

# PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC20629

<b>Project Name</b>	Madagascar Agriculture Rural Growth and Land Management Project (P151469)
<b>Region</b>	AFRICA
<b>Country</b>	Madagascar
<b>Sector(s)</b>	General agriculture, fishing and forestry sector (70%), Agro-industry, marketing, and trade (30%)
<b>Theme(s)</b>	Rural services and infrastructure (40%), Land administration and management (30%), Rural policies and institutions (30%)
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P151469
<b>Borrower(s)</b>	Gouvernement of Madagascar
<b>Implementing Agency</b>	MINISTERE DE L' AGRICULTURE
<b>Environmental Category</b>	B-Partial Assessment
<b>Date PID Prepared/ Updated</b>	11-May-2015
<b>Date PID Approved/ Disclosed</b>	11-May-2015
<b>Estimated Date of Appraisal Completion</b>	
<b>Estimated Date of Board Approval</b>	17-Dec-2015
<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue

## I. Introduction and Context

### Country Context

Madagascar is one of the poorest countries in the world with 92 percent of its population living with less than \$2 per day (World Bank, 2014). This predominantly rural poverty (86 percent of the poor live in rural areas) has been exacerbated by five years of crisis (op cit.). Gross national income per capita is lower than a decade ago, and food insecurity (defined as a lack of availability and economic access to nutritious food sufficient for a healthy and active life), now touches approximately 20 percent of the population. Development indicators for rural areas lag behind those for urban areas: incomes are lower, infant mortality rates are higher, life expectancy is shorter, illiteracy is more widespread, malnutrition is more prevalent, and greater proportions of people lack access to clean water and improved sanitation services.

Madagascar is emerging from a five year long political and economic crisis, caused in part by the mismanagement of rural lands. The public sector has been starved of resources due to economic stagnation and suspension of external aid. Yet, the government managed to keep the macroeconomic situation stable. This stability came at a heavy cost; public investments collapsed, as did social spending. In 2010, over 80 percent of the population was estimated to live with less than \$1.25 a day.

### **Sectoral and Institutional Context**

The development of the agriculture sector is a priority – it has the potential to lift a large portion of the rural population out of poverty. And strengthening agriculture has always been at the heart of the policies for rural development. But the investment budget of the Malagasy State – one of the lowest in the world with about \$20 per capita per year in 2000 (World Bank, 2013) – is severely limited. Moreover, developing agriculture solely through official development assistance is no longer viable (the rural sector has received a maximum of 12 percent of aid in recent years). Public investment should be combined with private investment to deliver long-lasting results on growth and poverty reduction. The Government’s vision for Madagascar’s agriculture sector is to provide food and nutrition security at household and national levels, adequate incomes for rural households, and non-farm employment opportunities through value addition.

Madagascar’s agricultural sector has a high potential for growth. With the necessary improvements in technology, productivity, infrastructure and natural resources management, the farming sector has the potential to better serve domestic as well as export markets with a diversified commodity range, and can be competitive and resilient to internal and external economic shocks. Value addition, through processing and derived manufacturing, would provide employment for non-farm households.

However, the development of the agriculture sector, including large scale and commercialized (i.e. market-based) small scale agriculture, is limited by the actual availability of arable land and a poor land rights management system. Poor land governance and the failure of the land titling system causes widespread tenure insecurity that is not conducive to sustainable agricultural practices or to agricultural investments. Unsecured land rights are restrictive for investment and are a potential driver of social conflict. Appropriate land administration systems are required to provide incentives to smallholder farmers as well as investors to develop the agricultural sector to its full potential in a socially and commercially responsible manner.

Additional bottlenecks that prevent the farming sector to develop include a lack of skills and knowledge among producers, outdated production technology (seed, fertilizer, agro-chemicals), inadequate aggregation and marketing capacity, severe rural infrastructure deficiencies, processing technology limitations, and inadequate government services. New private investment opportunities exist, but complementary public investments are required to make them feasible. These investments are value chain and area specific and require careful identification and targeting.

Madagascar’s investment climate remains unfavorable. As measured by The World Bank Doing Business Indicators, it ranks 163 out of 185 countries. In the agribusiness sector, private sector participation is hindered by the constraints identified above, and addressing these constraints would make an important contribution to the improvement of the investment climate in the agriculture sector.

### **Relationship to CAS**

During the application of OP/BP 7.30 in Madagascar, a two-year Interim Strategy Note (ISN), discussed at the Board in February 2012, proposed a cautious, strategic and selective approach to new operations in Madagascar to mitigate the heavy impact of the crisis on the most vulnerable populations. The ISN identified agriculture, education, health and nutrition and the impact of external shocks on the poor as key focus areas for new operations. Moreover, the ISN stated that “the major challenge continues to be that of increasing agricultural productivity and organizing the producers along value chain approaches with increased participation of the private sector along a PPP model. A most important and correlated challenge is that of improving access to land and land tenure arrangements.”

Following five years of political turbulence and economic uncertainty, the end of the political transition process and the international recognition of the newly elected GoM in early 2014 led to the lifting of OP/BP 7.30 and normalization of the country’s relationship with the International Development Association (IDA).

The Bank is preparing a Systematic Country Diagnostic that will inform a new Country Partnership Framework. While analytical work is ongoing, it is clear that rural growth and agriculture sector development are high on the agenda. The proposed project will provide for a logical follow-up project to the existing Emergency Food Security and Social Protection Project (PURSAPS) that was designed to respond to the negative impact of recent locust and drought events. The proposed project would complement PURSAPS activities by introducing a longer term economic dimension through connecting producers with markets and promoting value addition and employment.

The proposed Project is being prepared in close coordination with other development partners active in the targeted sectors, some of whom may have an interest in parallel or co-financing. The European Union (EU), the International Fund for Agricultural Development (IFAD), the French Development Agency (AFD) and African Development Bank (AfDB) are currently implementing agriculture sector support projects, mainly in the southern part of the country which has been known to be most vulnerable to natural disasters (cyclones and droughts) and recurrent food security issues.

## II. Proposed Development Objective(s)

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

The proposed project development objective is to increase farmer incomes, agricultural productivity, and value addition through the facilitation of linkages between the private sector and rural communities and through improved land tenure security.

### Key Results (From PCN)

The PDO indicators for the proposed project would include:

- a. Farm productivity: increased use of improved seed and complementary inputs, improved yields;
- b. Farmer incomes: incremental income from the sale of product (or proxy: incremental farm gate purchases by firms);
- c. Value added: incremental volume and quality of raw material supply from local sources and incremental volumes processed and marketed;
- d. Land security: Improved access by households to a Local Land Office to register their land rights and land transactions;
- e. Land transactions: number of agreements between farmer organizations and private

investors and number of new Agricultural Investment Areas.

Intermediate indicators would include:

- a. Number of communal land offices that have land certification and land use planning capacity operational;
- b. Number of new producers included in agribusiness partnership, e.g. through a contract farming or outgrower arrangement;
- c. Number of producers who received technical and management/organizational training;
- d. Quantity of produce supplied by existing and new producers;
- e. Quantities of improved seed/planting material, fertilizer and other inputs used by number of farmers;
- f. Increased number of firms involved in sourcing raw material from farmers under the project;
- g. Increased rural employment in targeted project areas;
- h. Share of women in market based agriculture and share of female held land certificates;
- i. Increased availability of value chain financing by firms and farmers;
- j. Improved management of 15,000 ha of irrigation infrastructure through investments in rehabilitation, training and institutional reforms;
- k. Improved management of 10 sub-watersheds through capacity strengthening and investment in watershed infrastructure;
- l. Feeder roads upgraded and passable.

### III. Preliminary Description

#### Concept Description

Integrated approach: The proposed project's design recognizes the fact that agriculture development and land tenure security are inextricably linked. Unless land rights and land ownership are confirmed, farmers will not invest in the land that they use and the watersheds around them. The commercialization process of smallholder agriculture sector will only occur once small scale farmers have an incentive to invest in their land, the soil, their crops, their water management and irrigation infrastructure, and the conservation of upstream watersheds. Likewise, agribusiness development (to which smallholders are to be linked) will be hindered if key constraints, such as lack of knowledge and skills and deficient infrastructure, are not addressed. Hence, the project combines land reform, value chain development and infrastructure maintenance and rehabilitation into an integrated approach where project interventions are based on actual needs within value chains and constitute public investment that is complementary to, and would leverage additional, private investment.

Selection of activities and geographical coverage: As a basis for the project's activities and selection of geographical areas, a value chain orientation would be applied with a geographical focus around key agribusiness hubs, and their respective existing and potential rural supply catchment areas. Selection of agribusiness hubs and value chains would be guided by a set of criteria that aims to maximize the desired development impact, such as the sustainability and competitiveness of value chains, scalability, and poverty reduction and food security potential. The use of agribusiness hubs and rural catchment areas also allows for a landscape approach to be applied. Support to scaling up value addition capacity among companies in and around agribusiness hubs has significant job creation potential and would thus include an important beneficiary target group.

Based on a recently conducted private sector scan among various value chains, a number of agribusiness hubs can be identified, which display a high concentration of firms within a certain locality, covering a wide range of value chains. An initial assessment of agribusiness activity and the possible inclusion of households into various stages of the value chains suggest that Antananarivo, Antsirabe, and Toamasina are important agribusiness hubs with very large rural catchment areas. However, other agribusiness hubs with rural catchment areas exist and would need to be assessed in order to facilitate the selection process and implementation aspects.

Key value chains would include the following (based on a private sector scan conducted during a recent identification mission):

- a. Paddy/rice and maize
- b. Poultry and livestock (including maize and other crops for animal feed)
- c. High value export vegetables, fruit, and spices (green beans, asparagus, black-eyed peas, litchi, cloves, pepper, and others)

Spatial planning and landscape approach: The use of agribusiness hubs to identify value chain-based project activities in the respective catchment areas would also allow the use of spatial planning tools, as well as the introduction of a landscape approach.

Various government ministries and agencies will be involved in the preparation and implementation of the proposed project. Taking the joint lead are the Ministry of Infrastructure and Land Development (Ministère d'Etat chargé des Infrastructures, de l'Équipement et de l'Aménagement du Territoire) and the Ministry of Agriculture (Ministère de l'Agriculture). Other ministries include Livestock and Transport. Important government agencies include the Economic Development Board of Madagascar (EDBM, for investment promotion) and the Fonds d'Intervention pour le Développement (FID, possibly for community-based feeder road maintenance programs). A number of service providers are active in Madagascar, delivering technical training and extension services (for example: Centre Technique Horticole d'Antananarivo and Centre Technique Horticole de Tamatave).

#### Component 1: Agribusiness value chain support (US\$ 15m)

Within identified value chains, project support would aim to address the binding constraints that currently prevent an industry from further developing. A number of key constraints would be addressed through public interventions, such as training, group formation and management, technology transfer, storage infrastructure, public services, and finance. Support would be aimed at farmers, traders, processors and other value chain actors and could take the form of TA, business development services, market facilitation services, promotion of new technologies. The proposed project would support the development and scaling up of out-grower and contract farming schemes, and facilitation of other business models by which farmers and agribusiness companies are linked.

#### Component 2: Support to local land management and investment facilitation (US\$ 15m)

The development and commercialization of the smallholder agriculture sector and facilitating responsible investment in agribusiness first and foremost required better institutional capacity for land management and land use planning at the local and central levels. The project will support the existing institutions in charge of the land management, i.e. the local land offices and regional land administration services and will develop capacity to facilitate inclusive agribusiness investment. It will also provide support at the central level to the management of the national land administration

system and to the Land Reform Coordination Unit. In collaboration with local institutions, local-level investor-community protocols would eventually be developed that include a consultation process, benefit sharing arrangements, and a grievance redress mechanism.

Support to the Local Land Offices would be provided. Starting with communes in the project's agribusiness value chain catchment areas, the aim would be to achieve maximum coverage of secure land and to improve the sustainability of local land offices. Support to the Regional Land Administration Offices (Cirdoma & Cirtopo) would (i) improve the current land information system, in particular the information exchange between the State land services and the municipal land offices and (ii) establish or to improve Local Land Use Mapping (PLOFs) aiming the preparation of local development plans, including the delimitation of investment areas. The activity will focus on computerization of land services, improving the quality, accuracy and reliability of the PLOFs. Any new investment areas and land available identified by rural communities will be designed in line with development plans made at the municipal level with the concerned rural communities. Support will be provided to the implementation of these development schemes in priority areas targeted for new investment. Successful implementation of project activities would require the need to build and strengthen the technical safeguards capacity of involved stakeholders to adequately comply with safeguards requirements, in respect to national regulations and World Bank safeguards policies. The project will thus support safeguards capacity building activities for central, regional and local/district-level government agencies, private sector, and farmers.

#### Component 3: Infrastructure rehabilitation and maintenance (US\$ 16m)

Feeder road maintenance: Deficient rural infrastructure is the second largest constraint identified by private sector operators. Two possible approaches are considered: 1) community-based approaches which appeared to be effective through prior and on-going Bank-financed social protection projects, which can be duplicated here with scaled-up support; or 2) rehabilitation and maintenance of specific feeder roads in value chain catchment areas, which would be directly financed by the proposed project, and in coordination with the central and decentralized administration. A combination of these approaches would have the potential to significantly expand the coverage of out-grower and contract farming schemes, with high expected impact on farmers' livelihoods. A number of geographical areas can be identified as currently being disconnected from key agribusiness hubs, due to an impassable main road, bridges and/or other structures that was damaged during a recent natural disasters and have never been repaired since, as well as damaged infrastructure due to lack of maintenance. The private sector also expressed an interest in public-private storage facilities, and there may be a demand for one or more publicly owned, privately managed cold storage facilities. Professional warehousing infrastructure and management would also support the development of inventory credit arrangements and a possible warehouse receipt system, which would enhance access to credit and increase financial market liquidity.

#### Component 4: Contingency emergency fund (US\$ 0 million)

This component establishes a disaster recovery contingency fund that could be triggered in the event of a natural disaster through formal declaration of a national or regional state of emergency, or upon a formal request from the Government of Madagascar in the wake of a disaster. In that case, funds from other project components could be reallocated to Component 5 to facilitate rapid financing of a positive list of goods and services related to Components 1, 2, 3 and 4. Eligible activities would include clearing and rehabilitating road and irrigation infrastructure, purchasing construction materials, agricultural inputs, or contribute to pest/plague control (e.g. locust control).

Component 5: Project coordination and management (US\$ 4m)

The project will require an innovative and multi-disciplinary implementation approach, guided by a multi-ministry oversight committee. Project oversight would be led by the Ministry of Infrastructure and Land Development and the Ministry of Agriculture, also involving the ministries of Transport and Livestock Development. A Project Implementation Unit would be established with three technical implementation capacities: Support to value chains and large rice irrigation schemes, support to land management and investment facilitation, and feeder road maintenance and infrastructure rehabilitation. Possible linkages with the PIU that has been implementing PIC should be explored.

#### IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04			x
Forests OP/BP 4.36			x
Pest Management OP 4.09	x		
Physical Cultural Resources OP/BP 4.11			x
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37			x
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

#### V. Financing (in USD Million)

Total Project Cost:	40.00	Total Bank Financing:	40.00
Financing Gap:	0.00		
<b>Financing Source</b>		<b>Amount</b>	
BORROWER/RECIPIENT		0.00	
International Development Association (IDA)		40.00	
Total		40.00	

#### VI. Contact point

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