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**RESTRUCTURING PAPER  
ON A  
PROPOSED RESTRUCTURING  
FOR THE  
SECOND GOVERNANCE AND INSTITUTIONAL DEVELOPMENT PROJECT  
TO THE  
REPUBLIC OF MADAGASCAR**

August 15, 2012

Africa Technical Poverty Reduction Economic Management 1  
AFCS4  
Africa Region

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## CURRENCY EQUIVALENT

(Exchange Rate Effective July 27<sup>th</sup>, 2012)

Currency Unit = Malagasy Ariary (Ar)

2000 Ar = US\$1

US\$ = SDR 0.6075

## FISCAL YEAR

January 1 – December 31

## ABBREVIATIONS AND ACRONYMS

|        |  |             |   |
|--------|--|-------------|---|
| AfDB   | African Development Bank   | MAP         | Madagascar Action Plan  |
| ARMP   | <i>Autorité de Régulation des Marchés Publics</i> (Procurement Oversight Authority)                                | MDG         | Millennium Development Goal   |
| BIANCO | <i>Bureau Independent Anti-Corruption</i> (Independent Anticorruption Agency)                                      | MDO         | Office of the Managing Director   |
| BP     | <i>Budget Participatif</i> (Participatory Budgeting Process)   | MECI        | <i>Ministère de l'Economie, du Commerce et de l'Industrie</i> (Ministry of Economy, Trade and Industry) |
| CGF    | <i>Index Comptabilité et Gestion Financière Communale</i> (Communal Financial Management Index)                    | M&E         | Monitoring and Evaluation   |
| CNFA   | <i>Centre National de Formation Administrative</i> (National Center for Administrative Training)                   | MFB         | <i>Ministère des Finances et du Budget</i> (Ministry of Finance and Budget)                             |
| COS    | <i>Conseil d'Orientation et de Suivi</i> (Steering Committee)  | MTR         | Mid-Term Review   |
| CPAR   | Country Procurement Assessment Report  | NLIM<br>NGO | National Leadership Institute of Madagascar<br>Non Governmental Organization                            |
| CSI    | <i>Comité pour la Sauvegarde de l'Intégrité</i> (Integrity Safeguard Committee)                                    | OF          | <i>Observatoire du Foncier</i> (Land Observatory)   |
| CSO    | Civil Society Organization   | ONI         | <i>Observatoire National de l'Intégrité</i> (National Integrity Observatory)                            |
| ENAM   | <i>Ecole Nationale d'Administration de Madagascar</i> (National School of Administration)                          | PAD         | Project Appraisal Document  |
| ENMG   | <i>Ecole Nationale de la Magistrature et des Greffes</i> (National School for Magistrates and Clerks of the Court) | PDO         | Project Development Objectives  |

|        |   |       |   |
|--------|---|-------|---|
| EU     | European Union  | PEFA  | Public Expenditure and Financial Accountability   |
| FDL    | <i>Fond de Développement Local</i> (Local Development Fund)                       | PFM   | Public Financial Management   |
| FM     | Financial Management  | PGDI  | <i>Programme de Gouvernance et Développement Institutionnel</i> (Governance and Institutional Development Program)            |
| GDLN   | Global Distance Learning Network  | PGE   | <i>Politique Générale de l'Etat</i> (General State Policy)  |
| GoM    | Government of Madagascar  | PIU   | Project Implementation Unit   |
| HR     | Human Resource  | PNF   | <i>Programme National Foncier</i> (National Land Program)   |
| ICR    | Implementation Completion and Results Report                                      | PREA  | <i>Programme des Réformes pour l'Efficacité de l'Administration</i> (Reform Program for the Efficiency of the Administration) |
| IDA    | International Development Association   | RMF   | Results Monitoring Framework  |
| IFMIS  | Integrated Financial Management System  | RP    | Restructuring Paper   |
| IGF    | <i>Inspection Générale des Finances</i> (Ministry of Finance Internal Audit Unit) |       |   |
| IGL    | <i>Indice de Gouvernance Local</i> (Local Governance Index)                       | SDR   | Special Drawing Right   |
| INSTAT | <i>Institut National de la Statistique</i> (National Statistics Office)           | SIGFP | <i>Système intégré de Gestions des Finances Publiques</i> (Integrated Financial Management Information System, IFMIS)         |
| ISN    | Interim Strategy Note   | UNOPS | United Nations Office for Project Services  |
| ISR    | Implementation Status and Results Report  |       |   |
| LR     | <i>Loi de Règlement</i> (Annual Budget Execution Act)                             | VAT   | Value Added Tax   |

|                          |                     |
|--------------------------|---------------------|
| Regional Vice President: | Makhtar Diop        |
| Country Director:        | Haleh Z. Bridi      |
| Sector Manager:          | John Panzer         |
| Task Team Leader:        | Anne Lucie Lefebvre |

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## PROJECT DATA SHEET

|  |                                     |                   |
|--|-------------------------------------|-------------------|
| <b>Restructuring</b>   |                                     |                   |
| <b>Restructuring Type: Level one</b>   |                                     |                   |
| Last modified on date : 08/15/2012   |                                     |                   |
| <b>1. Basic Information</b>  |                                     |                   |
| Project ID & Name  | P103950: MG-Governance & Inst. Dev. |                   |
| Country  | Madagascar                          |                   |
| Task Team Leader   | Anne-Lucie Lefebvre                 |                   |
| Sector Manager/Director  | John Panzer                         |                   |
| Country Director   | Haleh Z. Bridi                      |                   |
| Original Board Approval Date   | 06/30/2008                          |                   |
| Original Closing Date:   | 08/31/2012                          |                   |
| Current Closing Date   | 08/31/2012                          |                   |
| Proposed Closing Date  | 08/31/2014                          |                   |
| EA Category  | C-Not Required                      |                   |
| Revised EA Category  | C-Not Required-Not Required         |                   |
| EA Completion Date   | N/A                                 |                   |
| Revised EA Completion Date   | N/A                                 |                   |
| <b>2. Revised Financing Plan (US m)</b>  |                                     |                   |
| <b>Source</b>  | <b>Original</b>                     | <b>Revised</b>    |
| BORR   | 4.00                                | 0.05              |
| IDA  | 36.70                               | 28.86             |
| <b>Total</b>   | <b>40.70</b>                        | <b>28.91</b>      |
| <b>3. Borrower</b>   |                                     |                   |
| <b>Organization</b>  | <b>Department</b>                   | <b>Location</b>   |
| The Republic of Madagascar   |                                     | Madagascar        |
| <b>4. Implementing Agency</b>  |                                     |                   |
| <b>Organization</b>  | <b>Department</b>                   | <b>Location</b>   |
| Programme des Réformes pour l'Efficacité de l'Administration (PREA), Bureau de Gestion   |                                     | Madagascar        |
| <b>5. Disbursement Estimates (US\$ M)</b>  |                                     |                   |
| <b>Actual amount disbursed as of 07/27/2012</b>  | <b>12.27</b>                        |                   |
| <b>Fiscal Year</b>   | <b>Annual</b>                       | <b>Cumulative</b> |
| 2013   | 9.24                                | 9.24              |
| 2014   | 7.20                                | 16.44             |
| 2015   | 0.2                                 | 16.64             |
|  | <b>Total</b>                        | <b>28.91</b>      |
| <b>6. Policy Exceptions and Safeguard Policies</b>   |                                     |                   |
| <b>Does the restructured project require any exceptions to Bank policies?</b>  |                                     | N                 |
| <b>Does the restructured project trigger any new safeguard policies? If yes, please select from the checklist below and update ISDS accordingly before submitting the package.</b> |                                     | N                 |
| <b>7a. Project Development Objectives/Outcomes</b>   |                                     |                   |
| <b>Original/Current Project Development Objectives/Outcomes</b>  |                                     |                   |
| The objective of the project is to improve the efficiency and transparency of Government and selected public services in Madagascar in line with the Madagascar Action Plan (MAP). |                                     |                   |
| <b>7b. Revised Project Development Objectives/Outcomes</b>   |                                     |                   |
| To strengthen the Recipient's public financial management and social accountability at the central government and at the Communal levels.  |                                     |                   |

**MADAGASCAR**  
**SECOND GOVERNANCE AND INSTITUTIONAL DEVELOPMENT PROJECT**  
**RESTRUCTURING PAPER**

**I. SUMMARY**

1. This restructuring paper (RP) seeks approval of the Executive Directors to restructure of the Madagascar Second Governance and Institutional project (P103950). The proposed Level 1 restructuring includes: (i) extending the closing date from August 31<sup>st</sup>, 2012 to August 31<sup>st</sup>, 2014; (ii) a revision of the project development objective (PDO) and the results framework; (iii) modification of the components and activities; (iv) revision of the implementation arrangements; and (v) reallocation of proceeds. The proposed restructuring aims at taking into account significant changes in the project environment and addressing both weak results and delays during the first three years of project implementation. The project does not have any audit reports or Interim Financial Reports overdue. The recipient's Action Plan regarding the activities to be carried out during the extended period of time was reviewed and found to be satisfactory to IDA. The changes proposed are consistent with the Government's formal request to revise the institutional anchoring<sup>1</sup> and to restructure the project<sup>2</sup>. The Financing Agreement will be amended. The revised updated indicators will be integrated in the project manual.

**II. PROJECT STATUS**

2. The project (originally US\$36.70<sup>3</sup> million equivalent), which aims to improve governance and strengthening public sector capacity, was approved by the Board on June 3<sup>rd</sup>, 2008 and became effective on October 13<sup>th</sup>, 2008. The objective of the project is to improve the efficiency and transparency of Government and selected public services in Madagascar in line with the Madagascar Action Plan (MAP). The project comprises six components: (i) Improvement of Public Expenditure Management; (ii) Strengthening of the Efficiency of Government Operations; (iii) Rule of Law and Fight Against Corruption; (iv) Transparency and Social Accountability; (v) Monitoring & Evaluation; (vi) Program Coordination.

3. The Government requested that US\$7.84 million be cancelled from the project's original budget. This cancellation was requested by the Republic of Madagascar in their letter to the World Bank dated March 21<sup>st</sup>, 2012 and was approved by the Country Director on April 3<sup>rd</sup>, 2012. This cancellation was justified by the slow progress towards the achievement of project results as a direct impact of the crisis. The cancellation had already been contemplated in the February 2012 World Bank Interim Strategy Note (ISN) for Madagascar as well as the recommitment of the cancelled amount to other country operations.

4. The Project Development Objective and Implementation Progress were both rated Unsatisfactory in the last ISR, largely as a consequence of the political situation prevailing in the

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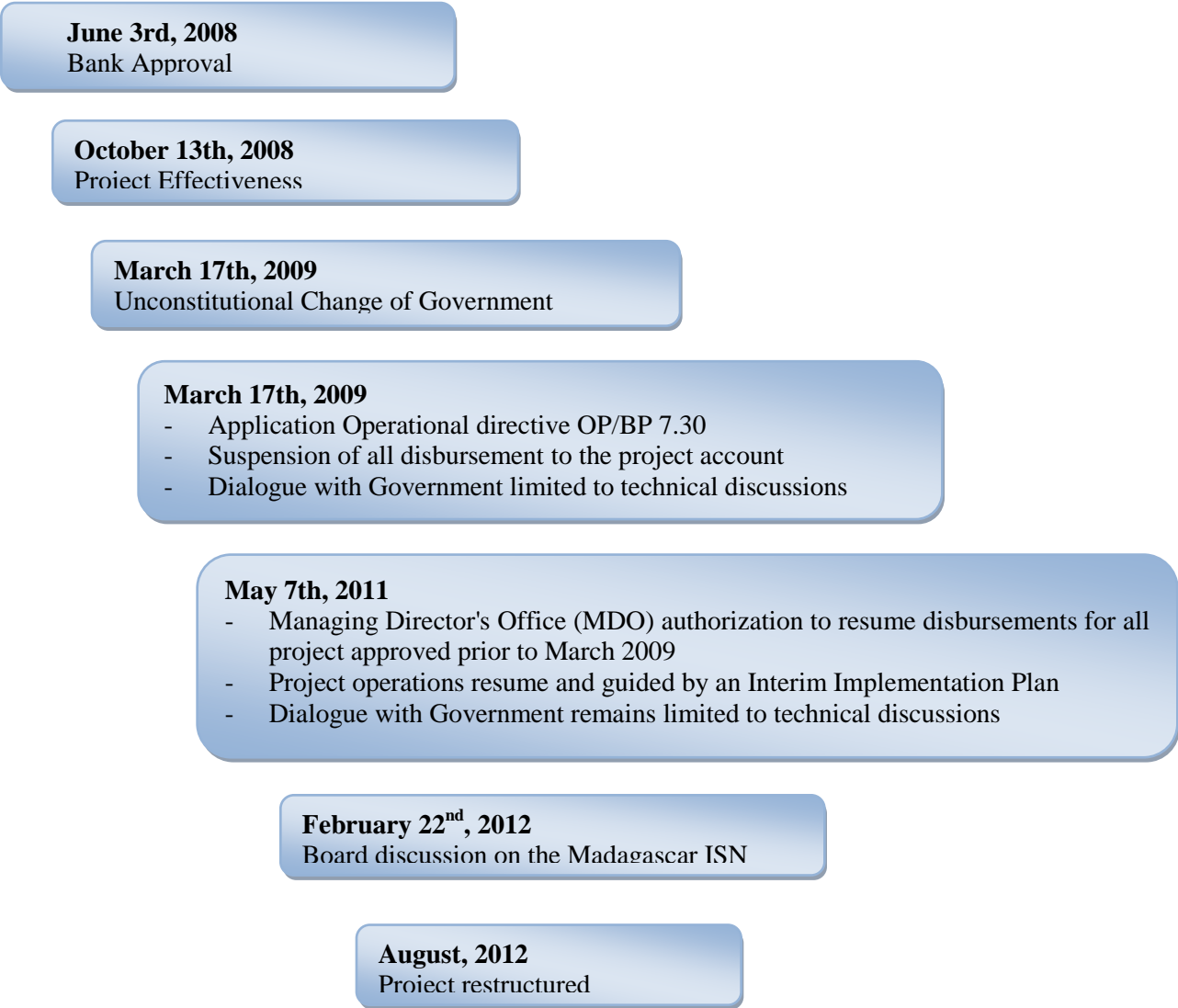
<sup>1</sup> Request received on May 21<sup>st</sup>, 2012.

<sup>2</sup> Official request received on July 18, 2012.

<sup>3</sup> Initially US\$ 40 million equivalent to SDR 24 million in 2008.

country since March 2009. Bank operations in Madagascar are guided by the operational directive OP/BP 7.30 “*Dealing with de facto Government*” since the unconstitutional change of Government in March 2009. The achievement of the PDO and the implementation progress has been undermined by the political crisis, ambivalent governance reforms priorities, limited dialogue; and restricted project funding from March 2009 to May 2011. This 26 month technical suspension undermined the ability of the project to implement planned activities and achieve the expected results. Due to the political turmoil and insecurity, the Bank was only authorized to conduct the first project supervision mission in November 2009. The first Implementation Status and Results Report (ISR) (released in December 2009) was rated Moderately Satisfactory. Subsequent ISRs present Unsatisfactory ratings.

**Figure 1. The Madagascar Second Governance and Institutional Development Project Implementation Context**



5. Despite these challenges, the Government has confirmed commitment to governance reforms and to facilitate intergovernmental coordination on issues pertaining to project management. Government recently indicated its commitment to addressing major governance and public sector constraints through the Second Governance and Institutional Development Project, more specifically in the area of public financial management (PFM) reforms, land management reforms, decentralization, access to statistical information and social accountability. This is not only welcomed by the Bank, but also by other development partners active in Madagascar; including the African Development Bank (AfDB) and the European Union (EU). The recent decision (Decree adopted on June 28<sup>th</sup>, 2012) to transfer the *Programme des Réformes pour l'Efficacité de l'Administration*<sup>4</sup> where the project is housed from the Presidency to the Prime Minister's Office is also an illustration of the positive benefits of sustained dialogue between the development partners and the coalition Government. The selection of the Prime Minister's Office as the revised project institutional anchoring is justified by the cross-cutting and cross-sectoral nature of the reforms to be supported by the project. The transfer of the project institutional anchoring was a Bank condition to proceed with the project extension and restructuring.

6. In June 2012 Bank staff agreed on restructuring principles, and preparing the restructuring request. During the mission, the Government and the Bank agreed on the following restructuring principles: (i) anchoring in the Prime Minister's Office; (ii) focus on consolidating already existing reforms and informing future development partners' (including the Bank) support in the area of governance and public sector capacity; (iii) focus resources on most achievable activities with strong development impact; (iv) consolidate project activities to optimize procurement transactions; (v) strengthen support to project implementation and monitoring; and (vi) enhance and document the knowledge generated by the project. On the basis of these principles, the Government and the Bank mission jointly agreed on the revised project institutional anchoring; the restructuring of activities and related reallocations of proceeds; the change of indicators; the consolidation of the project procurement plan; and the preparation of the restructuring request, which is presented in the next section of the paper.

### III. PROPOSED CHANGES

7. The original project included components that are no longer feasible and consequently must be revised or eliminated with funds reallocated to continuing components. The PDO and Results Framework will need to be altered to reflect the restructured operation. Owing to implementation time lost, a two-year extension is requested. Implementation arrangements will also need to be modified to reflect new institutional setup. The proposed changes also aim at aligning revised project scope with the Bank Interim Strategy Note (ISN) for Madagascar. The Pillar I of the ISN focuses on governance and public sector capacity.

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<sup>4</sup> The public sector reform and governance program, established by decree no. 2005-803, of November 23, 2005, as amended by Decree no. 2012-661 dated June 28, 2012.



### ***A. Project Development Objective (PDO) and Results Framework***

8. The original Project Development Objective (PDO) is “*to improve the efficiency and transparency of Government and selected public services in Madagascar in line with the Madagascar Action Plan (MAP)*”<sup>5</sup>.

9. This PDO as defined in the Financing Agreement should be revised for several reasons. First, the Madagascar Action Plan (MAP) is no longer guiding Government policies and programs following the unconstitutional change of Government in March 2009. Second, the PDO is too broad in nature. Third, the local level of government appears to be able to withstand the effects of a crisis essentially focused on the central level and deserves to be supported to maintain minimal services delivery that can mitigate the impact of the crisis. Finally, there is a need to simplify the PDO and bring it in line with what the project can actually achieve in the current country political and socio-economic context. Hence, the new and revised PDO is “*to strengthen the Recipient’s public financial management and social accountability at the central government and the Communal levels.*” It will be measured through the revised Results Monitoring Framework (see Annex 1).

10. In line with the PDO revision, the supporting Results Monitoring Framework (RMF) should also be amended in order to take into account the changes in Project activities and components (see below). The new indicators are expected to reflect the desired impact and outcomes from project activities of the overall Public Financial Management (PFM) reforms, both at the national and communal levels, while supporting enhanced social accountability. In addition, indicators and targets are revised to address the slow implementation pace and reflect results that could be realistically delivered by the revised end-date of the project.

11. Indicators have been updated to better reflect project impact and adjust to current circumstances. The revised indicators better articulate the relation between inputs, outputs and outcomes in the project. New indicators have also been introduced to reflect the contribution of activities to the PDO. Targets reflect realistic estimates, which take into account counterpart capacity and the situation prevailing in the country. The revised Results Framework features an innovative approach to project monitoring that will be based on an on-going learning system. More specifically, indicators pertaining to financial management will be monitored through a Public Expenditure and Financial Accountability (PEFA) self-assessment. While this methodology was selected because of the current situation in Madagascar, a major benefit of the exercise is for the Government to get more familiar with the PEFA methodology, to gather data on PFM and to learn about PFM bottlenecks and improve them accordingly (see Box 2).

---

<sup>5</sup> The Madagascar Action Plan (MAP) is the national poverty reduction strategy adopted by the former Government in 2006.

## Box 1. PEFA Self-Assessment of PFM Performance

### Using the PEFA Framework

**PEFA:** The Public Expenditure and Financial Accountability (PEFA) Program is a multi-donor partnership between seven donor agencies and international financial institutions to assess the condition of country public expenditure, procurement and financial accountability systems and develop a practical sequence for reform and capacity-building actions. In particular, the PEFA Framework has been developed as a contribution to the collective efforts of many stakeholders to assess whether a country has the tools to deliver three main budgetary outcomes: aggregate fiscal discipline; strategic resource allocation; efficient use of resources for service delivery.

**Objective:** The Government of Madagascar expressed the interest to carry out its own assessment (self-assessment) of the public finance management based on the PEFA methodology as a key learning tools for the PFM reform

**Methodology:** The objective of the self-assessment is to evaluate – with the help and external consultants - the overall performance of the Malagasy PFM systems, as well as to follow-up on progress against the PEFA indicators from the 2008 PEFA so as to measure changes in performance over time.

A Government PEFA Self-Assessment Steering Committee, including key stakeholders and the Ministry of Finance and Budget will be created to ensure strong Government involvement and ownership of the PEFA Self-Assessment. The PEFA Self-Assessment will be executed under PEFA Guidelines, which aim at securing the PEFA Check of Quality. Planning and executing the PEFA Self-Assessment will be carried out in close coordination between Government (including oversight institutions), the PEFA Secretariat and relevant development partners.

**Benefits:** The self-assessment will not only support documenting the results of the project, but will also contribute to inform future areas of reforms in the context of a potential donors' re-engagement. This exercise will allow updating the overall assessment of PFM systems, processes and institutions. In this sense, a major benefit would be for the Government to learn about PFM systems and bottlenecks, gather precious information and maintain the PEFA as a reference to assess the progress in PFM.

12. Moreover, the results framework will be part of an overall learning system that will capture all the knowledge produced by the project including monitoring the indicators and activities (see Box 2).

## Box 2. A “Learning System”

### Madagascar Second Governance and Institutional Development Project

#### - A “learning system” -

A learning system will be built to enhance project performance through the identification, capture, validation, and transfer of knowledge. The learning system will be implemented through a common platform that will capture and organize all the knowledge produced by the project so that all the stakeholders will have easy access to it. Rather than being a mere website, the platform is intended to be an intelligent infrastructure that rationalizes, organizes, and sustains significant data and information. Such platform will not only inform the progress towards the achievement of the project results and improve its performance, but will also inform Government's future programs and Bank potential re-engagement in the country.

**Benefits:** Overall, building such a platform will at last improve project performance. In particular, the platform will have the following benefits:

- Improved communication and access to information: Communication among stakeholders will be facilitated so as to have a continuous flow of information that is up-to-date and reliable.
- Improved monitoring: Monitoring the project and keeping track of its progress (or lack of it) will be facilitated by enabling stakeholders to access project information and provide feedback accordingly.
- Improved performance: The feedback mechanism will make sure that the project is on track and that stakeholders provide timely reactions regarding its implementation.
- Increased trust: Improved communication and increased visibility of the project will contribute to increasing trust among stakeholders, above all, between the citizens and the Government.

#### *B. Components and Activities*

13. Proposed changes refer primarily to the project components. Two of the original components will be revised, and four of the six original components will be dropped as they are no longer relevant in the current country context. Table 1 below presents the components and the change proposed by the restructured project.

**Table 1. Situation of Original Components and Proposed Changes (US\$ million)<sup>6</sup>**

| <b>Original Loan</b>                                      | <b>PAD</b>   | <b>Cancelled in April 2012</b> | <b>After April 2012)</b> | <b>Proposed Changes to Original</b> |
|---|--------------|--------------------------------|--------------------------|-------------------------------------|
| #1. Improvement of Public Investment Management           | 12.85        |                                | 12.85                    | Revised                             |
| #2. Strengthening the Efficiency of Government operations | 7.34         |                                | 7.34                     | Revised                             |
| #3. Rule of Law and Fight Against Corruption              | 2.29         | 1.43                           | 0.86                     | Dropped                             |
| #4. Transparency and Social Accountability                | 3.67         |                                | 3.67                     | Dropped                             |
| #5. Monitoring & Evaluation                               | 6.42         | 6.41                           | 0.01                     | Dropped                             |
| #6. Program Coordination                                  | 2.29         |                                | 2.29                     | Dropped                             |
| <i>Unallocated Funds</i>                                  | <i>1.84</i>  |                                | <i>1.84</i>              | <i>Revised</i>                      |
| <b>Total Costs</b>  | <b>36.70</b> | <b>7.84</b>                    | <b>28.86</b>             |                                     |

14. The name given to components one and two will be revised to better reflect restructured project priorities. Component one will be renamed “Improvement of Public Financial Management” and component two will become “Improvement of Local Governance”.

15. The project will also introduce two new components. A component aiming at strengthening institutional capacity and enhancing knowledge management (component 3) and another focusing on project coordination<sup>7</sup> (component 4) will be added. The four components continuing in the restructured operation will use the reallocated additional funds to deepen and broaden efforts that are generally congruent with original PDO expectations and purpose. The table 2 below provides the details of the proposed changes to the original project design.

16. Transparency and Social Accountability will be the overarching theme linking the four restructured components. The four components of the restructured project will each include activities supporting transparency and social accountability to enhance Government’s accountability vis-à-vis its citizens and to enable citizens to monitor public policies and service-delivery.

<sup>6</sup> The figures presented in the table only represent IDA’s share. It does not capture Government’s contribution.

<sup>7</sup> As per the initial project design, the PIU was mandated to coordinate all Government reforms in the area of governance and anti-corruption and component 6 focussed on program coordination. However, the project is currently the only important operation still active in this area. Therefore, there is currently no pressing need for coordination. However, this situation may evolve with future donors’ re-engagement.

**Table 2. Summary of Proposed Changes (US\$ million)**

| <b>Initial</b>   | <b>PAD<sup>8</sup></b> | <b>New</b>  | <b>RP</b> |
|--|------------------------|---|-----------|
| <p><b>Component 1 - REVISED: Improvement of Public Expenditure Management.</b></p> <p><b>Several activities took place, but at a slower pace than originally anticipated.</b> Government focused its efforts in rolling-out the IFMIS and used technology as a mean to support the implementation of public financial management reforms.</p>  | 12.85                  | <p><b>Component 1 – REVISED: Improvement of Public Financial Management.</b></p> <p><b>The activities will be re-focused to ensure timely implementation of priority PFM reforms activities.</b> Activities pertaining to the improvement of budget preparation and execution processes; including the deployment of the integrated financial management system - IFMIS will be maintained. Also, activities aiming at (i) strengthening internal and external control and oversight mechanisms; and (ii) institutionalizing public procurement reforms will be pursued. To inform the implementation of the latest, Government has requested the support from the Bank to conduct a Country Procurement Assessment Report (CPAR). The project will also focus on increasing performance of revenue agencies by strengthening the capacity of the Customs Agency and the Fiscal Administration. New activities to enhance budget transparency will be introduced to support citizen’s access to budget data and inform debate on public policy. The restructured project will also support Madagascar’s participation to global forum, such as, the Open Budget Initiative<sup>9</sup>.</p> | 13.33     |
| <p><b>Component 2 – REVISED: Strengthening the Efficiency of Government Operations.</b></p> <p><b>Sub-activities implemented directly by the Presidency under the Component aiming at Strengthening the Efficiency of Government Operations are no longer viable following the unconstitutional change of Government in March 2009.</b> Activities pertaining to the following sub-component will be cancelled: (i) improving change management capacity and leadership quality; (ii) strengthening management capacity in selected public institutions; (iii) strengthening of local training institutions will be cancelled, with the exception of the support to the Global Distance Learning Network (GDLN); which will be transferred to the new Component 3. The technical assistance to the public sector and pay incentive system initially planned by the project will also be dropped.</p> | 7.34                   | <p><b>Component 2 – REVISED: Improvement of Local Governance.</b></p> <p><b>The restructured project will focus on supporting selected cross-cutting reforms, such as decentralization and land management reforms</b> with a view of improving, through integrated approach, communal taxation, land tenure rights, local Government management and social accountability (mainly participatory budgeting and community scorecards). A sub-grant funded from the proceeds of the IDA Credit, will be established to support communes. The Communal Grant, estimated at US\$ 697500, will be disbursed through the Local Development Fund (FDL) mechanism as a support to participatory budgeting processes. Communal grants are aimed to support capacity building activities regarding to PFM at local level, especially procurement.</p>   | 8.38      |

<sup>8</sup> The difference between the estimated amount identified in the PAD (Report No: 41885-MG) and the amounts presented in the RP (Report No: 71384-MG) is explained by a variation of the exchange rate between the US\$ and the SDR. 1 SDR= US\$1.51041.

<sup>9</sup> <http://internationalbudget.org/what-we-do/major-ibp-initiatives/open-budget-initiative/>.

| Initial  | PAD<br>8 | New   | RP   |
|--|----------|---|------|
| <p><b>Component 3 – DROPPED: Rule of Law and Fight Against Corruption.</b></p> <p>Activities initially planned, but not yet implemented within the Rule of Law and Fight against Corruption will be dropped as they are deemed to be perceived as too politically sensitive in the current country context. Parts of the funds originally allocated to this component were cancelled in April 2012. The remaining balance will be allocated to the new component 3 – “Institutional Strengthening &amp; Knowledge Management”.</p> <p><b>Nonetheless, fight against corruption will remain a feature of the restructured loan.</b> Activities to sensitize citizens to the fight against corruption will be conducted at the communal level. BIANCO, the Independent Anti-Corruption Agency, will train communal authorities and civil society on service standards and complaints grievance mechanisms. These activities will be conducted under the new component 2 “Improvement of Local Governance</p> | 2.29     | <p><b>Component 3 - NEW: Institutional Strengthening &amp; Knowledge Management.</b></p> <p><b>This new component focuses on strengthening the capacity of selected state and non-state actors to enhance social accountability, access to information and knowledge sharing.</b> This component will host activities initially planned under original components 2, 4 and 5. More specifically, it will support the enabling environment for social accountability, both at national and commune level, by strengthening the capacity of civil society via the already established Social Accountability Grants. Under the restructured project, the Social Accountability Grant, a sub-grant funded from the proceeds of the IDA Credit, will be maintained. Equivalent to US\$ 418 500, the Grants will be managed and disbursed by a Grant Administrator. Civil society organizations will benefit from this sub-grant to finance innovative demand for good governance activities related to the objective of the project. The Grant Administrator will also be responsible to strengthen the capacity of civil society. As planned in the original project design, the Social Accountability Grants will pilot, develop and scale up approaches that are focusing on supporting civil society to monitor and provide oversight, in areas, such as, revenue management, budget transparency, service-delivery at the commune and central levels; and access to information. Beneficiaries of the Grants will be formally established civil society organizations. This is component will also continue to finance the Global Distance Learning Network (GDLN), as a key knowledge institution, and will aim at ensuring the sustainability of the Network by the end of the restructured project.</p> <p><b>This component will introduce new activities:</b> The following activities will be developed under the new Component 3: (i) strengthening the capacity of selected key institutions, such as, observatories and the ombudsman (<i>Médiature de la République</i>), to monitor the implementation of governance reforms; (ii) supporting the national MDG survey and the production of national accounts by the National Statistics Office (INSTAT); and (iii) developing a strategy for better access to statistical information. Statistical information will be used to inform dialogue between Government and its citizens.</p> | 4.90 |
| <p><b>Component 4 - DROPPED: Transparency and Social Accountability.</b></p> <p>Activities fostering enhanced transparency and social accountability will be</p>   | 3.67     | <p><b>Component 4 – NEW: Project Coordination.</b></p> <p><b>The Project Coordination Component needs to be strengthened to enhance the overall project implementation capacity.</b> In particular, the Project</p>   | 2.26 |

| <b>Initial</b>  | <b>PAD<sub>8</sub></b> | <b>New</b>   | <b>RP</b>    |
|---|------------------------|--|--------------|
| <b>mainstreamed across all the components of the restructured project.</b> Piloting and scaling up social accountability interventions, with a particular emphasis on participatory budgeting, will be transferred to the restructured component 2 (Improvement of Local Governance). Budget Transparency at the National Level will be addressed through the tentative introduction of internationally recognized practices like the Open Budget or the Open Aid initiatives. As mentioned above, the following sub-components: (i) fostering an enabling environment for social accountability practices; (ii) building the capacity of civil society and Government actors; and (iii) monitoring social accountability activities will be transferred to the new Component 3 “Institutional Strengthening and Knowledge Management”. |                        | Implementation Unit (PIU) needs to be given appropriate capacities to better help the beneficiary institutions to swiftly design and implement their activities in compliance with Bank rules. |              |
| <b>Component 5 - DROPPED: Monitoring and Evaluation.</b><br><br><b>Funds initially allocated to this component were cancelled in April 2012.</b> The main activities planned under this component meant supporting the National Statistics Office to develop of the Madagascar Action Plan monitoring and evaluation system and conduct the National Population and Habitat Census. Both these activities cannot currently be implemented. However, as mentioned above, the Bank will pursue its collaboration with the National Statistics Office under the new component 3.   | 6.42                   |  |              |
| <b>Component 6 - DROPPED - Project Coordination:</b> Under the restructured loan, this component becomes component 4.   | 2.29                   |  |              |
| <i>UNALLOCATED</i>  | <i>1.84</i>            |  |              |
| <i>CANCELLED FUNDS</i>  | <i>(7.84)</i>          |  |              |
| <b>TOTAL</b>  | <b>28.86</b>           | <b>TOTAL</b>   | <b>28.86</b> |

### ***C. Institutional Arrangements***

17. Under the leadership of the Steering Committee (*Conseil d’Orientation et de Suivi – COS*), hosted at the Prime Minister’s Office, the Project Implementation Unit (PIU) will be responsible to carry out project activities, in close coordination with key institutions. The selection of the Prime Minister’s Office as the revised project institutional anchoring is justified

by the cross-cutting and cross-sectoral nature of the reforms to be supported by the project. The Ministry of Finance and Budget will lead the implementation of component 1 in association with the Auditor General. Activities under component 2 will be executed jointly by the *Local Development Fund* and the land administration. More specifically, the management of the Communal Grant will be entrusted into the *Fond de Développement Local (FDL)* (Local Development Fund). Finally, component 3 will be implemented with the support of the Global Development Learning Network, the National Statistics Office, the Observatories, the Ombudsman, and the Grants Administrator responsible to administer the Social Accountability Grant.

18. The PIU still needs to improve institutional setting and staffing even if new personnel have been hired. The PIU implementation capacity has been eroded since March 2009 and was undermined by the technical suspension. Since May 2011, the PIU slowly regained its capacity through the hiring of technical staff (Land Management, Social Accountability, Procurement and M&E specialist). Financial management systems are adequate. There are no outstanding audits or IFRs for the project. Nonetheless, timely implementation of activities remains a challenge. The monitoring and evaluation and procurement capacity of the project still need to be strengthened. The PIU Director position is currently staffed by an Acting Director. The new PIU Director is expected to be contracted by August 31<sup>st</sup>, 2012, in any case as a condition of effectiveness of the Amendment to the Financing Agreement. He/She will be responsible to assess PIU staff performance and address potential human resources challenges by October 31<sup>st</sup>, 2012 to ensure improvement of project performance. The Task Team will also provide sustained implementation support.

#### ***D. Project Extension***

19. The Government has reaffirmed its strong commitment to the proposed restructuring and completion of the project. An extension of 24 months is requested to ensure successful project completion. A 24 months period will be needed to address delays incurred by the 26 months technical suspension following the unconstitutional change of Government in March 2009. It will also allow the implementation key governance reforms (public financial management, decentralization, land management) and systems, such as, the roll out of the integrated financial management system. Finally, the restructured and extended project will help foster greater social accountability. The PIU is in compliance with Bank's financial management requirements, and there are no overdue audits or financial reports.

20. Reallocation of proceeds will reflect the proposed changes in project activities. Project funding has been substantially reallocated. Allocations to component 1 remain essentially the same<sup>10</sup>. The funds from the former dropped components 3, 4, 5 and 6 are allocated to components 2 and new components 3 and 4. The Table 3 below shows changes project cost while Table 4 indicates the reallocation of proceeds.

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<sup>10</sup> The overall figure allocated to the component is lower than what was indicated in the PAD due to a variation in exchange rate.



**Table 3. Changes in Project Costs (in US\$ million)**

|   | Disbursed under previous components | Disbursed    | New Allocations | Total per Component |
|---|-------------------------------------|--------------|-----------------|---------------------|
| # 1. Improvement of Public Financial Management         | <i># 1. Former</i>                  | 5.28         | 8.05            | 13.33               |
| # 2. Improvement of Local Governance                    | <b>Total</b>                        | <b>3.77</b>  | <b>4.61</b>     | <b>8.38</b>         |
|   | Land Management                     | 0.16         |                 |                     |
|   | Local governance                    | 2.96         |                 |                     |
|   | Tribunal                            | 0.05         |                 |                     |
|   | BIANCO                              | 0.60         |                 |                     |
| # 3. Institutional Strengthening & Knowledge Management | <b>Total</b>                        | <b>1.85</b>  | <b>3.05</b>     | <b>4.90</b>         |
|   | Balance # 2                         | 1.05         |                 |                     |
|   | Balance # 4                         | 0.79         |                 |                     |
|   | Balance # 5                         | 0.01         |                 |                     |
| # Project Coordination                                  | <i># 6. Former</i>                  | 1.33         | 0.93            | 2.26                |
| <b>Total</b>  |                                     | <b>12.22</b> | <b>16.64</b>    | <b>28.86</b>        |

**Table 4. Allocation of IDA Credit Reallocate**

| Category   | Initial crédit (in SDR) | Canceled as of April 3rd, 2012 In SDR | Allocation after cancellations In SDR | New allocation In SDR | New Allocation In US\$ | Percentage of Expenditures to be Financed (inclusive of Taxes) |       |
|--|-------------------------|---------------------------------------|---------------------------------------|-----------------------|------------------------|--|-------|
|  |                         |                                       |                                       |                       |                        | Initial  | New   |
| (1) Goods, Minor Works and consultants' services for the Project, except Part 2(c) and 3(b) of the Project and Training      | 20,400,000              | 5,195,614                             | 15,204,386                            | <b>17,650,000</b>     | \$ 26,658,737          | 100 %  | 100 % |
| (2) (a) Goods, Minor Works, Training and consultant services for Sub-Projects under Part 2(c) of the Project <sup>11</sup> ; | 1,000,000               | 0                                     | 1,000,000                             | <b>460,000</b>        | \$ 694,789             | 100 %  | 100 % |
| (2) Goods, Minor Works, Training and consultant services for Sub-Projects under Part 3(b) of the Project <sup>12</sup>       | 0                       | 0                                     | 0                                     | <b>270,000</b>        | \$ 422,915             | 100 %  | 100 % |
| (3) Operating Costs  | 1,700,000               | 0                                     | 1,700,000                             | <b>714,386</b>        | \$ 1,079,016           | 85 %   | 100 % |
| (4) Unallocated  | 1,200,000               | 0                                     | 1,200,000                             | <b>0</b>              | \$ 0,00                |  |       |
| <b>Total Amount</b>  | <b>24,300,000</b>       | <b>5,195,614</b>                      | <b>19,104,386</b>                     | <b>19,104,386</b>     | <b>\$ 28,855,455</b>   |  |       |

<sup>11</sup> Communal Grant

<sup>12</sup> Social Accountability Grant

21. It is also proposed that IDA to finance 100 % of category 3 as an application of the country policy. This proposed change does not affect the achievement of expected objectives.

22. A revised and vetted procurement plan was developed to reflect proposed revised components and activities. (See Annex 2) Considering the short timeframe for the implementation of the restructured project, the proposed procurement strategy aims at meeting 60% of the planned commitment during the first half of 2013 and 90% in the first half of 2014. The procurement plan of the project will be updated quarterly and permanently accessible through the project website. Given the role of the project in promoting good governance, in general, and procurement reforms, in particular, a Community Scorecards of the projects procurement activities will be conducted on a semi-annual basis. The Community Scorecards will measure the level of satisfaction of project components and private sector vis-à-vis the procurement performance of the PIU.

23. The procurement methods have been updated to reflect the updated procurement plan, and now include, in addition to ICB, NCB, Direct Contracting and Shopping, the following additional methods: LIB, Framework Agreement, and Procurement from United Nations Office for Project Services (UNOPS). For consultants, procurement of Individual Consultants has been added as a method.

#### ***E. Amendments to the Legal Agreement***

24. The Financing Agreement (FA) is being amended to reflect the above proposed restructuring. The conditions of effectiveness of the agreement amending the FA are the: (i) recruitment of a Project Director with terms of reference, experience and qualifications satisfactory to IDA; and (ii) update of the project implementation manual (PIM) in form and substance satisfactory to IDA.

25. Project covenants have been modified to reflect changes in project design. The PDO, Project description, institutional, monitoring, procurement and disbursement arrangements and Closing Date have all been revised in the amended agreement to reflect the proposed restructuring outlined above. In addition, several dated covenants, which are summarized below in Box 3, have been added.

26. Finally, an additional event of suspension has been added in the event of violation of or adverse changes in legislation pertaining to the financial autonomy of the Communes that would affect implementation of the revised Project or achievement of its objective

### Box 3. New Dated Covenants in the Financing Agreement (FA)

- FA Schedule 2, Section IA1 - Recruitment, no later than September 30, 2012, of a chief accountant and a procurement specialist to the PIU.
- FA, Schedule 2, Section IA2a – Conclusion of an agreement with *Fonds de Développement Local*, no later than December 31, 2012, for FDL to act as Communal Grant Committee.
- FA, Schedule 2, Section IA2 – Recruitment, no later than December 31, 2012, of a Social Accountability Grant Administrator.
- FA, Schedule 2, Section IA2b - Establishment, no later than December 31, 2012, of a Social Accountability Grant Committee.
- FA, Schedule 2, Section IB – Adoption, no later than October 30, 2012, of a supplemental schedule to the PIM, in form and substance satisfactory to IDA, outlining inter alia, eligibility criteria and procedures for provision of Grants.
- FA, Schedule 2, Section IIB – Engagement of Project auditors, not later than September 30, 2012.

## IV. APPRAISAL SUMMARY

### A. Economic and financial analysis

27. The economic and financial analysis of the restructured project has been updated to better reflect the current country context. The cost benefits analysis of the restructured Madagascar Second Governance and Institutional Development Project aims at assessing the efficiency of the project compared to the status quo. The benefits are defined as savings made by Government as a directed result of project investments. The estimated cost for implementing the project consist of the initial investment and increasing recurrent cost of the targeted department and agencies which benefits from the project. Due to unique country circumstances, the analysis also estimated the cost of inaction and its impact on previous investments.

28. Project investment to support the roll-out of the Integrated Financial Management System (IFMIS) will allow for substantial savings for Government. It is estimated that the Ministry of Finance and Budget (MFB) will save US\$1.4 million in operating cost with the deployment of wireless antennas and the deployment of an inter-city computerized network compared to the market value of the required connections.

**Table 5. Projected Operating Costs Savings (US\$)**

|                             | 2012    | 2013    | 2014    | 2015    | TOTAL     |
|-----------------------------|---------|---------|---------|---------|-----------|
| Estimated Savings (in US\$) | 200,000 | 400,000 | 400,000 | 400,000 | 1,400,000 |

**Table 6. Net Present Value of the enhancement of transparency and efficiency of the public finance system (in US\$ million)**

| Years        | Nominal Benefit | Net Present Value (Estimated in 2008) | Net Present Value (revised) <sup>13</sup> |
|--------------|-----------------|---------------------------------------|---|
| 2008         | 54.6            | 50.6                                  | 50.6                                      |
| 2009         | 46.8            | 40.1                                  | 36.6                                      |
| 2010         | 61.7            | 49.0                                  | 45.0                                      |
| 2011         | 68.8            | 50.6                                  | 46.8                                      |
| 2012         | 66.8            | 45.5                                  | 42.3                                      |
| 2013         | 66.8            | 42.1                                  | 39.4                                      |
| 2014         | 66.8            | 39.0                                  | 36.7                                      |
| 2015         | 66.8            | 36.0                                  | 34.0                                      |
| 2016         | 66.8            | 33.4                                  | 31.7                                      |
| 2017         | 66.8            | 30.9                                  | 29.4                                      |
| 2018         | 66.8            | 28.6                                  | 27.3                                      |
| <b>Total</b> | <b>699.5</b>    | <b>445.8</b>                          | <b>419.8</b>                              |

29. The revised total benefits generated by the activities supported by the project will reach a net value of US\$420 million over 10 years instead of the estimated US\$446 million anticipated prior to the crisis. The diminution of the expected benefits is explained by the declined in fiscal revenues since 2009 as a result of the crisis. According to the Ministry of Finance and Budget, tax revenues declined by 18.4% between 2008 and 2011. The main decline was observed in customs due to low imports, while taxes collected on domestic transactions were only 10% lower than in 2008. Revenue Taxes have increased by more than 20% and VAT on domestic transactions remains at the same level as in 2008.

**Table 7. Investment Integrated Financial Management System (2003 – 2011)**

| Dates     | US\$ million |
|-----------|--------------|
| 2003-2008 | 11,170,000   |
| 2008-2011 | 2,180,000    |
| Total     | 13,350,000   |

30. Investments estimated at about US\$13.35 million may be lost if investments in the modernization of the IFMIS are interrupted as the result of the suspension of project implementation. Indeed, due to Government financial constraints resulting from the crisis, the Ministry of Finance and Budget made no investment to maintain or expand the system since March 2009; with the exception of the investment made by the project. If the system becomes

<sup>13</sup> The depreciation of more than 1.5% from the 2008 assessment was calculated from the average annual decline in tax revenues from 2009 to 2011 compared to the average achievements in fiscal revenue between 2003 and 2008.

obsolete, there is a risk civil servants return to manual public financial management operations which would impact negatively on budget management, transparency and accountability.

### ***B. Technical***

31. The proposed revised project design builds on significant analytical work. The updated project design is informed by recent World Bank political and economic analysis<sup>14</sup> and the evaluation of past project activities, such as, the evaluation of participatory budgeting pilots and policy notes. It is also informed by analytical work conducted by other donors, mainly in the area of land management. Recent small-scale technical assistance on decentralization and land management also contributed identify propose revised project priorities.

32. Technically, the project is smaller and should present no unforeseen or overly difficult challenges to the Bank and Government teams. The revised first component relies upon PEFA self-evaluations and will build on the PEFA assessment conducted in 2006 and 2008 and benefit from the international experience. The PEFA self-assessment presents an innovative way of favoring dialogue on public financial management in a context of fragility. The local government component will require close supervision by both Bank and Government teams, but results will be established based in part upon already established instruments for adjudging operational performance. Finally, the third component focusing on institutional strengthening and knowledge management will make use of existing public institutions, facilities and civil society organizations to build and share knowledge on governance and public sector capacity reforms. In all of these cases the new component will be piloting innovations approaches and tools hence the challenge is confined to a subset of feasible undertakings.

### ***C. Social***

33. The project has several potential benefits identified during project appraisal which are still relevant despite of the crisis. The original project design had a specific component focusing on transparency and social accountability. The activities planned under this component were implemented despite of the difficulties resulting from the political crisis. For example, participatory budgeting initially piloted in 10 communes is now roll-out to 69 communes and yield positive results in terms of budget transparency, sound management and improved service-delivery.

34. Activities pertaining to the former social accountability component have been mainstreamed into the components of the restructured project with the objective of enhancing the positive social impact of the operation. The restructured project will promote transparency and social accountability by supporting activities related to public financial management and social accountability. It provides a far more robust program of intervention, making use of existing commune performance and social accountability tools. It also addresses and advances the critical land titling issue which has a huge potential to reforms and revitalize local production, employment and investment. Hence the restructured project is promoting social advancement in terms of accountability, inclusiveness and meaningful institutional strengthening.

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<sup>14</sup> World Bank, *Madagascar: Governance and Development Effectiveness Review, A Political-Economy Analysis of Governance in Madagascar*, Report No. 54277-MG, December 2010.

#### *D. Risks*

35. The proposed restructured operation risk is high. Political instability, in a pre- electoral period<sup>15</sup>, as well as weakened capacity at all levels of the administration makes the risks related to the implementation of this restructured operation particularly high. However, the project itself is seeking to address these risks by focusing on strengthening public financial management at the central and local level of Government through the provision of technical assistance, while deepening transparency and accountability. In this regard, not only will the project support key public institutions to prevent further state fragility and pursue existing reforms, but it will also work in close cooperation with oversight institutions, media and civil society to favor and promote public debate and access to information on public sector and governance issues. Moreover, the revised project institutional anchoring at the Prime Minister's Office responsible to: (i) build consensus across the coalition Government; (ii) to lead the governance agenda; and (iii) promote inter-governmental coordination, will protect the project from potential political interference. Finally, the project also intends to strengthen the capacity of the PIU to keep the focus on technical aspects of governance reforms. As a result of these efforts, the potential benefits of strengthening governance and public sector capacity in Madagascar are expected to be greater than the risks incurred by the project.

36. Project stakeholder risks are moderate. Specific stakeholder risks associated with the Government consist of potentially weakened leadership and ownership, as well as, fragmentation of views on governance and public sector capacity priorities due to the crisis. There is also a potential political capture of selected NGOs who will benefit from the Civil Society Grant. However, the recruitment of an independent Grant Administrator will help circumvent risk of capture.

37. Project implementation risks are moderate. The number of activities to be supported by the project has been reduced to ensure full implementation over the 24 months project extension. The selection of activities has been carefully conducted to ensure the achievement of tangible results before the end of the project.

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<sup>15</sup> The National Electoral Commission recently announced that Presidential elections will take place on May 8<sup>th</sup>, 2013.

## Annex 1: Results Framework and Monitoring

### Madagascar: Second Governance and Institutional Development Project (P103950)

| <b>Project Development Objective (PDO):</b>   |      |  |                 |   |                          |      |      |                       |        |        |           |                          |                                    |  |
|---|------|--|-----------------|---|--------------------------|------|------|-----------------------|--------|--------|-----------|--------------------------|------------------------------------|--|
| To improve the efficiency and transparency of Government and selected public services in Madagascar in line with the Madagascar Action Plan (MAP) |      |  |                 |   |                          |      |      |                       |        |        |           |                          |                                    |  |
| <b>Revised Project Development Objective (PDO):</b>   |      |  |                 |   |                          |      |      |                       |        |        |           |                          |                                    |  |
| To strengthen the Recipients' public financial management and social accountability at the central government and at the Communal levels          |      |  |                 |   |                          |      |      |                       |        |        |           |                          |                                    |  |
| PDO Level Results Indicators  | Core | D=Dropped<br>C=Continue<br>N= New<br>R=Revised | Unit of Measure | Baseline                                  | Cumulative Target Values |      |      |                       |        |        | Frequency | Data Source/ Methodology | Responsibility for Data Collection | Description (indicator definition etc)                                 |
|   |      |  |                 |   | 2009                     | 2010 | 2011 | 2012 Revised baseline | 2013   | 2014   |           |                          |                                    |  |
| <b>New Indicator 1:</b><br>Number of selected indicators that increase their rating in the self evaluation report. <sup>16</sup>                  |      | N  | Number          | 0 (2012)                                  | N/A                      | N/A  | N/A  | 0                     | 1      | 3      | Annual    | PEFA self evaluation     | COS/CORF                           | Measure the improvement of the PFM                                     |
| <b>New Indicator 2:</b><br>Number of ministries publishing budget quarter budget execution report through media or internet <sup>17</sup>         |      | N  | Number          | N/A                                       | N/A                      | N/A  | N/A  | 1                     | 5      | 10     | Quarterly | Reviews                  | MFB                                | Measures the level of financial transparency - within Government       |
| <b>New Indicator 3:</b><br>The Local Governance Index (IGL <sup>18</sup> ) average is increased in targeted Local                                 |      | N  | Average         | 3.9/10 (2012) (50 BP communes: 2011-2012) | N/A                      | N/A  | N/A  | 3.9/10                | 4.2/10 | 4.5/10 | Annual    | Survey                   | FDL                                | Measures the Efficiency of communes to manage and spend resources in a |

<sup>16</sup> Selected indicators will include at least 5 core indicators refer to PEFA indicators linked to Transparency (PI-10), Budget Cycle: PI-11, PI-15, PI-19, PI-21, PI-23, PI-24, PI-26.

<sup>17</sup> Including the Ministries of Education, Health, Decentralization and the Ministry of Finance and Budget.

<sup>18</sup> The IGL is an index developed by the FDL to measure communal Government on the basis of their achievements in adopting principles / values of good governance: Efficiency, citizen participation, equity, transparency, Accountability, Rule of Law.

|   |   |   |        |  |     |     |     |  |                          |                          |        |        |     |  |
|---|---|---|--------|--|-----|-----|-----|--|--------------------------|--------------------------|--------|--------|-----|--|
| Governments   |   |   |        |  |     |     |     |  |                          |                          |        |        |     | transparent fashion and with the participation of citizens |
| <b>New Indicator 4:</b><br>Direct Project Beneficiaries | X | N | Number | Persons trained <sup>19</sup><br>6800<br><br>Commune benefitting from communal grants<br>0<br><br>OSC benefitting from Social accountability grants<br>0 | N/A | N/A | N/A | Persons trained<br>6800<br><br>Commune benefitting from communal grants<br>0<br><br>OSC benefitting from Social accountability grants<br>0 | 7400<br>70<br>20         | 8000<br>100<br>45        | Annual | Survey | PIU |  |
| of which female   |   | N | %      | Less than 30% of beneficiaries   | N/A | N/A | N/A | Less than 30% of beneficiaries   | 40% of new beneficiaries | 50% of new beneficiaries | Annual | Survey | PIU |  |

<sup>19</sup> Trained on budget transparency or on social accountability mechanisms.



|  |  |   |            |   |                    |                    |                    |     |     |     |           |   |        |  |
|--|--|---|------------|---|--------------------|--------------------|--------------------|-----|-----|-----|-----------|---|--------|--|
| <p><b>Former indicator 1:</b><br/>Number of Indicators under the Public Expenditure and Financial Accountability Assessment (PEFA) rated 'B' and above</p>   |  | D | Number     | 13 (2008)   | 14                 | 17                 | 19                 | 21  | N/A | N/A | Bi-annual | PEFA assessment   | MFB    |  |
| <p><b>Former indicator 3:</b><br/>Percentage of population satisfied with the quality of services provided by selected prioritized public institutions. The following services used as reference points are: a) land titling agencies in Antananarivo b) customs office in Tamatave c) lower court in Antananarivo</p> |  | D | Percentage | Land titling agency 58% (2008)<br>Customs Office 27% (2008)<br>Lower court 36% (2008) | 70%<br>50%<br>+20% | 75%<br>60%<br>+20% | 80%<br>60%<br>+20% | N/A | N/A | N/A | Annual    | Survey  | PREA   |  |
| <p><b>Former indicator 4:</b><br/>Number of corruption cases effectively adjudicated by the judiciary or through administrative procedures</p>   |  | D | Number     | 190 (2007)  | +20%               | +20%               | +20%               | N/A | N/A | N/A | Annual    | Review of documents from judiciary and other administrative sources | BIANCO |  |

| INTERMEDIATE RESULTS   |      |  |                 |            |                          |      |      |                       |      |           |                          |                                    |  |  |
|--|------|--|-----------------|------------|--------------------------|------|------|-----------------------|------|-----------|--------------------------|------------------------------------|--|--|
| Component 1: Improvement of public expenditure management  |      |  |                 |            |                          |      |      |                       |      |           |                          |                                    |  |  |
| Revised Component 1: Improvement of public financial management  |      |  |                 |            |                          |      |      |                       |      |           |                          |                                    |  |  |
| Intermediate Results Indicators  | Core | D=Dropped<br>C=Continue<br>N= New<br>R=Revised | Unit of Measure | Baseline   | Cumulative Target Values |      |      |                       |      | Frequency | Data Source/ Methodology | Responsibility for Data Collection | Description (indicator definition etc) |  |
|  |      |  |                 |            | 2009                     | 2010 | 2011 | 2012 Revised baseline | 2013 |           |                          |                                    |  | 2014   |
| <b>New intermediate indicator 1.1:</b><br>Number of PEFA audited self-evaluation reports published and discussed                     |      | N  | Number          | 0 (2012)   | N/A                      | N/A  | N/A  | 0                     | 1    | 2         | Annual                   | PEFA self-evaluation               | COS                                    | Verifies that the Government undertakes the assessment periodically                      |
| <b>New intermediate indicator 1.2:</b><br>Number of IFMIS Centralization/integration indicators rated « satisfactory » <sup>20</sup> |      | N  | Number          | 1          | 0                        | 0    | 0    | 1                     | 2    | 8         | Semestrial               | MFB                                | PIU                                    | Measure that the IFMIS central data base is operational and provided the expected result |
| <b>Intermediate indicator 1.3:</b><br>Number of bids , of the central Government, awarded under open competition                     |      | R  | Percentage      | 58% (2012) | N/A                      | N/A  | N/A  | 58 %                  | 65 % | 75 %      | Annually                 | Survey evaluation                  | ARMP                                   | Measures progress achieved to implement procurement code.                                |
| <b>Former intermediate</b>   |      | D  | Number          | 10 (2008)  | 10                       | 11   | 12   | 9 (2008)              | 10   | 11        | Bi-annual                | PEFA assessment                    | MFB                                    |  |

<sup>20</sup> The 4 "integration indicators are (i) Real-time availability of the situation of EXPENDITURE 4 (sub-indicators), (II) Real-time availability of Day – 1 PROCEEDS/REVENUES ( 3 sub-indicators, Availability on a Day+1, of the Bank monthly reconciliation statement (1 indicator) , Availability on a day+1, of the monthly consolidated balance.

| <b>indicator 1.1:</b><br>Number of PEFA budget preparation and execution indicators (indicators 1 through 17) rated 'B' and above  |      |  |                 |            |                          |      |          |      |      |           |                 |                          |                                    |   |
|--|------|--|-----------------|------------|--------------------------|------|----------|------|------|-----------|-----------------|--------------------------|------------------------------------|---|
| <b>Former intermediate indicator 1.2:</b><br>Number of PEFA indicators measuring the efficiency of internal control mechanisms and budget reporting (indicators 18 through 25) rated "B" and above | D    | Number   | 1 (2008)        | 3          | 5                        | 5    | 0 (2008) | 3    | 5    | Bi-annual | PEFA assessment | MFB                      |                                    |   |
| <b>Former Component 2: Strengthening the efficiency of Government operations</b>   |      |  |                 |            |                          |      |          |      |      |           |                 |                          |                                    |   |
| <b>Revised component 2: Improvement of local governance</b>  |      |  |                 |            |                          |      |          |      |      |           |                 |                          |                                    |   |
| Intermediate Results Indicators  | Core | D=Dropped<br>C=Continue<br>N= New<br>R=Revised | Unit of Measure | Baseline   | Cumulative Target Values |      |          |      |      |           | Frequency       | Data Source/ Methodology | Responsibility for Data Collection | Description (indicator definition etc)                      |
|  |      |  |                 |            | 2009                     | 2010 | 2011     | 2012 | 2013 | 2014      |                 |                          |                                    |   |
| <b>New intermediate indicator 2.1:</b><br>Percentage of FDL communes with an improved CGF <sup>21</sup> score (D+) (FDL communes)  |      | N  | Percentage      | 39% (2012) | N/A                      | N/A  | N/A      | 39%  | 45%  | 50%       | Semi-annual     | Scoring CGF              | FDL                                | Measures the capacity of communes to manage their resources |
| <b>New intermediate indicator 2.2:</b>   |      | N  | Percentage      | 55% (2012) | N/A                      | N/A  | N/A      | 55%  | 60%  | 65%       | Semi-annual     | Scoring CGF              | FDL                                | Measures the capacity of                                    |

<sup>21</sup> CGF. This index, calculated by FDL, measures PFM performance of Local Government in all the budget execution cycle (planning, execution, monitoring, transparency).

|  |   |            |              |     |     |     |       |       |       |             |                                      |                     |   |
|--|---|------------|--------------|-----|-----|-----|-------|-------|-------|-------------|--------------------------------------|---------------------|---|
| Percentage of FDL communes with an improved GMP <sup>22</sup> score (D+) (FDL communes)  |   |            |              |     |     |     |       |       |       |             |                                      |                     | communes to implement investment projects                                   |
| <b>New intermediate indicator 2.3:</b> Percentage of communes publishing information on public service in compliance with BIANCO <sup>23</sup> recommendations | N | Percentage | 0 (2012)     | N/A | N/A | N/A | 0     | 50%   | 100%  | Semi-annual | Survey                               | FDL/BIANCO          | Measures the level of transparency at local level                           |
| <b>New intermediate indicator 2.4:</b> Number of land parcels recorded for local taxation  | N | Number     | 3,000 (2012) | N/A | N/A | N/A | 3,000 | 5,000 | 8,000 | Semi-annual | Review findings and synthesis report | PNF OF              |   |
| <b>New intermediate indicator 2.5:</b> Number of land parcels with secured ownership rights registered   | N | Number     | 2,500 (2012) | N/A | N/A | N/A | 2,500 | 5,000 | 7,500 | Annual      | Review findings and synthesis report | OF                  |   |
| <b>New intermediate indicator 2.6:</b> Number of social accountability initiatives implemented <sup>24</sup> at the local level                                | R | Number     | 169 (2012)   | 10  | 12  | 14  | 169   | 300   | 450   | Annual      | Review findings and synthesis report | FDL ONI             | Measures whether communes have undertaken social accountability initiatives |
| <b>Former intermediate</b>   | D | Percentage | 50%          | 60% | 70% | 80% | 90%   | N/A   | N/A   | Annual      | Analysis of annual PGE               | Office of the Prime |   |

<sup>22</sup> GMP, which measures the performance of communes in project implementation. regarding implementation : including procurement, quality of work, respect of delays implementation.

<sup>23</sup> BIANCO is the national anti-corruption agency.

<sup>24</sup> One cycle completed.

| <b>indicator 2.1:</b><br>Percentage of sector ministries that meet 100% of their annual work plans targets under the PGE                              |   |                 |   |   |   |  |   |  |      |           | reports                  | Minister                            |  |  |
|---|---|-----------------|---|---|---|--|---|--|------|-----------|--------------------------|-------------------------------------|--|--|
| <b>Former intermediate indicator 2.2:</b><br>Number of students successfully completing trainings courses at NLIM, ENAM, CNFA, ENMG, GDLN             | D   | Number          | NLIM<br>IT: 32<br>CT: 7101<br><br>ENAM<br>IT: 23<br>CT:1815<br>5<br><br>CNFA<br>CT:80<br><br>ENMG<br>IT: 142<br>CT: 700<br><br>GDLN | IT: 30<br>CT:3020<br><br>IT:155<br>CT:1293<br><br>IT:360<br>CT:140<br><br>IT: 150<br>CT:950 | IT:30<br>CT:3020<br>0<br><br>IT:155<br>CT:141<br>0<br><br>CT:150<br><br>IT:150<br>CT:115<br>0 | IT: 30<br>CT:7220<br><br>IT:155<br>CT:1528<br><br>IT:350<br>CT:150 | IT: 30<br>CT:7220<br><br>IT:155<br>CT:1648<br><br>IT:150<br>CT:1350 | IT: 30<br>CT:7220<br><br>IT:155<br>CT:150<br><br>IT:150<br>CT:1500 | N/A  | N/A       | Annual                   | Review of annual reports            | Training institutions and PREA         |  |
| <b>Former intermediate indicator 2.3:</b><br>Percentage of sector ministries timely submitting reports for incorporation into the MAP progress report | D   | Percentage      | 50%   | 60%   | 70%   | 80%  |   |  | N/A  | N/A       | Annual                   | Analysis of annual progress reports | MECI                                   |  |
| <b>Former Component 3 : Rule of Law and fight against corruption</b>  |   |                 |   |   |   |  |   |  |      |           |                          |                                     |  |  |
| <b>This component has been dropped</b>  |   |                 |   |   |   |  |   |  |      |           |                          |                                     |  |  |
| Intermediate Results Indicators   | Core<br>D=Dropped<br>C=Continue<br>N=New<br>R=Revised | Unit of Measure | Baseline  | Cumulative Target Values  |   |  |   |  |      | Frequency | Data Source/ Methodology | Responsibility for Data Collection  | Description (indicator definition etc) |  |
|   |   |                 |   | 2009  | 2010  | 2011   | 2012  | 2013   | 2014 |           |                          |                                     |  |  |
| <b>Former intermediate</b>  | D   | Ratio           | To be collected   |   |   |  |   |  |      |           | Annual                   | Progress report                     | Ministry of Justice                    |  |

| <b>indicator 3.1:</b><br><i>Reduction of the average days required to process a case at the level of lower courts</i>                                       |             |   | <i>until June 2008</i> |                 |                                 |             |             |             |             |                  |                        |                                       |   |   |
|---|-------------|---|------------------------|-----------------|---------------------------------|-------------|-------------|-------------|-------------|------------------|------------------------|---------------------------------------|---|---|
| <b>Former intermediate indicator 3.2:</b><br><i>Frequency of bribes paid by users to obtain licenses and permits</i>  | <i>D</i>    | <i>Percentage</i>                                       | <i>57% (2006)</i>      | <i>45%</i>      | <i>40%</i>                      | <i>30%</i>  | <i>20%</i>  | <i>N/A</i>  | <i>N/A</i>  | <i>Annual</i>    | <i>Survey report</i>   | <i>CSI</i>                            |   |   |
| <b>Former intermediate indicator 3.3:</b><br><i>Proportion of average expenditure paid by households as bribes for accessing public services</i>            | <i>D</i>    | <i>Percentage</i>                                       | <i>3.1%</i>            | <i>2.6%</i>     | <i>2.3%</i>                     | <i>2%</i>   | <i>2%</i>   | <i>N/A</i>  | <i>N/A</i>  | <i>Annual</i>    | <i>Survey report</i>   | <i>CSI</i>                            |   |   |
| <b>Former intermediate indicator 3.4:</b><br><i>Number of PEFA indicators measuring the external control mechanisms (indicators 28) rated 'B' and above</i> | <i>D</i>    | <i>Number</i>   | <i>0</i>               | <i>1</i>        | <i>1</i>                        | <i>2</i>    | <i>2</i>    | <i>N/A</i>  | <i>N/A</i>  | <i>Bi-annual</i> | <i>PEFA assessment</i> | <i>Ministry of Finance and Budget</i> |   |   |
| <b>New component 3: Institutional Strengthening and Knowledge Management</b>  |             |   |                        |                 |                                 |             |             |             |             |                  |                        |                                       |   |   |
| <b>Intermediate Results Indicators</b>  | <b>Core</b> | <b>D=Dropped<br/>C=Continue<br/>N=New<br/>R=Revised</b> | <b>Unit of Measure</b> | <b>Baseline</b> | <b>Cumulative Target Values</b> |             |             |             |             |                  | <b>Frequency</b>       | <b>Data Source/ Methodology</b>       | <b>Responsibility for Data Collection</b> | <b>Description (indicator definition etc)</b> |
|   |             |   |                        |                 | <b>2009</b>                     | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b>      |                        |                                       |   |   |

| <b>New intermediate indicator 3.1:</b> The Number of Public Institutions that endorse, publicly, the “Access to information and Knowledge Sharing Charter” |             | N   | Number                 | 0 : 2012        | N/A                             | N/A         | N/A         | 0           | 25          | 60          | Semestrial       | Review                          | ONI <sup>25</sup>                         | Verifies that such a chart has been produced and disseminated                |
|--|-------------|---|------------------------|-----------------|---------------------------------|-------------|-------------|-------------|-------------|-------------|------------------|---------------------------------|---|--|
| <b>New intermediate indicator 3.2:</b> Percentage of GDLN budget that is covered by own resources  |             | N   | Percentage             | 40%             | N/A                             | N/A         | N/A         | 40%         | 40%         | 60%         | Semi-annual      | Survey reports                  | GDLN                                      | Verifies that GDLN becomes a sustainable institution                         |
| <b>New intermediate indicator 3.3:</b> Number visitor of the INSTAT Website  |             | N   | Number                 | N/A             | N/A                             | N/A         | N/A         | 40 000      | 60 000      | 90 000      | Annual           | Survey reports                  | INSTAT                                    |  |
| <b>New intermediate indicator 3.4:</b> Knowledge management database available and accessible via internet   |             | N   | Yes/No                 | No: 2012        | N/A                             | N/A         | N/A         | Yes         | Yes         | Yes         | One-off          | Review                          | Project coordination unit                 | Verifies that such a system aimed at capturing project knowledge is in place |
| <b>Former component 4: Transparency and social accountability</b>  |             |   |                        |                 |                                 |             |             |             |             |             |                  |                                 |   |  |
| <b>This component has been dropped</b>   |             |   |                        |                 |                                 |             |             |             |             |             |                  |                                 |   |  |
| <i>Intermediate Results Indicators</i>   | <i>Core</i> | <i>D=Dropped<br/>C=Continue<br/>N=New<br/>R=Revised</i> | <i>Unit of Measure</i> | <i>Baseline</i> | <i>Cumulative Target Values</i> |             |             |             |             |             | <i>Frequency</i> | <i>Data Source/ Methodology</i> | <i>Responsibility for Data Collection</i> | <i>Description (indicator definition etc)</i>                                |
|  |             |   |                        |                 | <i>2009</i>                     | <i>2010</i> | <i>2011</i> | <i>2012</i> | <i>2013</i> | <i>2014</i> |                  |                                 |   |  |
| <i>Former intermediate</i>   |             | <i>D</i>  | <i>Number</i>          | <i>7</i>        | <i>10</i>                       | <i>12</i>   | <i>14</i>   | <i>N/A</i>  | <i>N/A</i>  | <i>N/A</i>  | <i>Annual</i>    | <i>Progress report</i>          | <i>PREA</i>                               |  |

<sup>25</sup> ONI and other observatories collaborating with the project.

| <b>indicator 4.1:</b><br>Number of social accountability activities (e.g. community score cards, participatory budgeting) completed                                    |   |                 |                                 |                          |      |      |      |      |      |                 |                          |                                    |  |
|--|---|-----------------|---------------------------------|--------------------------|------|------|------|------|------|-----------------|--------------------------|------------------------------------|--|
| <b>Former intermediate indicator 4.1:</b><br>Percentage of users that are satisfied with selected public services (health, education) in the region of ANOSY and DIANA | D   | Percentage      | To be collected until June 2008 |                          |      |      |      |      |      | Annual          | Survey                   | PREA                               |  |
| <b>Former component 5 : Monitoring &amp; Evaluation</b>  |   |                 |                                 |                          |      |      |      |      |      |                 |                          |                                    |  |
| <b>This component has been dropped</b>   |   |                 |                                 |                          |      |      |      |      |      |                 |                          |                                    |  |
| Intermediate Results Indicators  | Core<br>D=Dropped<br>C=Continue<br>N=New<br>R=Revised | Unit of Measure | Baseline                        | Cumulative Target Values |      |      |      |      |      | Frequency       | Data Source/ Methodology | Responsibility for Data Collection | Description (indicator definition etc) |
|  |   |                 |                                 | 2009                     | 2010 | 2011 | 2012 | 2013 | 2014 |                 |                          |                                    |  |
| <b>Former intermediate indicator 5.1:</b><br>Population census 2010 completed and data published.  | D   | Census          | 0%                              | 10%                      | 100% | N/A  | N/A  | N/A  | N/A  | Upon completion | Progress report          | INSTAT                             |  |