

**PROJECT INFORMATION DOCUMENT (PID)  
APPRAISAL STAGE**

Report No.: AB3599

<b>Project Name</b>	Governance and Institutional Development Project II
<b>Region</b>	AFRICA
<b>Sector</b>	General public administration sector (90%); Law and justice (10%)
<b>Project ID</b>	P103950
<b>Borrower(s)</b>	GOVERNMENT OF MADAGASCAR
<b>Implementing Agency</b>	Programme de Réformes pour l'Efficacité de l'Administration (PREA), Bureau de Gestion Lot II LA, Rue Andriamahajonoro Ankadivato Madagascar Tel: 261-20-2220911 pdgi@moov.mg
<b>Environment Category</b>	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
<b>Date PID Prepared</b>	March 19, 2008
<b>Date of Appraisal Authorization</b>	March 18, 2008
<b>Date of Board Approval</b>	May 29, 2008

## 1. Country and Sector Background

1. In the 1960s Madagascar was among the better-off African countries; it had an educated elite, strong institutions, good infrastructure, and an income per capita above the developing country average. But it lost this position after several decades of economic mismanagement. From the 1970s until the second half of the 1990s annual growth of Gross Domestic Product (GDP) averaged only 0.5 percent compared with population growth of about 2.8 percent. Per capita income declined from US\$473 in 1970 to US\$290 in 2005, placing Madagascar among the world's poorest countries.

2. Since the government of President Marc Ravalomana took charge in 2002, it has embarked on an ambitious transformation path that has brought improvements in social, economic and governance indicators. The economy grew at an average of 5 percent per year and poverty has declined to 69 percent from its peak 80 percent in 2002. More children are in school today than ever before, with net primary enrolment rates above 90 percent, up from 70 percent in 2002.<sup>1</sup> The country increased its literacy rate to 70 percent in 2005, above the 61 percent average for Sub-Saharan Africa. Child mortality rates declined significantly, from 159 deaths per 1,000 live births in 1997 to 94 in 2004, and today more women give birth in health centers than ever before.<sup>2</sup> Immunization rates improved from 46 percent in 1997 to 61 percent in 2004. Rural

<sup>1</sup> The Malagasy social data are not fully reliable. Different sources give different numbers. However, all sources confirm the positive trends.

<sup>2</sup> The rate of prenatal consultation was 80 percent in 2004, ranging from 78 percent in rural areas to 91 percent in large urban centers.

access to safe drinking water also improved from 12 percent in 2003 to 16 percent in 2005. These positive developments offer hopeful signs that Madagascar has stepped firmly onto a path to sustained development, breaking with the history of economic mismanagement and periodic crises that impoverished the people. In December 2006 President Ravolamanana was reelected for a second term in office by a large majority of the votes.

3. In late 2006 Madagascar launched a new poverty reduction strategy, the Madagascar Action Plan (MAP). The new development strategy outlines priorities and actions aimed at achieving the national vision and the Millennium Development Goals (MDGs). The MAP is based on a set of practical actions identified as “challenges” and clustered around eight “commitments” that constitute the overall development framework. The “commitments” are based on defined goals and translated into specific projects and activities to ensure that the plan is operational. These activities are linked to clearly identified results and benchmarks. The MAP also assigns specific implementation responsibility for each activity which facilitates monitoring and evaluation.

4. The MAP sets out an ambitious agenda. The overall goal of the MAP is to reduce the level of poverty to 50 percent by 2012 based on economic growth rates accelerating from 7 percent in 2008 to 10 percent in 2011 with the objective of achieving annual per capita GDP of USD 476 by 2012. The MAP aims at the same time to significantly improve the provision of basic public services to the population. In primary education, the completion rate is projected to be 85 percent (compared to 57 percent in 2006) through an improvement in the pupil/teacher ratio from 52:1 to 40:1 and other quality measures. In public health, the new development strategy aims to reduce infant mortality from 94 today to 47 in 2012 (per 1,000 births) through improved vaccination coverage (100 percent instead of the current 80 percent). Safe water service coverage will be increased from the current 31 percent to 65 percent by 2012. Finally, 64 percent of municipalities (compared to the current 35 percent) will be accessible for the entire year by road by 2012.

***Government of Madagascar***  
***The Eight Commitments of the MAP***

The MAP is a five-year plan that lays out the direction and priorities for Madagascar for the period 2007-2012. It outlines eight strategic commitments with strategies and actions that will ignite rapid growth, lead to the reduction of poverty and ensure that the country develops in response to the challenges of globalization and in accordance with the national vision – Madagascar *Naturally* – and the MDGs. The eight commitments of the MAP are as follows:

**Responsible Governance** – the goal is to create a Government that every citizen and the international community can trust and to build a civil service that will have integrity, be efficient and act totally professional in all its activities. The specific challenges of this commitment are to (i) provide sufficient security to protect people and property; (ii) strengthen the rule of law; (iii) reduce corruption; (iv) establish an efficient and effective Government budgetary process; (v) strengthen the provision of public services; (vi) decentralize the Government administration and (vii) become a learning nation.

**Connected Infrastructure** – this commitment emphasizes that infrastructure is essential for the country to achieve rapid development, facilitate business and trade, enable communication and ensure that the standard of living and the access to resources and global knowledge improves for all. The challenges are to (i) prioritize infrastructure development for key growth areas; (ii) efficiently move goods and people from one place to another; (iii) improve access to transport services nationwide; (iv) ensure accessible and adequate energy supply at affordable and competitive cost; (v) ensure efficient and affordable communication system; (vi) carry out better weather forecasting and warnings of potential disasters such as cyclones; and (substantially improve access to drinking water and sanitation.

**Educational Transformation** – the goal is to create an education system with world class standards in quality and effectiveness which provides Madagascar with the necessary human resources to become a competitive nation and a successful player in the world economy. This would be achieved through (i) ensuring access of all children to

developmental opportunities before official school entry; (ii) creating a successful primary education system; (iii) creating a successful lower secondary education system; (iv) improving upper secondary school and developing vocational training; (v) transforming higher education; (vi) ending illiteracy; and (vii) developing capacities and mindsets of young people through sports and civic participation.

**Rural Development and a Green Revolution** – the MAP recognizes that dynamic rural development through increased agricultural production is at the core of the Government’s endeavors and that better infrastructure and communication networks are essential to meet this goal. The specific activities are to (i) secure land tenure; (ii) improve access to affordable rural financing; (iii) launch a sustainable green revolution; (iv) promote market oriented activities; (v) diversify rural activities; and (vi) increase the agricultural value-added and promote agri-business.

**Health, Family Planning and the Fight Against HIV/AIDS** – the challenge here is to ensure that the Malagache people are healthy and can contribute productively to the development of the country. This commitment focuses on (i) providing quality health services to all; (ii) eradicating major diseases (malaria, TB, STIs); (iii) fighting HIV/AIDS; (iv) implementing a highly successful family planning strategy; (v) reducing infant mortality; (vi) reducing maternal and neonatal mortality; (vii) improving nutrition and food security; and (viii) providing safe water and widespread use of hygienic practices.

**High Growth Economy** – the goal is to reach growth rates between 7-10% by 2012 through ensuring a diversified and strong private sector driven by local and international investment and trade. This challenge naturally covers many activities focused on the following: (i) ensure a stable macroeconomic environment; (ii) increase foreign direct investment; (iii) promote full employment; (iv) reform the banking and financial system; (v) strengthen domestic enterprises, SMEs and handicraft industry; (vi) enhance international trade competitiveness; (vii) intensively develop the mining sector; (viii) intensively promote and develop the tourism sector; (ix) intensively exploit regional opportunities; and (x) through diplomacy, strengthen economic synergies.

**Cherish the Environment** – this commitment lays out the goal for Madagascar to become a world leader in the development and implementation of environmental best practice, to become a green island and to cherish and protect its extraordinary environment. Local communities will be active participants and industries such as eco-tourism and organic agri-business will develop to minimize biodiversity damage and maximize benefits to the country and people. The activities focus on (i) increasing the protected areas for the conservation of land, lake, marine and coastal biodiversity; (ii) reducing the natural resource degradation process; (iii) developing the environmental reflex at all levels; and (iv) strengthening the effectiveness of forest management.

**National Solidarity** – the goal is to continue to forge a strong and unified national identity that promotes participation and partnership, allows people to be proud and to take full and shared responsibility for guiding the nation into the future. The specific challenges are to (i) celebrate cultural diversity, understanding and respect; (ii) build social trust and promote civic participation; (iii) promote solidarity and pride; (iv) improve support for the very poor and vulnerable populations; and (v) promote gender equality and empowerment of women.

*Source: Madagascar Action Plan 2007-2012*

5. The achievement of the MAP “commitments” will require significantly higher levels of investment financed by higher levels of external assistance and domestic revenue mobilization, and private sector participation. The recent investment decision by Dynatec to invest over \$2.5 billion over the next three years in nickel mining will boost growth and investment in the economy, but the extent to which this growth translates into broader benefits for the people of Madagascar will depend critically on the level of government revenues generated for the Treasury, and the transparent and effective use of public resources for improved service delivery.

### **Key challenges for successful MAP implementation**

6. **Improving good governance.** While recent progress on governance has been encouraging the agenda ahead is still huge. Over the years, Madagascar’s governance ranking has improved according to several sources. The World Bank Institute’s governance indicators place Madagascar ahead of most low-income countries, especially on controlling corruption. Madagascar’s good standing is also confirmed by its 2007 Country Policy and Institutional

Assessment scores: its overall score is 3.7, with the quality of public administration, accountability and transparency in the public sector rated 3.5. Moreover, the 2007 Transparency International Corruption Perception Index for Madagascar is 3.2, ranking it 94th of 179 countries. This is an improvement over the 2005 rating to 2.8.

7. These governance improvements are the result of the government's efforts to fight corruption and improve transparency since 2002. The country passed anticorruption and anti-money laundering legislation, adopted clear rules for public sector recruitment, and requires elected and public officials to declare their assets. It also created an independent Anti-Corruption Commission and an anticorruption agency, Bureau Indépendent Anti-Corruption (BIANCO), which has investigated allegations of corruption by public officials and spearheaded audits of large investment programs such as education and transport.

8. However, governance gains remain fragile, and the challenges ahead are formidable, especially in natural and mineral resources, where reform efforts are sometimes undermined by powerful vested interests. Also, despite recent progress, pockets of corruption remain in customs, licensing and some other areas. Transparency of government operations remains inadequate, and the accountability relationships between service providers or local officials and citizens remains weak. Perceptions about potential conflicts of interest, in particular among elected officials, reflect negatively on Madagascar.

9. ***Improving public expenditure management.*** The modernization of the public expenditure management system has been a cornerstone of the Government's overall reform program. Under this program the Government introduced a new budget framework with the annual budget for the year 2005. While this new framework still requires further consolidation, the revised Organic Finance Law (LOLF) emphasizes for the first time the concept of program budgeting that is meant to improve the link between policies and the budget as well as improve performance monitoring. In addition, simplified expenditure management procedures have reduced red tape and discretionary decision making. A modern integrated financial management system, deployed in main treasuries, captures about 80 percent of government expenditures. In 2004, Madagascar also put in place a new procurement code that follows international standards. An audit of four sector ministries that was conducted in 2006 revealed, however, that the new regulations are not yet sufficiently applied. A main reason is that the procurement units in the sector ministries and the procurement oversight authority do not have the required capacity.

10. The 2006 and 2008 Public Expenditure and Financial Accountability (PEFA) assessments confirm improvements in the capacity of the Ministry of Finance and advances in setting the needed legal framework, but it also points to a broad agenda ahead. This includes the improvement of treasury management based on timely reporting by spending agencies and proper internal and external controls.

11. ***Increasing State revenues.*** Madagascar has one of the lowest levels of fiscal revenues in sub-Saharan Africa. With a tax/GDP ratio of less than 11 percent (compared to 18 percent for sub-Saharan Africa), Madagascar has enormous scope for improving its fiscal inflows. Efforts to improve fiscal revenue face two main challenges: establishing an incentive-driven fiscal framework to promote investments, and reducing tariffs to adhere to regional integration agreements. The MAP sets itself a tax/GDP ratio benchmark of 15 percent to finance its MAP

“commitments”. The achievement of this goal requires fundamental reforms of revenue policies and administration. To date, only customs has developed a consistent reform strategy which has been implemented for the last two years. This strategy is focusing mainly on modernizing the customs administration and combating fraud and corruption. The tax administration is in the process of refining its reform strategy.

12. ***Mobilizing the public administration.*** Although the Malagasy civil service is relatively small by African standards (it employs only about 0.8 percent of the country’s population or 146,000 agents in 2004), its composition, centralization and management severely compromise its performance. There is little focus on performance, and job descriptions and performance indicators are lacking or outdated. Work ethics continue to be low due to low remuneration and career prospects. Government has made significant efforts to strengthen administrative efficiency: it has improved coordination, streamlined procedures, delegated more responsibilities to sub-national levels and replaced inefficient public sector managers. To date, the government has put a priority on buttressing the technical capacity of the Ministry of Finance and priority sector ministries, such as transportation, education, and now health.

13. Significant efforts are under way to improve the government’s policymaking capacity. Concerns remain, however, that concentrating power in the presidential administration has led to weak mandates in line ministries. Rebalancing power between the office of the president and the ministries would strengthen the capacity of ministries, enabling them to support the development and implementation of national and local agendas.

14. ***Strengthening legal and judicial reforms.*** Laws and proceedings are generally transparent and accessible to the public, but there is sometimes inconsistency and unpredictability in policy implementation and application of the law, which undermines the investment climate. Access to justice is difficult and costly, especially for the poor. Corruption continues to negatively impact the efficiency of the judiciary. The impact of recent government reforms in the judiciary has been mixed: on the positive side, the backlog of cases at the lower courts was reduced in Antananarivo and in some other jurisdictions. However, little progress has been made with the enforcement of service standards. Also, efforts at dealing with corruption in the judiciary through the disciplinary commission in the Ministry of Justice have been not very effective. A key problem remains the resistance to change within the judiciary, as well as the lack of a consistent and credible reform strategy.

15. ***Improving (decentralized) service delivery.*** To improve the state’s capacity to deliver services, there is a need to allocate a greater role and resources to the local governments, and increase the voice and accountability of local communities. Since 2002, the Government has begun to systematically strengthen the sub-national levels of government, in particular the regions which were created in 2004. At the same time, Madagascar remains a highly centralized country, both administratively and fiscally, despite the early 1990s decentralization reform effort to empower communes.<sup>3</sup> Commune competencies are limited to the basic function of administrative services and waste management and some co-financing of social services through conditional grants. Local governments manage directly only 3 percent of total public resources. Their authority to raise taxes is limited. The Government is working on the refinement of the

---

<sup>3</sup> Territorial administration in Madagascar comprises five main levels: provinces, regions, districts, communes and villages.

legal and institutional framework for decentralization. This will include the clarification of core competencies at the different levels of government and the assignment of revenue and expenditure responsibilities.

16. Improving transparency of government operations and the delivery of public services also requires strengthening the “demand” side of accountability, which remains weak both because of cultural traditions and because of a lack of information dissemination to citizens in a form that would enhance their involvement in holding service providers accountable.

17. ***Scaling-up capacity building.*** The implementation of the governance reforms will require major investments in human resources development and professional training – the institutions that are at the center of the reform process will need continuing assistance to manage and implement the complex change processes triggered by the various reforms. The focus of the Government is therefore to strengthen the ability of key institutions that are task to effectively manage institutional change and governance reforms, in particular the President’s Office, the Prime Minister’s Office, the Ministries of Finance, Justice and Economic Planning. In addition, many sector ministries lack systematic training in the areas of development planning, public finance as well as monitoring & evaluation. Similar problems exist at the sub-national levels of Government. Ideally, the bulk of the training should be delivered locally for reasons of efficiency. Local training institutions, however, continue to be weak and require significant upgrading. To reduce Madagascar’s dependency on costly overseas training the Government has begun to upgrade some of the key institutions and to enhance their capacity. These activities supported primarily the National School for Magistrates and Clerks of the Court (Ecole Nationale de la Magistrature et des Greffes, ENMG) National School of Administration (Ecole Nationale Administration de Madagascar, ENAM) and the National Center for Administrative Training (Centre National de Formation Administrative, CNFA). The Government has also established a National Leadership Institute of Madagascar (NLIM) that focuses primarily on behavioral changes and management support.

18. ***Coordination of reforms, monitoring & evaluation.*** Reforms are mainly coordinated by the Presidency which has assumed a significant role in “supervising” the ministries, departments and agencies. In this context, the relevance of the Prime Minister’s Office, which is legally in charge of controlling the administration, remains weak. In this context, the Government will need to clearly define the relationship between the Presidency, the Prime Minister’s Office and the sector ministries.

19. The Government is working on building an effective monitoring & evaluation system for the implementation of the MAP. This includes the development of a coherent strategy under which policy planning, service delivery and management of public resources are matched with adequate policy analysis, evaluation, data collection, reporting and dissemination. A key element of this strategy is the new National Strategy for Statistical Development which has been prepared by the Government. This strategy includes the development of a revised regulatory and procedural framework for government statistics, integrating and coordinating all relevant government activities. Monitoring & evaluation needs, however, remain substantial. Many government institutions lack knowledge and capacity to adequately monitor and evaluate the implementation of their policies and programs. Government also intends to systematically update its key economic and social data based on a new population census. The last census was completed in

1993; the economic, social, and administrative structure of Madagascar has profoundly changed since then. As a consequence, many of the existing baseline data is outdated.

## **2. Objectives**

20. The development 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).

21. The proposed project is in line with the FY07-11 Country Assistance Strategy (CAS) for Madagascar which emphasizes the importance of responsible governance and accountability as key systemic elements to create an enabling environment for growth and investment, as well as to improve services to the people. The CAS, which was presented to the Board in April 2007, also emphasizes the need to improve the monitoring & evaluation system of the Government because of the results-based nature of both the CAS and the MAP and because of the critical role of monitoring & evaluation in ensuring successful implementation of the MAP

22. The substantial capacity building efforts under the project that include both supply and demand side, are also in line with the Capacity Development Management Action Plan (CDMAP) of the Africa Action Plan.

23. World Bank assistance to Madagascar in the area of governance and institutional development is also aligned with that of other donors to provide a package of coordinated support around the government's MAP. The project preparation was closely coordinated with other partners to facilitate maximum harmonization with other donors, such as the European Commission, the African Development Bank, France, Germany, Norway and the US.

## **3. Rationale for Bank Involvement**

24. The World Bank has provided support to the governance and institutional development reforms in the context of the Government's development strategy- initially the PRSP (2003-06) and now the Madagascar Action Plan (MAP) through various instruments, in particular the PRSCs and the Governance and Institutional Development Project (PGDI). The project was approved by the Board on October 22, 2003, and declared effective on March 3, 2004. It is scheduled to close on June 30, 2009. The reforms are also supported by other development partners including the European Commission, African Development Bank, France, Norway, Germany, MCA and UNDP. The IDA contribution is a SDR 21.9 million credit of which about 90% of the original credit has been disbursed by April 2008. The remaining funds are fully committed.

25. The first PGDI has been a key instrument to assist Government with the implementation of the governance and institutional development agenda. Since its inception, the PGDI has consistently been rated "satisfactory" both with regard to implementation progress and to achieving the development objectives. It has also met all relevant World Bank disbursement, procurement and fiduciary obligations. Achievements of the project include: the deployment of

an integrated financial management system to improve transparency and accountability of government operations, the strengthening of internal and external controls, the design of a new procedural and institutional framework for public procurement, change management support for the key decision-makers within government and comprehensive training and capacity building activities in the areas of development planning, public financial management and procurement; as well as the development of a regulatory and institutional framework to improve governance and to fight corruption.

26. Given the successful implementation experience with the PGDI to date, the Government has requested the Bank's support for a subsequent governance and institutional development project to enhance and further deepen the first generation of reforms under the PGDI.

#### **4. Description**

27. The project will enhance and further deepen previous reforms initiated under the first Governance and Institutional Development Project (PGDI I) which is scheduled to close in September 2009. It can build on significant analytical work, in particular the PEFA reports of 2005, 2006 and 2008, as well as the Public Expenditure reviews in 2005 and 2007 which provide recommendations on the public expenditure reform agenda and specific recommendations for the transport, education, environment, health, nutrition and water and sanitation sectors. Additional analysis which contributed to the development of the project include the Investment Climate Assessment, and the land tenure review –both completed in FY06–, as well as the Local Development Fund (FDL) feasibility study, led by the Government.

28. The project (US\$40.0 million) would be implemented over a period of four years and consists of the following six components:

##### **(a) Improvement of Public Expenditure Management (US\$14.0 million)**

The objective of this component is to continue to support in a holistic manner the reform of the public expenditure management system in Madagascar. The reference point for the reform is the Priority Action Plan (PAP) which is developed by the Ministry of Finance on an annual basis and supported by a number of development partners including the World Bank. The PAP consolidates all reform activities under the oversight of the Ministry of Finance. The implementation progress of this plan is evaluated regularly jointly between the donors and the Ministry of Finance.

Funding under this component will be provided for the further improvement of the budget preparation and execution processes, including the further roll-out of the integrated financial management system (Système Intégré de Gestion des Finances Publiques, SIGFP) to the regional capitals and the strengthening of the operational efficiency of the relevant control mechanisms. The project will continue to support the procurement reforms initiated in 2004 through comprehensive training and capacity building activities. It will provide assistance

to the Government to implement the comprehensive reforms of the revenue agencies (customs and tax directorates).

**(b) Strengthening the Efficiency of Government Operations (US\$8.0 million)**

The objective of this component is to support the change management and institutional development processes in the context of the implementation of the Government's development strategy, the Madagascar Action Plan (MAP). This will include leadership training and development for senior government officials to manage and implement far-reaching reforms. Support will also include an upgrading of local training institutions (Ecole Nationale de l'Administration Malgache, ENAM, Centre National de Formation Administrative, CNFA, Ecole Nationale de la Magistrature et des Greffes, ENMG), as well as the support for the operation of a Global Development Learning Center (GDLN) and of a National Leadership Institute of Madagascar (NLIM). In addition, this component will support cross-cutting reforms and activities which are considered important for the MAP implementation. Such reforms include the strengthening of the monitoring & evaluation system that underpins the MAP, the support for the development of a consistent institutional framework for decentralization, and the reform of the public sector pay and incentive system.

**(c) Rule of Law and Fight Against Corruption (US\$2.5 million)**

The objective of the component is to assist Government in promoting transparency, accountability and good governance; and in particular, in reducing corruption. Project assistance will build on the activities initiated under the first PGDI and mainly focus on improving the operational efficiency of the judiciary, on supporting anti-corruption and conflict-of-interest activities, and on strengthening oversight by the Auditor General and by Parliament over State affairs. This will also include support to establish an Economic Crimes Unit.

**(d) Monitoring & evaluation (US\$7.0 million)**

The component will support Government's efforts to strengthen the monitoring & evaluation system that underpins the MAP. This support will focus on the improvement of the operational efficiency of the National Statistics Office (INSTAT) and on the modernisation of the procedural and institutional framework for monitoring & evaluation in Madagascar. To establish baseline data and reference points for the improvement of public services the project will support a new population census which aims at consolidating and further deepening existing statistical data which is vital for both public and private sector needs. The last census was conducted in 1993. The total costs for the census are presently estimated at well above US\$20.0 million (or approximately US\$1.40 per inhabitant) and will be funded by contributions from Government and development partners.

**(e) Transparency and Social Accountability (US\$4.0 million)**

The component aims at fostering increased implication of civil society in State affairs and at improving “social accountability” which are key objectives of the MAP. The support will focus on activities that are destined to strengthen civil society’s capacity to play a meaningful role in monitoring and providing feedback on government activities. This will include activities to improve both distribution of and access to information about key activities of the Government. The project will support activities that are aimed at fostering an enabling environment for the involvement of civil society by developing processes that could eventually be replicated for more systemic use, primarily through pilots and discussions. It is also envisaged to set up a grant funding mechanism that would finance innovative governance activities by non-state actors that are related to the objectives of the project. These Social Accountability Grants will pilot, develop and scale up approaches that are focused on supporting civil society to monitor and provide oversight, in particular in key areas such as natural resource management, local service delivery, and public financial management.

**(f) Program Coordination (US\$2.5 million)**

The objective of this component is to support the management and implementation of the PGDI II. This will include assistance to the Ministry of Finance to set up and manage a basket fund for public expenditure management reforms. Additional assistance will focus on the Bureau de Gestion (BdG) of the Reform Program for the Efficiency of the Administration (Programme de Réformes pour l’Efficacité de l’Administration, PREA) which was set up by the Government in 2005 to coordinate all governance related activities.

29. US\$2.0 million of the project proceeds remain unallocated to ensure that the project can respond flexibly to additional demands emerging during the implementation of the reform activities.

**5. Financing**

Source:	(\$m.)
BORROWER/RECIPIENT	4
International Development Association (IDA)	40
Total	44

**6. Implementation**

30. : The project would have three executing agencies: i) the Ministry of Finance (MoF) through its Reform Coordination Unit (RCU), in charge of the implementation of the component 1; ii) the National Statistics Office (INSTAT), responsible for the implementation of the population census which is supported by component 5 of the project; iii) the Office of the President, through PREA/BdG (current PGDI), responsible for the implementation of all other components except for component 4 whose administration will be entrusted to an independent non-State Administrator to be selected through a competitive process.

## 7. Sustainability

31. Government ownership of the reform agenda is strong and there are no issues with regard to sustainability.

## 8. Lessons Learned from Past Operations in the Country/Sector

32. The project design incorporates the lessons learnt under the implementation of the first PGDI. These lessons include:

- Significant capacity building and institutional development support is necessary that key reforms; in particular in the area public finance and public procurement are not only adequately designed but also fully institutionalized within the Malagasy public administration. As a consequence, the project has built into the various components comprehensive training and capacity building activities.
- In view of the existing capacity constraints harmonization of the reform agenda with other development partners is critical to ensure implementation progress. The project is therefore closely coordinated with other development partners. In the area of public expenditure management the project support is linked the Priority Action Plan of the Government which is the key instrument for the coordination of the reforms in the Ministry of Finance.
- Government ownership is critical to ensure that reforms, in particular in sensitive areas are adequately implemented. As a consequence the project foresees significant investments in analytical work to complement ongoing reforms, e.g. with regard to pay policy reforms and anti-corruption activities.

## 9. Safeguard Policies (including public consultation)

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
<a href="#">Environmental Assessment (OP/BP 4.01)</a>	[ ]	[x]
Natural Habitats ( <a href="#">OP/BP 4.04</a> )	[ ]	[x]
Pest Management ( <a href="#">OP 4.09</a> )	[ ]	[x]
Physical Cultural Resources ( <a href="#">OP/BP 4.11</a> )	[ ]	[x]
Involuntary Resettlement ( <a href="#">OP/BP 4.12</a> )	[ ]	[x]
Indigenous Peoples ( <a href="#">OP/BP 4.10</a> )	[ ]	[x]
Forests ( <a href="#">OP/BP 4.36</a> )	[ ]	[x]
Safety of Dams ( <a href="#">OP/BP 4.37</a> )	[ ]	[x]
Projects in Disputed Areas ( <a href="#">OP/BP 7.60</a> )*	[ ]	[x]
Projects on International Waterways ( <a href="#">OP/BP 7.50</a> )	[ ]	[x]

\* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

**10. Contact point**

Contact: Guenter Heidenhof

Title: Lead Public Sector Specialist

Tel: 5339+6043

Fax: 614-1191

Email: Gheidenhof@worldbank.org

Location: Antananarivo, Madagascar (IBRD)

**11. For more information contact:**

The InfoShop

The World Bank

1818 H Street, NW

Washington, D.C. 20433

Telephone: (202) 458-4500

Fax: (202) 522-1500

Email: pic@worldbank.org

Web: <http://www.worldbank.org/infoshop>