supported by an accountant who is currently employed by the ministry. The overall FM risk rating is assessed as Substantial.

FM Arrangements for the Project

- (a) ***Budgeting and planning:*** The project implementing entities (PIEs) – the FID and the MPSPPW – will prepare the annual budgets for their respective components, which will subsequently be consolidated by the FID prior to approval by the FID Board of Directors (*Conseil d'Administration*). The PIEs will be responsible for producing variance analysis

reports comparing planned and actual expenditures on a monthly and quarterly basis. The periodic variance analysis will make it possible to identify any deviations from the budget in a timely manner. These reports will be part of the unaudited IFRs that will be submitted to the Bank on a quarterly basis.

- (b) **Accounting software:** The FID will use its existing accounting software for processing transactions and for preparing the quarterly IFRs and the annual financial statements. The MPSPPW will purchase similar software to facilitate their accounting process and the generation of financial reports and financial statements.
- (c) **Internal controls/FM procedures manual:** The PIEs will prepare an FM procedures manual to meet the requirements of this project. The PIEs will periodically review the manuals over the life of the project to ensure their continued adequacy and compliance with the requirements set out therein.
- (d) **Internal audit:** The FID has an internal audit department that will prepare bi-annual reports for submission to the FID Board. The internal audit department will perform an objective assurance function and will not be involved in carrying out operational tasks in order to ensure their independence in executing their work.
- (e) **Financial reporting:** The PIEs will prepare quarterly unaudited IFRs for the project in a form and content satisfactory to the Bank, which will be submitted to the Bank within 45 days of the end of the quarter to which they relate. The PIEs have agreed the format of the IFRs with the Bank prior to negotiations, and the annual financial statements will be prepared using internationally accepted accounting standards. At the end of each fiscal year, the PIEs will prepare annual financial statements that will be subject to an external audit.

Disbursement Arrangements and Flows of Funds

17. **Flows of funds.** Each PIE (FID and MPSPPW) will open a segregated designated account (DA) denominated in US dollars to enable the payment of eligible project expenditures. The PIEs will also open project accounts denominated in Malagasy Ariary to facilitate the payment of eligible expenditures incurred in the local currency. Interest income received on the DA will be deposited into the project account to finance eligible project expenditures.

18. **Disbursement arrangements.** Upon the effectiveness of the financing, report-based disbursements will be used. An initial advance up to the ceiling of the DA and representing forecasted project expenditures for two quarters (six months) payable through the DA will be made into the Designated Accounts. Subsequent disbursements will be made on a quarterly basis against submission of withdrawal applications supported with unaudited Interim Financial Reports and other documents as specified in the DL.

19. In addition to the “advance” method, the option of disbursing the funds through direct payments to a third party will also be available for payments above twenty-percent DA ceiling amount. Another acceptable method of withdrawing proceeds from the IDA credit is the special commitment method whereby IDA may pay amounts to a third party for eligible expenditures incurred by the recipient under an irrevocable letter of credit (LC).

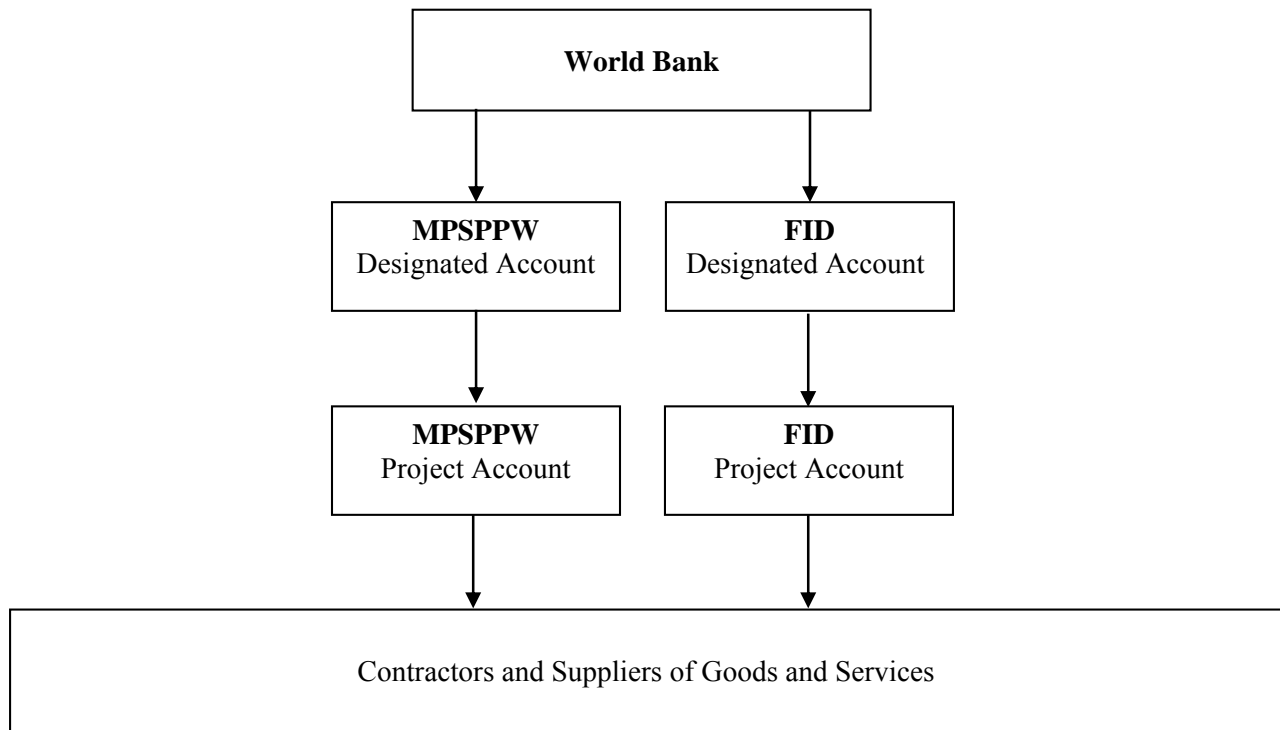
20. The credit will finance 100 percent of eligible expenditures (inclusive of taxes). The proceeds of the credit have been allocated as shown in the table below.

Annex Table 3.1: Category Wise Allocation of Credit

Category	Amount of the Financing Allocated (expressed in \$)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) (a) Goods, works, non-consulting services, and consultants' services including Operating Costs and Training for Component 1 of the Project, except cash for work and cash transfers under Component 1.1, 1.2, and 1.3 and infrastructure rehabilitation works under Component 1.3;	2,676,600	100%
(b) Productive cash for work and direct cash transfers under Component 1.1 of the Project, HDCT under Component 1.2 of the Project and Cash for work and infrastructure rehabilitation subproject works under Component 1.3 of the Project	25,811,000	100% of amounts disbursed
(2) Goods, works, non-consulting services, and consultants' services, Operating Costs and Training for Component 2 of the Project.	6,212,400	100%
(3) Goods, works, non-consulting services, and consultants' services, including Operating Costs and Training for Component 3 of the Project	3,000,000	100%
(4) Refund of Preparation Advance	2,300,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	40,000,000	

21. Disbursement of funds to service providers, contractors, and suppliers: The PIEs will make payments to service providers, contractors, and suppliers of goods and services for specified eligible activities under the credit. Such payments will be made on the basis of the terms and conditions of each contract.

Annex Figure 3.1: Funds Flow Diagram



22. **External audit.** The project accounts will be audited annually, and the audit report will be submitted to the Bank no later than six months after the end of each financial year. The terms of reference for the project's external auditor will be finalized following effectiveness to enable the commencement of the procurement of external audit services. At the time of appraisal, there were no overdue audit reports for the sector. The project will comply with the Bank disclosure policy on audit reports (for example, make them publicly available promptly after receipt of all final financial audit reports, including qualified audit reports, and place the information on the official website within one month of the report being accepted as final by the Bank).

23. **Supervision plan.** Based on the current overall residual FM risk to this operation, the project will be supervised at least twice a year in addition to routine desk-based reviews to ensure that the project's FM arrangements operate as intended and that funds are used efficiently for the intended purposes.

24. **FM risk assessment and mitigation.** The Bank's principal concern is to ensure that project funds are used economically and efficiently for their intended purposes. Assessing the risk that the project funds will not be appropriately used is an important part of the FM assessment work. The risk has two elements: (i) the risk associated with the project as a whole (inherent risk) and (ii) the risk related to a weak control environment for the project's implementation (control risk). The content of these risks is described in the table below.

Annex Table 3.2: FM Risk Assessment and Mitigation

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Y/N)	Residual Risk
Inherent risk	S			S
Country level: The Public Expenditure and Financial Accountability (PEFA) assessment identified critical public financial management (PFM) weaknesses at the central and decentralized levels.	S	There was limited progress in the implementation of PFM reforms in recent years due to the limited engagement with the de facto government. The quality of FM is very inadequate. The continued use of standalone PIEs will mitigate these weaknesses.	N	S
Entity level: The implementing entities may not be able to meet the FM requirements due to a lack of FM capacity.	M	The PIEs will retain the existing FM personnel who possess adequate experience and competence.	N	M
Project level: The resources of the project may not be used for their intended purposes.	M	The PIEs will comply with the internal control processes as set out in their respective FM procedures manuals. The internal audit unit will also continuously review the adequacy of internal controls and make recommendations for improvements.	N	M
Control Risk	M			M
Budgeting: Weak budgetary execution and control leading to budgetary overruns or inappropriate use of project funds.	M	The FM procedures manuals will spell out the budgeting and budgetary control arrangements to ensure appropriate budgetary oversight.	N	M
Accounting: The accounting function might not be able to execute its duties and to generate financial information in a timely manner.	M	The PIEs will recruit/retain suitably qualified and experienced FM personnel to ensure appropriate performance of the accounting and FM functions. The financial reporting processes will also be facilitated by the use of the existing information systems.	N	M
Internal Control: Specific aspects of the project's activities may not be appropriately addressed in the FM procedures manuals.	M	The FM procedures manuals will be reviewed to ensure its continuing adequacy over the course of the project life. The manuals will contain all of the key internal control processes pertaining to the various project activities.	N	M

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Conditions for Effectiveness (Y/N)	Residual Risk
Funds Flow: Risk of misused and inefficient use of funds.	M	A rigorous review of all transactions before final payment will be performed by the project coordinator and the finance manager in each PIE. Internal audit reviews will also mitigate the risk that funds will be used for unintended purposes.	N	M
Financial Reporting: The project may not be able to produce the financial reports required in a timely manner as required for project monitoring and management.	M	The FID will use the existing FM staff who are appropriately experienced in financial reporting and are conversant with the related Bank requirements. The MPSPPW will recruit appropriately qualified and experienced FM personnel. Both of the PIEs have computerized accounting systems that will make possible the efficient and timely generation of financial information.	N	M
Auditing: Delays in submission of audit reports or delays in implementing the recommendations of the management letter.	M	An independent external audit firm will be hired by the project to ensure its compliance with the audit submission timelines set out in the financing agreement. The Bank will monitor audit submission compliance and ensure that the management letter recommendations are implemented.	N	M
Governance and Accountability: Possibility of corrupt practices including bribes, abuse of administrative and political positions, mis-procurement, and misuse of funds.	S	Robust FM arrangements (including a comprehensive annual audit of project accounts, Bank FM supervision, including a review of transactions, and asset verification) have been designed to mitigate the fiduciary risks in addition to the PIEs' overall internal control systems.		S
OVERALL FM RISK	S			S

25. The conclusion of the assessment is that the proposed financial management arrangements meet the Bank's minimum requirements under OP/BP 10.00 Investment Project Financing. The overall FM risk rating, taking into account the mitigation measures, is deemed Substantial.

Financial Management Action Plan

26. A Financial Management Action Plan has been developed to mitigate the overall financial management risks.

Annex Table 3.3: Financial Management Action Plan

Issue	Remedial Action Recommended	Responsible Entity	Completion Date	Effectiveness Conditions
FM staffing for the MPSPPW	Recruitment of an FM Specialist	MPSPPW	Before effectiveness	Yes
FM manuals	Preparation of the FM procedures manuals	All PIEs	Before effectiveness	No

List of Conditionalities and Covenants

- (i) Financial covenants/dated covenants
 - Preparation of the FM procedures manuals (before effectiveness)
- (ii) Other FM standard covenants
 - IFRs will be prepared on a quarterly basis and submitted to the Bank within 45 days after the end of each quarter.
 - A detailed annual work program and budget, including disbursement forecasts, will be prepared each year by the PIEs by the end of December.
 - The overall FM systems will be operational during the project's entire life in accordance with sound accounting practices.

Procurement

27. Madagascar is in the process of making major procurement reforms. The Senate and Parliament passed a new Procurement Code that became effective in July 2004. The main pillars of the code are transparency, efficiency and economy, accountability, equal opportunity for all bidders, prevention of fraud and corruption, and promotion of local capacity. The Procurement Code was complemented by new regulations and procedure manuals as well as standard bidding and other procurement documents. The Procurement Code defines methods of procurement and review procedures. In 2006, in accordance with the code, the government created the Public Procurement Oversight Authority (*Autorité de Régulation des Marchés Publics*), which oversees the National Tender Board (*Commission Nationale des Marchés*) for procurement reviews and the Regulatory and Appeals Committee (*Commission de Régulation et de Recours*) for handling norms and complaints. Finally, the code also provided for the creation of Public Procurement Management Units (*Unités de Gestion des Marchés Publics*) under the leadership of a Head of Public Procurement (*Personne Responsable des Marchés Publics* or PRMP), as well as a Tender Commission (*Commission d'Appel d'Offres*) in each ministry and in the decentralized departments of national public institutions.

28. The Procurement Code is largely consistent with good public and international practices and includes provisions for: (i) far-reaching and effective advertising of upcoming procurement opportunities (issuance of general procurement notices for each procuring entity and their inclusion on the Public Procurement Oversight Authority website); (ii) open public bidding; (iii) pre-disclosure of all relevant information, including clear and transparent bid evaluations and contract award procedures; (iv) clear accountabilities for decision-making; and (v) an enforceable right to review for bidders when public entities breach the rules.

Guidelines

29. **General observations.** In general, Madagascar's Procurement Code and regulations do not conflict with IDA guidelines. Procurement for the proposed project will be carried out in accordance with: (i) the World Bank's Guidelines: Procurement under IBRD Loans and IDA Credits, dated January 2011 and revised in July 2014; (ii) Guidelines: Selection and Employment of Consultants by World Bank Borrowers, dated January 2011 and revised in July 2014; and (iii) the provisions of the Financial Agreement.

30. **Anti-corruption guidelines.** The Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011, will apply to this project.

31. **Procurement documents.** Procurement transactions will be carried out using the Bank's standard bidding documents for all International Competitive Bidding (ICB) and standard RFPs for selecting consultants using the Quality and Cost based Selection (QCBS) method. For National Competitive Bidding (NCB), the borrower may submit a sample form of bidding documents to the Bank for prior review, which will then be used for the duration of the project if it is approved. The list of exceptions to the use of NCB (approved by Legal Operations or LEGOP) is provided at the end of this section. The Bank's sample form of evaluation reports will also be used.

Advertising Procedures

32. General procurement notices, specific procurement notices, requests for EOI, invitations to bid, results of the evaluation, and awards of contracts should be published in accordance with the advertising provisions in the Guidelines: Procurement under IBRD Loans and IDA Grants, dated January 2011 and revised in July 2014, and Guidelines: Selection and Employment of Consultants by World Bank Borrowers, dated January 2011 and revised in July 2014.

33. For ICB and RFPs that involve international consultants, the contract awards will be published in UN Development Business online within two weeks of receiving IDA's "no objection" to the contract award recommendation.

Procurement Methods

34. **Procurement of works.** Works to be financed by IDA will include rehabilitation and reconstruction of damaged infrastructure in communities affected by natural disasters. Works estimated at or above US\$5,000,000 per contract will be procured using ICB. Contracts estimated at less than US\$5,000,000 may be procured using NCB. Contracts estimated at less than US\$500,000 may be procured using prudent shopping procedures. The borrower should solicit at least three price quotations to formulate a cost comparison report. Direct contracting may be used to extend an existing contract or to award new contracts in response to disasters. For such contracting to be justified, the Bank should be satisfied that the price is reasonable and that no advantage would have been obtained by further competition. The direct contracting may be from contractors or NGOs that are already mobilized and working in the affected area.

35. **Procurement of goods.** Goods to be financed by IDA will include agricultural equipment, disaster response equipment, vehicles, and IT equipment. Goods that can be provided by a single vendor will be grouped in bid packages estimated to cost at least US\$500,000 per contract and will be procured using ICB. Contracts estimated at less than US\$500,000 may be procured using NCB. Readily available off-the-shelf goods with a value of less than US\$200,000 per contract may be procured using shopping procedures. For shopping, contracts will be awarded following an evaluation of bids received in writing following a written solicitation issued to several qualified suppliers (at least three) who have a physical shop carrying the goods concerned. The award will be made to the supplier with the lowest price but only after comparing a minimum of three quotations at the same time and determining that the supplier has the experience and resources to execute the contract successfully. For shopping, the project procurement officer will keep a register of suppliers to be updated at least every six months. Goods may also be procured through United Nations agencies. A framework agreement acceptable by the Bank may be used for procurement of goods.

36. **Procurement of non-consulting services.** Non-consulting services to be financed by IDA will include financial intermediation services provided by mobile banking companies and/or microfinance institutions in the context of conditional cash transfer and cash for work activities. Contracts will be awarded following evaluation of bids received in writing following a written solicitation issued to qualified service providers. The award will be made to the service provider with the lowest price, but only after determining that the service provider has resources (geographic coverage, etc.) to execute the contract successfully.

37. ***Pre-qualified suppliers and contractors.*** Lists of pre-qualified suppliers and contractors to whom periodic invitations are issued can be used for a large number of similar simple contracts of any size. Pre-qualification documents may use a simple format that is acceptable to the Bank. Suppliers and contractors will be asked to provide quotations for simple unit prices. Contracts should be awarded on a competitive basis.

38. ***Accelerated bid times.*** Under ICB and NCB, accelerated bid times might be envisaged, but bidding periods shorter than 21 days for ICB and 10 days for NCB should be cleared with the regional procurement manager, taking into consideration the capacity of firms (local and international) to prepare responsive bids in a short period.

39. ***Selection of consultants.*** The project will finance consultant services such as technical and financial audits, technical assistance, program impact evaluations, engineering, designs, and supervision of works, and capacity-building activities. Consultant firms will be selected using the following methods: (i) Quality and Cost-based Selection (QCBS); (ii) Quality-based Selection (QBS); (iii) Consultant's Qualifications Selection (CQS) for specialized assignment contracts to cost less than US\$500,000; (iv) Least Cost Selection (LCS) for standard tasks such as financial and technical audits; (v) Fixed Budget Selection (FBS); and (vi) Single Source Selection with prior approval of the Bank for services in accordance with paragraphs 3.8–3.11 of the Consultant Guidelines. Individual consultants will be hired in accordance with paragraphs 5.1–5.6 of the World Bank Guidelines.

40. Lists of shortlisted consultants for services estimated at less than US\$200,000 per contract may be composed entirely of national consultants in accordance with paragraph 2.7 of the Consultant Guidelines as long as a sufficient number of qualified individuals or firms are available. However, if foreign firms express an interest, they will not be excluded from consideration.

41. ***Subproject procurement.*** Some small-scale infrastructure will be built using a community-driven development approach through which the procurement and management of contracts will be delegated by the implementing agency (in this case the FID) to local communities. Contracts will be awarded based on the simplified procedures judged acceptable by the Bank in the project procedures manual. The FID will operate through its regional offices to ensure compliance with the agreed procedures.

42. ***Operational costs.*** Operating costs financed by the project are incremental expenditures such as office supplies, vehicle operation and maintenance, maintenance of equipment, communication costs, and office rental costs; supervision costs (that is, transport, accommodation, and per diems); and the salaries of locally contracted staff. These items will be procured using the procurement procedures specified in the Bank-approved procedures manual of each agency.

Procurement Capacity and Risk Assessment of Implementing Agencies

43. A procurement capacity assessment of the FID and the MPSPPW was carried out as part of the project appraisal process. It was ascertained that the FID possesses procurement staff with the necessary qualifications and appropriate experience with Bank procurement procedures and guidelines. The FID is presently implementing components of the PUIRV and PURSAPS projects. The assessment found that the existing procurement staff of the FID (at the head office

in Antananarivo, as well as in the regional offices in Fianarantsoa, Mahajanga, Toamasina, and Toliara) are capable of implementing the project. An additional procurement assistant can be recruited to assist the procurement officer at central level, if needed, during the initial stages of the project when many contracts may need to be processed.

44. The procurement capacity assessment conducted at the MPSPPW showed that the institution has already managed small grants received from other donors such as UNICEF and UNFPA. However, these grants were directly managed by the recipient department such as the Women's Affairs Directorate (*Direction de la Condition Féminine*), and not by the UGPM. The MPSPPW has already appointed a dedicated procurement officer to the coordination unit of the project's Component 3 who is a civil servant from the UGPM. The capacity assessment of this assigned procurement officer revealed that she is technically proficient and she has strong experience in public procurement using the National Public Procurement Code (*Code des Marchés Publics*). She already has theoretical knowledge of the Bank's procedures but lacks practice and experience, but with continuous support from the local Bank procurement specialist, she will be able to apply the Bank procedures and guidelines with confidence. Basic procurement training will be provided to all of the MPSPPW staff involved in the project before project effectiveness. Procurement training for all procurement staff for Bank-financed projects will be organized by the end of June 2015 to which the procurement officers of the MPSPPW and the FID will be invited.

45. The overall procurement risk assessment rating is Moderate. Annex Table 3.4 summarizes the risk assessment and corresponding mitigation measures incorporated into the project's design.

Annex Table 3.4: Procurement Risk Assessment and Risk Mitigation Measures

Designation	Concerns	Risk Mitigation	Due Date
Capacity of the procurement officer of MPSPPW	Appointed procurement officer is coming from the ministry's Public Procurement Management Unit (UGMP); has strong experience in Malagasy public procurement code but lacks experience of and practice in Bank procedures and guidelines. Risk of delays in procurement processes and thus of untimely disbursement.	<ul style="list-style-type: none"> - Support will be provided by the local Bank procurement specialist - The procurement officer will attend procurement training provided by the country office procurement specialist (by effectiveness) 	Training before effectiveness
Low-value contracts	Risk of sloppiness, favoritism, and misuse of funding due to large number of small and medium-sized contracts. (Bidders may also take advantage of the system.)	<ul style="list-style-type: none"> - A system will be put in place for handling complaints and its existence will be advertised to increase transparency. - Internal review/audit procedures will be used. 	<p>At the latest, 3 months after effectiveness</p> <p>Continuous</p>

		- There will be close and frequent supervision from the Bank's procurement specialist.	Continuous
Fraud and corruption	Increase of suspended/debarred medium-sized firms in Madagascar lately due to forged documents.	- There will be rigorous due diligence by Bank staff and continuous client sensitization and information on debarred firms. - There will be systematic authentication of bid security to issuing bank and/or of any doubtful official documents.	Constantly
Market-specific risk	Project covers eight regions: lack of bidders' participation; lack of competition.	Advertisements about the bidding process will be widely disseminated. The client will be given some flexibility in terms of the qualifications criteria for bidders but ensure close supervision by technical staff/experts with deep knowledge of the market.	As needed

46. **Other mitigation measures.** No additional mitigation measures can be identified at this point. The Bank's procurement specialist is based in Madagascar, and therefore this person will be able to provide close supervision and hands-on support.

Frequency of Procurement Reviews and Supervision

47. The Bank's prior and post reviews will be carried out in accordance with the thresholds described in Annex Table 3.5. The Bank will conduct frequent supervision missions and annual Post Procurement Reviews of 20 percent of the contracts. The Bank may also conduct an Independent Procurement Review at any time up to two years after the closing date of the project.

Annex Table 3.5: Procurement and Selection Review Thresholds

Expenditure Category	Contract Value (Threshold) (US\$)	Procurement Method	Contract Subject to Prior Review
1. Works	≥5,000,000	ICB	All
	<5,000,000	NCB	
	<500,000	Shopping	
	No threshold	Direct Contracting	All
2. Goods	≥500,000	ICB	All
	<500,000	NCB	
	<200,000	Shopping	
	No threshold	Direct Contracting	All
3. Consulting firms	≥200,000	QCBS, QBS, LCS, FBS, CQS	All contracts
	<200,000	QCBS, QBS, LCS, FBS, CQS	
Individuals	≥100,000	Comparison of 3 CVs	All contracts
	<100,000	Comparison of 3 CVs	
Firms and individuals	No threshold	Single Source	All
<i>Note:</i> All terms of reference regardless of contract value are subject to prior review.			

48. All contract amendments that raise the initial contract value by more than 15 percent of the original amount or above the prior review thresholds will be subject to IDA's prior review. All contracts not submitted for prior review will be submitted to IDA for post review in accordance with Annex 1, paragraph 5, of the Bank's Consultant Selection Guidelines and the Bank's Procurement Guidelines.

Procurement Plan

49. All procurement activities will be carried out in accordance with the original or updated approved Procurement Plans. The Procurement Plans will be updated at least every 18 months or as necessary to reflect actual implementation needs and capacity improvements. All Procurement Plans should be published at the national level and on the Bank website as stated by the guidelines. The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

50. This preliminary Procurement Plan (Table 3.6) lists only activities requiring prior review by IDA for the first 18 months of the project. The FID and MPSPPW have developed and submitted their Procurement Plans for their respective components which have been reviewed and approved by the Bank.

Procurement Filing

51. Procurement documents must be maintained in the project files and archived in a safe place until at least two years after the closing date of the project. Procurement staff within each implementing agency will be responsible for properly filing procurement documentation.

Annex Table 3.6: Simplified Procurement Plan (With Methods and Time Schedule)

a) Goods

1	2	3	4	5	6	7	8	9	10
Ref. No.	Contract (Description)	Estim. Amount (US\$)	Proc. Method	Pre-qualific. (yes/no)	Dom. Pref. (yes/no)	Prior Rev. (yes/no)	Expected Bid-Opening Date	Start Date	Comments
FDG 1	Vehicles	240,000	AON	No	No	Yes	Dec.2015	Feb.2016	
723/MP-F	Vehicles	136,500	AON	No	No	Yes	July 2015	Aug. 2015	

b) Non-consulting Services

1	2	3	4	5	6	7	8	9	10
Ref. No.	Contract (Description)	Estim. Amount (US\$)	Proc. Method	Pre-qualific. (yes/no)	Dom. Pref. (yes/no)	Prior Rev. (yes/no)	Expected Bid-Opening Date	Start Date	Comments
APD G1	Beneficiary Payments Lot1	133,585	Quotation	No	No	Yes	June 2015	Aug. 15	

c) Consultancy Assignments

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost (US\$)	Selection Method	Prior Review (yes/no)	Expected Proposals Submission Date	Comments
CIC1	Community Targeting lot1 Vatomandry Mahanoro	109,205	QCBS	Yes	May 2015	
PLA3	Planification PSN Haute Matsiatra	70,000	QCBS	Yes	July 2015	
ENCA1	Enrolment PSN Vague 1	97,459	QCBS	Yes	Dec.2015	
CONS DGTA 1	PMT Survey for lot1	357,750	QCBS	Yes	June 2015	
CONS DGTA 2	PMT Survey for lot2	511,500	QCBS	Yes	June 2015	
CONS DGTA 3	PMT Survey for lot3	255,750	QCBS	Yes	June 2015	
723/MP 5	Design of program coordination	70,000	QCBS	Yes		

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost (US\$)	Selection Method	Prior Review (yes/no)	Expected Proposals Submission Date	Comments
723/MP 34	Creation of register	100,000	QCBS	Yes		
C/723/MP21	Impact evaluation - PSN	150,000	QCBS	Yes		
C/723/MP22	Operation evaluation	100,000	QCBS	Yes		
C/723/MP24	Financial audit	30,000	LCS	Yes		

Madagascar NCB Exceptions
(Based on the Procurement Guidelines as revised January 2011)

General

1. The procedures to be followed for National Competitive Bidding (NCB) shall be those set forth in “Law no. 2004-009 of July 2004 portant Code des Marchés Publics”—the Public Procurement Law (PPL)—with the modifications described in the following paragraphs.

Eligibility

2. The eligibility of bidders shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Association for reasons other than those provided in Section I of the Procurement Guidelines. The requirement of producing a registration number (*Numéro d’Immatriculation*) for any bidder to participate in the bidding process, shall not be interpreted as a prior requirement to any sort of local registration, license, or authorization.
3. Government-owned enterprises or institutions of the Republic of Madagascar shall be eligible to participate in the bidding process, only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Borrower or Sub-Borrower.

Bidding Documents

4. Standard bidding documents acceptable to the Association shall be used so as to ensure economy, efficiency, transparency, and consistency with the provisions of Section I of the Procurement Guidelines.

Participation by Joint Ventures

5. Participation shall be allowed from joint ventures on condition that such joint venture partners will be jointly and severally liable for their obligations under the Contract. Therefore, the “*Groupeement Conjoint*,” as set forth in the PPL, shall not be allowed under NCB.

Preferences

6. No domestic/regional preference, or any other kind of preferential treatment, shall be given for domestic/regional bidders, and/or for domestically/regionally manufactured goods, and/or for domestically/regionally originated related services.

Applicable Procurement Method

7. Subject to these provisions, procurement shall be carried out in accordance with the “Open Competitive Bidding” method (Appel d’offres ouvert) set forth in the PPL.

Qualification

8. Qualification criteria shall entirely concern the bidder’s capability and resources to perform the contract, taking into account objective and measurable factors. The qualification criteria shall be clearly specified in the bidding documents, and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified. Qualification criteria shall be assessed on a “pass or fail” basis, and merit points shall not be used. Bidders’ qualifications shall be assessed by post-qualification.

Fees for Bidding Documents

9. If a fee is charged for the bidding documents, it shall be reasonable and reflect only the cost of their typing, printing or publishing, and delivery to prospective bidders, and it shall not be so high as to discourage bidders’ participation in the bidding process. Bids may be submitted by electronic means only provided that the Association is satisfied with the adequacy of the system, including, inter alia, that the system is secure, maintains the integrity, confidentiality, and authenticity of the bids submitted, and uses an electronic signature system or equivalent to keep bidders bound to their bids.

Bid Validity and Extension of Bid Validity

10. The bid validity period required by the bidding documents shall be sufficient to complete the evaluation of bids and obtain any approval that may be required. If justified by exceptional circumstances, an extension of the bid validity may be requested in writing from all bidders before the original bid validity expiration date, and it shall cover only the minimum period required to complete the evaluation and award of the contract. The extension of the bid validity requires the Association’s no objection for those contracts subject to prior review, if it is longer than four (4) weeks, and for all subsequent requests for extension, irrespective of the period.

Bid Evaluation

11. (a) Evaluation of bids shall be made in strict adherence to the evaluation criteria declared in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms, and the manner in which they will be applied for the purpose of determining the lowest evaluated bid shall be established in the bidding documents. A weighting/scoring system shall not be used. (b) A contract shall be awarded to the qualified bidder offering the lowest-evaluated and substantially responsive bid. No negotiations shall be permitted. (c) Bidders shall not be eliminated on the basis of minor, non-substantial deviations. (d) In case of requests for clarifications, bidders shall not be asked or permitted to alter or complete their bids.

Rejection of All Bids and Re-bidding

12. All bids shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Association’s prior concurrence.

Securities

13. Securities shall be in the format included in the bidding documents. No advance payment shall be made without a suitable advance payment security.

Publication of Contract Award

14. Information on contract award shall be published at least in a national newspaper of wide circulation within two (2) weeks of receiving the Association’s no objection to the award

recommendation for contracts subject to prior review, and within two (2) weeks from the award decision for contracts subject to post review. Publication shall include the following information: (a) the name of each bidder which submitted a bid; (b) bid prices as read out at bid opening; (c) evaluated prices of each bid that was evaluated; (d) the names of bidders whose bids were rejected and the reasons for their rejection; and (e) the name of the winning bidder, the final total contract price, and the duration and summary scope of the contract.

Contract Modifications

15. In the case of contracts subject to prior review, the Association's no objection shall be obtained before agreeing to: (a) a material extension of the stipulated time for performance of a contract; (b) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (c) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (d) the proposed termination of the contract. A copy of all contract amendments shall be furnished to the Association for its records.

Right to Inspect/Audit

16. In accordance with the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Financing shall provide that bidders, suppliers, and contractors, and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the Association, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Association. Acts intended to materially impede the exercise of the Association's inspection and audit rights constitute an obstructive practice as defined in the Procurement Guidelines.

Fraud and Corruption

17. Each bidding document and contract financed from the proceeds of the Financing, and as deemed acceptable by the Association, shall include provisions stating the Bank's policy to sanction firms or individuals found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

Debarment under National System

18. The Association may recognize, if requested by the Borrower, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption, or similar misconduct, and further provided that the Association confirms that the particular debarment process afforded due process and the debarment decision is final.

Environmental and Social (including safeguards)

Social (Including Safeguards)

52. Safeguard are related to component 1 of the project implemented by the FID. The institution has a good track record of complying with social and environmental safeguards. It has longstanding experience in implementing IDA operations, including the ongoing PUPIRV (P132101) and the PURSAPS (P147514) projects. It employs an environmental and social focal person to ensure that all activities are in compliance with the Bank's core safeguards requirements. This arrangement will continue under the project. Over time, the staff of the FID has been trained

in social and environmental safeguards, and there have been no major issues so far. The FID has developed considerable social and environmental knowledge, including on gender, which is reflected for example in the social and environmental clauses that are systematically embedded in contractors' contracts. Given that the project includes only a few infrastructure subprojects and more HDCT and cash-for-work activities (which tend to have little negative social and environmental impact), it is expected to have a positive social impact on the beneficiary communities, especially extremely poor households, women, and children. Not only will the cash transfers of both the HDCT and the PSN provide extremely poor households with much needed income, but the cash-for-work climate-relevant activities will also safeguard both the natural and the physical environment, thus preventing and/or diminishing the likely effects of climate change on poor rural communities. More than 70 percent of the direct beneficiaries of the project are expected to be female. A balanced gender distribution is also reflected in the staffing of the FID and the MPSPPW. The FID focal person on social and environmental safeguards will work closely with the monitoring and evaluation focal person for the project. Both institutions, along with other key partners, will continue to be trained by the Bank's safeguards specialists during the implementation of the project.

53. The project has triggered OP/BP 4.12: Involuntary Resettlement. The project has been categorized as "B" related to social and environmental safeguards and has triggered the Involuntary Resettlement Policy (OP/BP 4.12) because of the emergency cash-for-work activities to be carried out under Component 1, as well as the rehabilitation and reconstruction of infrastructure damaged by disasters. Up until now the FID has only had to deal with small-scale issues, but the number of these disaster-related activities that are likely to involve land acquisition is unknown at this point. Therefore, the government has prepared a Resettlement Policy Framework to ensure that the project will be in due compliance with the requirements of the Bank's Involuntary Resettlement Policy when the types of activities are defined and the micro-areas (UTPs) of interventions are known. The framework outlines the policies and procedures to be followed in the event that partial land acquisition for the project activities requires some resettlement and associated compensation and if resettlement plans have to be prepared to mitigate any potential adverse social impact. Overall, this framework sets forth the basic principles and prerogatives to be followed when the type and physical locations of the subprojects become known.

Environment (Including Safeguards)

54. The project is classified as an environmental and social Category B project since activities funded under the project are not expected to have significant negative environmental and/or social impact. Most of the activities financed under the project are expected to have no environmental and social safeguard aspect as they are focused on cash transfers, capacity building, training, and the provision of technical assistance, materials, equipment, and operational costs.

55. The project will mainly finance a PSN program that will provide cash-for-work activities in poor communities in different climatic zones of the country. The PSN activities will be carried out in small areas composed of several villages. A participatory process will be used to plan these activities and to implement them sequentially over a period of three years with the objective of fostering soil conservation, water harvesting, reforestation, and terracing in a sustainable manner. The project will promote the use of organic fertilizers (manure and composts) rather than chemical

fertilizers and pesticides (which would in any case be very expensive, inaccessible to the poor beneficiaries, and not available in all project areas). The activities will include training and building the capacity of beneficiaries in soil conservation and terracing for which the beneficiaries will be provided with the necessary equipment. The reforestation activities will promote a mix of arboriculture and cassava or corn on the existing land owned by the beneficiary households to increase productivity and soil fertility in project areas. The areas used for the reforestation activities will be zones surrounding the villages. Existing local species will be grown at a rate of only up to 500 plants per subproject to be grown in small community nurseries. The reforestation activities aim to reduce soil erosion and, in the longer term, also contribute to the local economy.

56. The project will also finance emergency cash-for-work activities as well as the rehabilitation and reconstruction of infrastructure damaged by disasters. In the aftermath of a disaster, existing community infrastructure like classrooms/schools, health centers, market places, and feeder roads will be rehabilitated. This part of the project may have some adverse effects such as soil erosion, loss of vegetation, noise, dust, risk of accidents, the proliferation of HIV/AIDS, and the generation of garbage and waste during the civil works. These negative effects are likely to be minimal, site-specific, and easily manageable with common mitigation measures and, in most cases, reversible. There will be no risk of involuntary resettlement or land acquisition as a result of these activities because all rehabilitation and reconstruction after disasters will involve existing infrastructure. Also, the project implementing team will use a list of potential subprojects that might involve involuntary resettlement or land acquisition to ensure that no such subprojects are chosen, thus eliminating the chance of any involuntary resettlement from the start.

57. Based on the environmental safeguard analysis carried out by the relevant Bank staff, it was decided that the project triggers two safeguard policies – OP/BP 4.01: Environmental Assessment and OP/BP 4.11: Physical Cultural Resources. It is unlikely that there are any physical cultural resources in the project areas, but, in the unlikely event that any are encountered during project implementation, the government has prepared an Environmental and Social Management Framework (ESMF) that contains mitigation measures to avoid any potential adverse impact on these physical cultural resources. The ESMF builds on the FID's experience and follows the terms of reference approved by the Bank's safeguard staff during project preparation. The ESMF describes all conceivable risks associated with the project and proposes mitigation measures and implementation approaches to be taken into consideration before and during the implementation of any project activities. The ESMF outlines an environmental and social screening process (Environmental and Social Screen Form or ESSF) to be applied to future subprojects (whether cash-for-work or basic infrastructure) to ensure that they are environmentally and socially sound and sustainable. The ESMF also includes: (i) instructions on how to manage any potential physical cultural resources that may be found during project implementation in compliance with OP 4.11: Physical Cultural Resources; (ii) guidelines on environmental and social mitigation measures specific to the potential subprojects that are likely to be eligible for the project's financing; (iii) a grievance mechanism; (iv) strong and transparent public consultations and participation in the development of subprojects by relevant stakeholders, including women, the elderly, the poor, and other vulnerable groups; and (v) a set of social and environmental clauses (SEC) to ensure that private construction firms comply with the project's safeguards measures. In addition, it describes the institutional responsibilities and budgeting and monitoring systems to implement mitigation measures. To simplify the implementation of subprojects, the ESMF includes a simple checklist to be used by the environmental and social safeguards specialists working on the project. During

project preparation, the team held intensive public consultations with key stakeholders and in potential project zones, including at the community level. The ESMF has been approved and has been disseminated in the country on March 11, 2015 and is available at the Bank's Infoshop.

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP 4.01)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Natural Habitats (OP/BP 4.04)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Pest Management (OP 4.09)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Indigenous Peoples (OP/BP 4.10)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Physical Cultural Resources (OP/BP 4.11)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Involuntary Resettlement (OP/BP 4.12)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Forests (OP/BP 4.36)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Safety of Dams (OP/BP 4.37)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Projects on International Waterways (OP/BP 7.50)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

58. **The safeguard assessment also concluded that the project does not require any exceptions to the Bank's environmental and social safeguards policies.** The FID will be responsible for the day-to-day management and implementation of the safety net programs, including safeguards management. The FID has appointed a part-time environmental and social safeguards specialist who has a good track record in complying with social and environmental safeguards and in ensuring equitable gender representation. In addition, the FID will hire an environmental specialist to support the design and implementation of the landscape management plans as well as the PSN activities. In addition, the FID has nominated its specialist for citizens' engagement as the institution's focal person for gender. The safeguards risk rating for the project is Moderate.

Monitoring and Evaluation

Results Monitoring and Evaluation

59. The project will support the strengthening and establishment of core monitoring systems within the MPSPPW and the FID, from which the primary results indicators will be drawn to track the outcomes of the project. In addition, building on the targeting evaluation of the PMT pilot, the ongoing process evaluation of the HDCT pilot, and the upcoming impact evaluation of the FID's cash-for-work program (financed under PURSAPS), the project will support the strengthening of the capacity of both the implementing agencies of the project (the MPSPPW and the FID). This will increase the ability of both agencies to effectively monitor social protection programs and progress towards the PDOs, as well as to design and implement evaluations, including the impact evaluation of the HDCT program.

60. The MPSPPW aims to develop a simple monitoring system to keep track of the progress of key social protection programs in the country, including the PSN and HDCT programs. This computerized system will be managed by the director general for social protection within the MPSPPW and will increase the institution's capacity for coordinating and overseeing the development of the sector. This activity will be financed under Component 3 of the project and will be implemented by the MPSPPW.

61. The FID has already established a comprehensive MIS to monitor the implementation progress of the PSN and HDCT programs. This will make it possible to monitor the selection of beneficiaries, payments, beneficiaries' compliance (either work requirements in the case of the PSN or school attendance in the case of the HDCT), and complaints, among other elements. The MIS will include a registry of safety net beneficiaries that will make it possible to monitor their progress over time. The project will support the FID in further developing the MIS including the beneficiary registry and will ensure its integration with the institution's financial management system. The MIS will also collect data on the disaster response activities as well as on key safeguards indicators (for example, gender participation, grievance redress, and environmental categories) for the activities financed under this project.

62. The project will support an impact evaluation of the HDCT. This evaluation will use a cluster randomized trial to test not only the effectiveness of the cash transfer program but also the impact of the training delivered primarily by the elected lead mothers aimed at introducing effective parenting practices, increasing the use of available health, nutrition, and education services, and improving child development outcomes. The evaluation will build on a process evaluation of the pilot of the HDCT project. While the evaluation is likely to be financed by external donors, its operational implications will be financed by this project.

Role of Partners (if applicable)

63. Project implementation will be supported by a number of Memoranda of Understanding (MoUs) between relevant partners. For the HDCT program, an existing MoU for the pilot between the MPSPPW, MEN, ONN, and the FID has been updated to reflect the respective roles and responsibilities for the scale-up of the pilot, including the increasingly pertinent role of the MPSPPW. For the PSN, a MoU has been signed between the Ministry of Agriculture, the MPSPPW, and the FID to reflect their tripartite engagement in the coordination, implementation, and evaluation of the PSN program. Finally, the BGNCR and FID have signed a MoU to clarify their respective roles and responsibilities in the aftermath of a disaster. The three MoUs were signed before project appraisal.

Annex 4: Implementation Support Plan

Country: Madagascar

Project Name: Social Safety Net Project (P149323)

Strategy and Approach for Implementation Support

1. The implementation support for the project is based on lessons learned from the implementation of past and ongoing projects in Madagascar, including the PUPIRV and the PURSAPS, and in other countries, as well as on the project's specific design, complexity, challenges, and risks. The project supervision team will aim to ensure the effective and timely implementation of the project components and of mitigation measures designed to address any early coordination, implementation capacity, technical, or safeguards issues, thus ensuring the achievement of the project's development objectives.

Implementation Support Plan

2. The team is aware of the complexities of the project and of the risks that might occur during implementation and is therefore planning to enhance supervision and to ensure that the project team has adequate staffing, particularly during the initial stages of project implementation. Thus, the implementation support plan will focus on building the capacity of the client and on coordinating with other development partners in the context of the upcoming social protection policy.

3. **Team composition.** The project implementation team will consist of Bank staff and consultants based in Madagascar, in Washington, D.C. and elsewhere. The team will be composed of a Washington-based task team leader, country-based and regional staff and consultants (in the areas of agriculture, social protection, education, health/nutrition, procurement, safeguards, social accountability, and FM), and Washington-based staff (in the areas of social protection and impact evaluation). The team members will be responsible for supporting the implementation of project-specific elements in their areas of expertise.

4. **Frequency of implementation support.** There will be at least two annual implementation support missions in addition to ongoing and specific technical and fiduciary support and technical assistance in areas such as social protection policy development and landscape management planning. Staff and consultants will carry out regular field visits to project sites in different regions of the country. The implementation support will be enhanced by technical and evaluation studies carried out under the project, such as operational audits, financial audits, process as well as impact evaluations, which will draw from representative samples of project activities, thus ensuring timely and effective feedback to inform any necessary adjustments in project implementation. Based on the supervision missions, at least twice per year the task team will collaborate with clients and other stakeholders in developing a list of actions required to ensure the continued proper implementation of the project.

5. **Implementation support budget.** To ensure strong and continuous implementation support, a minimum of US\$90,000 per year will be required for supervision activities to cover Bank staff and consultants' travel expenses.

Table 4.1: Resources Needed for Supervision

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	Project management and donor coordination	Project management	US\$20,000	
	HDCT Program	Experience with cash transfer programs, social accountability	US\$15,000	
	PSN Program	Experience with public works, landscape management, rural development, safeguards	US\$20,000	
	Capacity building for social protection systems development	Monitoring and evaluation, MIS, institutional analysis, registries	US\$10,000	
	Fiduciary capacity strengthening	FM, procurement, systems building	US\$5,000	
	Monitoring and impact evaluation	Economists, monitoring and evaluation specialists, social accountability	US\$20,000	
Total			US\$90,000	
12-54 months	Same as above			
Other				

Table 4.2: Skill Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Task team leader	10	2	Washington, D.C.
Social protection specialist (local)	10		Country office
Rural Development specialist	6		Country office
Procurement specialist	4		Country office
FM specialist	4	2	Regional office
Safeguards specialist	6		Country office/regional
Public works specialist	10		Consultant
Cash transfer specialist	8		Consultant
Evaluation specialist	6	3	Washington, D.C.
IT specialist	4		Consultant
Social development specialist	4		Consultant
Social accountability specialist	4		Country office

Table 4.3: Project Partners

Name	Country	Role
UNICEF	Madagascar	Collaboration in Essential Family Practices part of the HDCT program
Ideas 42	USA	Support for the design and implementation of the HDCT's impact evaluation

Annex 5: The Proxy Means Test in Madagascar

Introduction

1. A proxy means test (PMT) model was developed in Madagascar to help stakeholders in the social protection sector to improve their targeting methodology. The most common targeting methods used in Madagascar are geographic targeting, categorical targeting, and community based targeting, but the data show that the use of these methods has produced significant exclusion and inclusion errors. This meant that there was a need for better targeting tools. The PMT method is already used by many countries in the world to target the poorest households and individuals, and models from other countries (such as Benin, Ghana, and Senegal) were used as reference points during the development of the PMT for Madagascar.

Methodology

2. Social safety net programs are intended to benefit the households with the lowest living standards, which is usually measured by per capita consumption. However, it is difficult to collect accurate data on household consumption. The PMT is an alternative to this method as it makes it possible to approximate a household's living standard according to a score calculated from a series of variables that are highly correlated with living standards or poverty, variables that are easier to collect than direct household consumption data. The PMT formula consists of a weighted combination of these variables. To identify the appropriate set of variables and the weight of these variables, analysts generally use expenditure survey data for households and an econometric model. The weight of each variable is then derived from its coefficient in the econometric model.

Data Used

3. The data used to develop the PMT for Madagascar were from the Priority Household Survey conducted in 2010 by INSTAT (*Enquête prioritaire auprès des Ménages* or EPM).

Quality Criteria

4. The quality of the PMT can be judged according to the following criteria: (i) it should need only a few variables that are easily observable but are difficult for households to distort or manipulate to give a false impression of their poverty level; (ii) the regression model should confirm that the variables correlate well with the household's poverty level; (iii) the poverty incidence of beneficiaries should be acceptable, the PMT should focus on the poorest households; and (iv) the PMT model should minimize both exclusion and inclusion errors. Thus, when developing the formula for the Madagascar PMT, it was necessary to test a number of eligibility thresholds to find out which would yield the best results in terms of targeting.

The Variables in the Model

5. The variables that were chosen for the Madagascar PMT were identified from previous analyses of the determinants of poverty in Madagascar. The chosen variables satisfied the criteria of being observable and hard to manipulate by households. They also correspond to the dimensions of poverty that are generally used to identify poor households (Morestin et al, 2009) and are similar to the variables used in PMT models in other countries (such as Benin, Ghana, Senegal, and

Bangladesh). They include housing conditions, possession of property, the demographic composition of the household, and the characteristics of the household head. These variables are comparable to those used in other countries both in type and in number.

The Quality of the Model

6. The quality of the econometric model ($R^2=0.61$) is acceptable. This result is similar to those obtained for other African countries and indicates that the model can work well in terms of predicting household living standards. The R^2 for Benin is 0.72 (Mededji, 2014). In Senegal, it is 0.65 for rural areas and 0.79 for urban areas (Leite et al, 2013). It is between 0.48 and 0.71 in Malawi (Cnoblach and Subbarao 2013) and about 0.57 in Ghana (Pop, 2013). The result for Madagascar is also comparable with countries in Asia or Latin America – 0.57 for Bangladesh (Sharif, 2009) and 0.53 and 0.57 for Pakistan and Sri Lanka respectively (Kidd et al, 2011).

Exclusion and Inclusion Errors

7. Various series of calculations were performed to evaluate the performance of the model. When the poverty rate based on consumption was compared with the one based on the PMT scores, they were very similar since classification by the scores still allowed recovery of 94 percent of the poor. Despite these results, when the same comparison was broken down by socioeconomic deciles, it was found that the model did not accurately identify the poorest households. The errors were higher below the eligibility threshold of the 30th percentile, though the error rate was reasonable above the 30th percentile; the same for the coverage rate. Finally, with respect to this threshold, the errors of exclusion and inclusion associated with the PMT model were much different from those of PMT models in other countries. To overcome this weakness, it was suggested that the PMT be combined with another method such as community-based targeting.

8. As mentioned above, the targeting errors of the PMT were comparable with the inclusion and exclusion errors of PMT models used in other countries. Indeed, the exclusion errors made at the threshold of the 30th percentile of the model (40 percent) were lower than the equivalent errors in other countries such as Bangladesh (43 percent) and Pakistan (48 percent) and were much lower than those of Jamaica (69 percent). The inclusion error rate of the Madagascar PMT (36 percent) was the same as that of Pakistan (35 percent) and Sri Lanka (35 percent).

Preliminary Evaluation Results

9. The Madagascar PMT, combined with community-based targeting was applied and tested in the field during 2014 as part of the FID's activities. An evaluation was conducted to test the effectiveness and relevance of the PMT²⁵. It found that three-quarters of the communities (including households) recognized the importance of the PMT and agreed on the list of selected beneficiaries developed using the model. The effectiveness of the model seems to have been demonstrated as the evaluation showed that, in 90 percent of the cases, households selected as

²⁵ « Evaluation du système de ciblage utilisé dans la mise en œuvre des activités argent contre travail et transfert monétaires conditionnel par le fonds d'intervention pour le développement (fid) à Madagascar », by Progres (Services Professionnels en Gestion et Développement), March 2015, Unpublished paper.

beneficiaries were those with the lowest per capita consumption. Moreover, targeting errors were relatively limited since the exclusion and inclusion errors were valued at nearly 8 percent.

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Annex 6: Economic and Financial Analysis

1. **The economic benefits of the proposed Social Safety Net Project will consist of both protective and productive benefits to households and communities.** The well-being of beneficiary households will improve as a result of consumption smoothing (through cash transfers), asset protection, and avoidance of negative coping behavior and because of their increased access to human development and productive services that will augment their human capital and productive capacity in the medium and long term.

Evidence from Similar Programs

2. **The project builds on the rich experiences from Ethiopia where the government has been implementing the large Productive Safety Net Project (PSNP) since 2006.** The PSNP provides food and/or cash to chronically vulnerable households during the predictable annual lean season in exchange for their labor on communal projects, thus addresses the underlying causes of food insecurity in Ethiopia. The program has made a significant contribution to increasing food security in Ethiopia over the past nine years. In Ethiopia's highland regions, which are very similar to the hill areas of Madagascar, PSNP clients have seen their average months of food security rise from 8.4 months per year in 2006 to 10.1 in 2012. The public works component of the PSNP in Ethiopia addresses the root causes of vulnerability and food insecurity by supporting the development of a productive landscape and linking rural communities to small towns where they can access inputs, markets, and services. PSNP public works have led to important improvements in rural infrastructure and have enhanced water retention, reduced soil and water run-off, and protected land in area enclosures, which increases soil fertility and carbon sequestration. Impact evaluations of the PSNP have indicated that, based on 12 sample micro-landscapes, the decrease in soil loss has been more than 12 tons per hectare over the evaluation period, and the decrease in sediment loss is estimated to have been 15.3 tons per hectare. The program has also significantly strengthened the capacity of the government to undertake participatory planning and implementation.

3. **The PSNP has also provided important disaster responses** through the use of contingency budgets at the district and regional levels and a federal risk financing mechanism. Because of investments in strengthening the early warning system and capacity development, it has been possible to scale up the PSNP during times of a meteorological shocks (such as a drought or flood) to provide additional transfers to existing PSNP households as well as temporary support to non-PSNP households. This has not only protected the food security and livelihood gains achieved by the PSNP households but also has prevented any deterioration in the food security status of those not enrolled in the PSNP as can be seen from the decline in distress sales during crises. It is estimated that 62 percent of overall households did not have to sell their assets to cope with the shock (90 percent due to the PSNP) and 36 percent of households did not have to resort to using their savings to buy food (90 percent due to the PSNP). Investments that the PSNP has made in improved information management have made possible for common triggers to be used by both the PSNP and humanitarian organizations to respond to emergencies, thereby enabling more rapid and effective responses to shocks.

4. **The project also builds on the rich global experience with conditional cash transfer (CCT) programs, which are among the well-evaluated social safety net programs in the**

world. Given that many of these CCT programs have been implemented in the form of randomized controlled trials, this has allowed for rigorous data collection and, consequently, robust impact evaluations. The ongoing implementation, expansion, and incorporation of cash transfer programs into social safety net systems around the world is adding to the expanding knowledge base about why cash transfers lead to positive outcomes. Longstanding programs like Mexico's *Oportunidades* and Colombia's *Familias en Accion* have produced a wealth of evaluations that are helping to answer questions about work, livelihoods, productive or housing investments, risky youth behavior, and mental health among other subjects. Newer programs of experimental design, including unconditional transfers and hybrid models such as the HDCT, are increasingly providing information on the efficacy and adequacy of certain design features in a variety of contexts.

5. Recently, there is increasing evidence of the positive effects that safety net programs can have lower-income countries. These positive effects tend to consist of short-term income, consumption, and related health effects. There is also strong evidence of CCTs having a positive impact on education outcomes, especially for marginal children such as younger children, girls, students with lower perceived ability, and dropouts. In Malawi, the CCT arm of the respective Cash Transfer Program has led to significant gains in school enrollment, an increase of 8 percentage points in comparison with non-participating children. This translates into additional four school days per term, or around 10 days per school year. This program also led to improvements in the test scores of CCT beneficiaries in reading comprehension, math, and cognitive ability compared with a control group of non-beneficiaries. There is also evidence of CCTs having a positive impact on enrollment and attendance in Zimbabwe, Cambodia, and Burkina Faso.

6. The immediate health and nutritional outcomes of safety net programs in low-income countries have been positive and may have important lasting effects. The strongest evidence comes from evaluations covering Indonesia, Kenya, and Malawi. Indonesia's cash transfer program had a largely positive impact on the use of primary health care services by all eligible households in treatment areas. It has been shown to have increased household expenditures by 10 percent of their mean monthly per capita expenditures and increased both prenatal and postnatal visits significantly by 7 percentage points. Malawi's M'chinji Social Cash Transfer has led to significant positive results in terms of nutrition. Dramatic differences were reported in the consumption of various food groups before and after the implementation of the intervention, with households that benefitted from the transfers having increased their consumption of complex proteins, particularly dairy and meats or fish (25 and 61 percentage increases respectively). Kenya's Orphans and Vulnerable Children (OVC) program had a similar impact on dietary diversity by increasing household food expenditures with a corresponding reduction of poverty levels of some 13 percentage points. These increases in food expenditure significantly increased the frequency of consumption of five food groups—meat, fish, milk, sugar, and fats. Many Latin American interventions have targeted mothers as the preferred transfer recipients based on evidence that women are more likely than men to ensure that the entire household benefits from the transfer. Morocco's experimental project has made it possible to compare the impact of CCTs with that of unconditional cash transfers (UCTs) and also of giving the transfer to mothers with giving it to fathers. There is a significant difference when transfers are given to female heads of household in terms of children's time usage. There is a clear increase in the time spent for learning; children spent around 5 hours on average in school-related activities in the day preceding the survey compared to 2.5 hours spent by children in the control group.

7. **A recent Bank policy research working paper²⁶ provided evidence of the effectiveness of conditional versus unconditional cash transfers.** The author conducted a randomized experiment in rural Burkina Faso to estimate the impact of alternative cash transfer delivery mechanisms on education. The two-year pilot program randomly distributed cash transfers that were either conditional or unconditional. Families under the conditional schemes were required to enroll their children between the ages of 7 and 15 years old in school and ensure that they attended classes regularly. There were no such requirements associated with the unconditional programs. The results indicate that UCT and CCT programs have a similar impact on increasing the enrollment of children who are traditionally favored by parents for school participation, including boys, older children, and higher ability children. However, the conditional transfers are significantly more effective than the unconditional transfers in increasing the enrollment of “marginal” children who are initially less likely to go to school, such as girls, younger children, and lower ability children. Thus, conditionality plays a critical role in benefitting children who are less likely to receive investments from their parents.

8. **Furthermore, the elements of an integrated social safety net system can yield considerable efficiency gains.** These elements consist of targeting, payment, control, and accountability mechanisms and a monitoring and evaluation system. This systematic approach reduces fragmentation, increases coordination, and enhances the performance (for example, the quality and speed of service delivery) and transparency of individual programs.

9. **CCT programs have also been shown to be very cost-effective.** In Brazil’s *Bolsa Familia*, for example, analysts have estimated that every US dollar that is invested in cash transfers has a multiplication effect of US\$1.78 on the country’s GDP. Lesotho’s Child Grants Program has been shown to benefit the local economy by US\$2.23 for every US dollar invested through cash grants.

Simulation Results

10. **The economic analysis of this project focuses on the potential impact of the two cash transfer modalities to be used in the HDCT and the PSN on the beneficiary households.** This *ex-ante* simulation uses data from the household surveys of 2010 and 2012 and makes some assumptions: (i) targeting is perfect; (ii) each recipient household receives all possible cash transfers for which it is eligible (in other words, participating for 80 days per year in the PSN’s cash-for-work activities and complying with all of the conditions required by the HDCT program); (iii) the transfers received by households are used for consumer spending; and (iv) the socio-demographic characteristics of the households, their activities, and their incomes do not change after they start receiving the transfer.

11. **Safety net coverage.** The PSN aims to cover up to 28,000 poor households or about 140,000 people (at a cost of US\$14 million), and to provide emergency cash-for-work activities (under Subcomponent 1.3) to about 29,000 households affected by disasters (at a cost of US\$2 million).²⁷ These numbers are only indicative as the scope and intensity of disasters cannot be

²⁶ “Cash Transfers and Child Schooling: Evidence from a Randomized Evaluation of the Role of Conditionality”, Richard Akresh, Damian De Walque, Harounan Kazianga, World Bank Policy Research Working Paper No. 6340, Washington DC January 2013

²⁷ With the assumption that the other half (US\$2 million) will be used for infrastructure rehabilitation.

known *ex ante* and tend to vary from year to year. The annual project work plans will include tentative allocations for the post-disaster activities, and the funds not used in the previous year will then be channeled into the next year's PSN activities.

12. **Level of transfers compared to basic food needs.** With a daily wage of MGA 3,000 and a total of 80 working days per year, the annual transfer to PSN beneficiaries will be MGA 240,000. For the HDCT, the amount to be transferred to a household with two school-aged children will be MGA 20,000 per month, which also amounts to MGA 240,000 annually. With an average of five people per household, this means a transfer of MGA 48,000 per person per year. The comparison with the poverty line or extreme poverty line is based on this amount. According to Madagascar's latest household survey,²⁸ the national poverty line is estimated at MGA 535,603 while the extreme poverty line is MGA 374,941. Taking into account the country's annual inflation rate, the poverty lines are MGA 601,801 and MGA 421,282 respectively at 2014 prices. Both the PSN and the HDCT provide basically the same transfer of MGA 240,000 per year per beneficiary household, or MGA 48,000 per year per capita. This represents about 6.2 percent of the national poverty line and 9 percent of the extreme poverty line. Importantly, the transfer amount represents about 25 percent of the total consumption of extremely poor households and 32 percent of their food consumption.

13. **Level of cash transfers compared to households' education expenses.** As both of the project's cash transfer programs will support children's education in some way (if not least through the additional household income), it is useful to simulate the potential effect of transfers on education expenses. According to the 2012 Madagascar Millennium Development Goals National Monitoring Survey (ENSOMD), Malagasy households spend an average of about MGA 53,000 (at 2014 prices) per year on education, though of course this average hides disparities. Households in the poorest quintile currently spend nearly MGA 30,000 per year on education. Transfers of MGA 240,000 a year will represent 4.5 times the average household's education spending but eight times the education expenses of the poorest households. As part of this program, households are free to choose how to use their cash transfers, but this influx of cash can substantially help households to support educational expenses of their children.

14. **Impact of the HDCT on education.** The enrollment of children aged 6 to 12 years old in school can be expected to increase as a result of the HDCT program. The CCT program will cover about 15,000 households, which corresponds to about 24,900 children aged 6 to 12 years, assuming that these households are among the poorest decile. As the program will support a maximum of two children (aged 6 to 12 years old) per household and as only about 55 percent of children aged 6 to 12 years within these households are in school, then about 8,600 children from these poor households will either return to school or will go to school for the first time. If beneficiary households with more than two children between 6 to 12 years old send all of their children to school, then it can be expected that 11,200 new pupils will attend school as a result of the CCT program.

15. **Impact of the HDCT on nutrition.** As one aim of the HDCT program is to increase access to and use of community-based nutrition services, it is expected to lead to considerable

²⁸ Madagascar Millennium Development Goals National Monitoring Survey (*Enquête Nationale du Suivi des Objectifs du Millénaire pour le Développement* or ENSOMD) for 2012

improvements in the nutrition of children, which will have significant potential health and economic benefits.

16. **Impact of the PSN on households' willingness to seek employment.** The wage rate of the PSN is less than the minimum wage in the labor market. The objective of the PSN is to provide to the poorest households with a short-term income supplement by offering them a temporary job. As part of this program, the wage rate is fixed at MGA 3,000 per day for five hours of work. This wage rate is less than the national minimum wage for unqualified and unskilled workers, which is fixed at MGA 716.8 per hour (MGA 3,584 per five hours) for non-farm work and MGA 630 (MGA 3,150 per five hours) for agricultural work. However, the Malagasy employers do not necessarily respect the minimum wage. According to a recent employment survey (2012 INSTAT), a very high proportion of the employed (80 percent in 2012) are paid less than the minimum wage. The proposed wage rate for the PSN – MGA 3,000 for five hours of work – is higher than the average wage. One might ask if this salary will motivate poor households to leave their jobs. However, the transfers received through the PSN cannot replace the household's income. This transfer is only 11 percent of annual household income. Moreover, as the interventions will take place during lean periods, when extremely poor households will have the greatest need of support, we believe that they will not forsake their current jobs to benefit from the PSN.

17. **Community-level benefits of PSN.** It is difficult to estimate the economic rate of return of the PSN because the subprojects and activities cannot be known in advance. However, the project is likely to have a positive impact on rural livelihoods as its main activities are intended to improve soil and water conservation, which will also have a positive effect on vegetation. Other likely activities will include skills training and financial literacy, both of which have the potential to yield economic gains.

18. **Improvements in the living standards of beneficiaries of the PSN and the HDCT.** The simulation results suggest that the two components – the HDCT and the PSN – will both significantly improve the standard of living of their beneficiaries. The simulations are based on three scenarios. The first selects the poorest 30 percent of the extreme poor, while the second scenario selects the poorest 30 percent of the rural extreme poor. In both of these scenarios, the program will increase the living standard of beneficiaries by about 30 percent per year. In the third scenario, the project focuses on the poorest households in the two southern regions where there are concentrations of poor households and schoolchildren and on the poorest areas with the highest rate of non-attendance (the south and south-west zones of Madagascar). In this scenario, with a base transfer of MGA 240,000 per household, beneficiary households might experience an increase of about 35 percent to 45 percent per year in their current standard of living.

19. **Impact of the safety net programs on poverty in Madagascar.** As shown above, productive cash-for-work activities and cash transfers certainly can improve the standard of living of the beneficiary households. The programs target the poorest of the poor and, given the improvements in their living standards, the depth of poverty and extreme poverty in the selected communities is also likely to decline slightly. However, the benefits are not sufficient to enable the households to rise out of poverty based only on the cash transfers. Complementary measures will be necessary.

20. **Fiscal implications.** In order to provide the same benefits to all poor households in the country, the government would have to spend almost 3 percent of GDP per year. Such a national program would reduce the incidence of poverty by 5 percentage points per year. The disaster-related cash-for-work activities are not expected to reduce poverty of recipients since they are designed simply to provide quick and short-term support to replace lost assets and incomes but not as full compensation for the effects of the disasters.

21. **Rationale for public financing of the safety net service.** The services provided under the project are not the kind that are typically provided by the private sector, which justifies the use of public financing to provide these services. Safety net services are meant to provide the poorest population with income support to stabilize their living conditions. They are also expected to help them become productive members of society by helping them to accumulate assets (for example, through savings) that they can then use over time to increase their incomes, thus enabling them to graduate from safety net support. The works carried out under the PSNP will provide public goods such as improved productive infrastructure for water management, the prevention of soil degradation, and reforestation, which will yield public benefits for the communities as a whole. The Bank is supporting similar programs worldwide and is thus in a position to provide value added to the implementation of safety net and nutrition services based on international experience and global knowledge.

Annex 7: Targeting Strategy for the Social Safety Net Project

1. The targeting strategy for both the HDCT and PSN programs consists of a combination of three complementary targeting methods. It combines geographical targeting and community selection of potential beneficiary households with the application of a proxy means test (PMT) to the preselected households to determine their final eligibility. The resulting list of households will then be validated by the community.

2. Geographical targeting. The objective of the geographical targeting process is to select the regions, districts, and communities where the program will operate. The process for selecting the regions and the criteria used are the same for the PSN and the HDCT. However, within each region, the specific districts to benefit from either the PSN or the HDCT have been selected based on program-specific criteria. The regions have already been selected during the project preparation phase in a collaboration between the relevant ministries (the MPSPPW, MEN, ONN, and the FID for the HDCT and the MPSPPW, the Ministry of Agriculture, and the FID for the PSN). The regions were selected as follows:

- Information on schooling rates (taken from the 2012 ENSOMD), malnutrition rates (also taken from the 2012 ENSOMD), and food insecurity rates (2012 data taken from the CSFVA, the WFP, and INSTAT) were overlayed. The food insecurity rate already incorporates the poverty rate. Those regions that were consistently low on all of these criteria were put on the shortlist.
- At this stage, another set of criteria was used to exclude some regions from the shortlist and determine the final list. The existence of some ongoing interventions (mostly financed by other donors) had the potential to interfere with the project's safety net programs, either by their nature (for example, a large program of school feeding in one region would interfere with the HDCT) or by concentrating resources within a given region (the Food for Peace Program by USAID). Some of the poorest regions were therefore excluded on that basis. On the other hand, some other existing programs were found to be highly complementary to the safety net programs such as the Emergency Education, Health, and Nutrition Services Project (*Projet d'appui d'urgence aux services essentiels de l'éducation, de la santé et de la nutrition* or PAUSEN) or the EU-supported Rural Development Programs.
- Furthermore, the project preparation team chose regions with a view to testing the two programs, particularly the PSN, in a diverse set of agro-climatic zones in the south, the center, and the east of the country in light of the program's possible expansion in the future.
- Finally, the project preparation team took into account administrative efficiency and access in determining which regions would be the best fit for the safety net programs among the many poor areas and people of the country.

Selection of districts within the selected regions. The selection of districts will reflect the following principles:

- The HDCT and the PSN will not operate in the same districts.

- Districts will mostly be chosen on the basis of operational efficiency, for example, their accessibility for official from the ministries, the FID, and implementation partners (such as NGOs and payment agencies). The number of districts chosen per region was determined by the need to concentrate efforts and resources in the first phase of the project. Some of these districts were attributed to the PSN and others to the HDCT using criteria such as land and environmental degradation, potential for agricultural production improvement (for the PSN), and the existence of schools/education and nutrition services (for the HDCT).
- Potential synergies with productive and human development programs will also be taken into account.

Selection of villages (fokontany). Once the list of regions and districts has been determined (as part of project preparation), the villages where the PSN and the HDCT will operate will be chosen during project implementation. The selection process and criteria will differ between the two programs:

- In the PSN, a number of priority intervention zones (*Zones d' Intervention Prioritaires* or ZIP) will be determined within a selected district. This will be done through a consultative process involving representatives of the communities (for example, the steering committee of the CSA) and the authorities from the relevant sectors (such as agriculture, social protection, and the environment) at the district level. The ZIP will be determined both on the basis of a shared set of environmental/natural resources issues (especially in relation to the state of soil, water, and forests) and of the poverty level in the area. They will consist of one or several villages (*fokontany*) and might cover more than one commune (the commune level is therefore irrelevant in terms of the selection of villages in the PSN).
- In the HDCT, a number of communes will be selected based on the existence of functioning schools and nutrition and health centers. All of the villages (*fokontany*) within the selected communes will then be eligible for the program.

3. Community-based targeting. Each selected community (*fokontany*) or groups of *fokontany* will produce a list of potential beneficiary households. A communication campaign will inform the community about the community-based targeting process. A social protection committee at the *fokontany* level will be trained to carry out the process on behalf of the community, and the lists produced by this committee will be validated by the entire community at a general assembly. The beneficiary selection mechanisms for each program (HDCT and PSN) are similar but have some differences that reflect their respective objectives.

- In the case of the PSN, self-targeting is first applied as the program is designed so that only non-labor constrained households interested in joining the program at the daily wage rate offered will apply. The social protection committee will then prioritize those households on the basis of criteria related to poverty. The program will also allow a number of poor labor-constrained households to join the program and receive the same benefits but with no obligation to work.

- In the case of the HDCT, the social protection committee will also identify the poorest households and produce a shortlist of households (according to pre-established criteria defined by the program²⁹) that will then be presented to the community's general assembly for validation.

In both cases, a general assembly will be organized by the chief of the *fokontany* to validate the preselected lists of households. These validated lists will then be forwarded to the FID.

4. Application of the PMT. The preselected lists of households will then be forwarded by the FID to a firm responsible for applying the PMT. Teams of enumerators will visit the preselected households and collect data to fill out the PMT questionnaires (using smartphones or tablets). The data will then be transferred to the FID and uploaded into its MIS. The MIS will then automatically calculate a PMT score for each household. Households will be ranked according to their PMT score, and only those households that have a score below a previously agreed threshold will be selected to participate in the program (a minimum of 10 percent of beneficiary households is however guaranteed to be included in each *fokontany*). Based on these results, the FID's MIS then produces a post-PMT list of potential beneficiary households.

5. Final selection of beneficiary households. The post-PMT list of beneficiary households is then validated by the community in another community assembly. The households on this final list will then be invited to enroll in the PSN or the HDCT programs.

²⁹ The number of the households to be selected is specified by each program. The household should be located in the selected *fokontany*, have at least one child aged between 0 and 10 years old, and be considered among the poorest households living in the established area. For the HDCT program, possession of the following properties or assets is considered an indicator of a certain standard of living that ranks the household as non-eligible: *zebu* or other production of animals, a dairy cow, a large rice field, and/or a rented house.

Map: Republic of Madagascar

