Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 16-Nov-2020 | Report No: PIDISDSA30410

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Madagascar	P175172	Additional Financing to Madagascar Integrated Growth Poles and Corridor SOP2	P164536
Parent Project Name	**Region**	**Estimated Appraisal Date**	**Estimated Board Date**
Madagascar Integrated Growth Poles and Corridor SOP-2	AFRICA EAST	09-Nov-2020	10-Dec-2020
Practice Area (Lead)	**Financing Instrument**	**Borrower(s)**	**Implementing Agency**
Finance, Competitiveness and Innovation	Investment Project Financing	Republic of Madagascar	PIC National Project Secretariat

Proposed Development Objective(s) Parent

The development objective is to contribute to the sustainable growth of the tourism and agribusiness sectors by enhancing access to enabling infrastructure and services in the Target Regions of Madagascar.

PIC 2.1 (SOP1) has supported economic recovery by improving the investment climate, increasing investor confidence, investing in key infrastructure and restoring economic governance, to lay the foundation for inclusive growth and shared prosperity in the target regions.

Proposed Development Objective(s) Additional Financing

The development objective is to contribute to the sustainable growth of the tourism and agribusiness sectors by enhancing access to enabling infrastructure and services in Target Regions, and to provide immediate and effective response to an eligible crisis or emergency.

PIC 2.1 (SOP1) has supported economic recovery by improving the investment climate, increasing investor confidence, investing in key infrastructure and restoring economic governance, to lay the foundation for inclusive growth and shared prosperity in the target regions.

Components

Leveraging private investment in tourism and agribusiness
Removing key binding constraints for private investment in tourism
Removing key binding constraints for private investment in agribusiness
Project Implementation
Immediate Response Mechanism

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	33.00
Total Financing	33.00
of which IBRD/IDA	33.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	33.00
IDA Credit	33.00

Environmental Assessment Category

B-Partial Assessment

Decision

Other Decision (as needed)

B. Introduction and Context

Country Context

1. **The adverse economic and fiscal impact of the COVID-19 crisis in Madagascar will be very substantial in both 2020 and 2021.** With the confirmation of the first COVID-19 case in Madagascar in March 2020, a state of emergency came into effect. The President of Madagascar announced the end of the state of emergency on October 18th, 2020. The number of detected COVID cases accelerated since early May, reaching 16,558 cases as of October 04, 2020, of which 11,896 were in the Analamanga region, where the capital city, Antananarivo, is located. The exponential rise of the COVID-19 pandemic and the containment measures implemented across the world are expected to lead this year to a global recession about three times deeper than in 2009. For Madagascar, such measures are expected to result in the first recession since the 2009 crisis, with gross domestic product (GDP) predicted to contract by 1.2 percent in 2020 in the baseline scenario, compared to an estimated growth rate of 5.2 percent just prior to the

coronavirus outbreak. Assuming successful containment measures, conditions are expected to stabilize, with export sectors recovering in 2021 against the backdrop of a modest pickup in global demand, while domestic activity benefits from an ambitious infrastructure program. Under baseline assumptions, growth would recover to a subdued rate of 2.8 percent in 2021, about half the pre-COVID estimate. Overall, the effect of the coronavirus outbreak is expected to shave off about 9 percentage points to predicted GDP per capital levels over a two-year period.

2. **The impacts of the crisis could reverse past progress in poverty reduction and deepen fragility.** Formal employment has been significantly impacted by contracting activity in tourism and manufacturing sectors, notably textiles and apparel, while revenues from informal jobs in large urban areas affected by lockdowns will be significantly reduced. A household survey conducted in June 2020 estimated that total employment contracted by 7.7 percent as a direct result of the crisis. In this context, extreme poverty (US$1.90/day) is predicted to increase in 2020 to 76.8 percent, up from 74.5 percent in 2019, undoing three years of consecutive declines. Vulnerable populations in urban areas, notably women and youth, are particularly exposed to economic hardship and poverty traps, reflecting strict confinement measures. The economic and social impacts of the crisis remain highly uncertain in a rapidly evolving situation, with risks remaining largely tilted to the downside, including the possibility of social unrest or renewed political volatility. Madagascar has historically experienced cycles of political instability and has only recently completed a peaceful democratic transition. Although it has made notable progress over the last year, the country is still vulnerable to weak state institutions, as well as challenges related to elite capture of the state and its institutions.

3. **A Multisectoral Emergency Plan (PMDU), developed by the Government to respond to the COVID-19 crisis, was adopted on July 1, 2020.** Its objectives are to (i) control the spread of the virus and stem the pandemic; (ii) help vulnerable populations and respond effectively to their needs; and (iii) protect the economy, maintain human capital, and facilitate the recovery. The cost of this Plan is estimated at US$826 million. The Government has allocated US$443.1 million from its national budget, in addition to an early allocation of US$127 million from Donors, with a financial gap of US$225.9 million. The Government requested the activation of the International Development Association (IDA) Immediate Response Mechanism (IRM) on August 10, 2020, to support the implementation of the PMDU, reallocating US$123 million to the Contingent Emergency Response Components (CERC) of three projects: Sustainable Landscape Management Project (P154698, PADAP), Madagascar Integrated Growth Poles and Corridor SOP-2 (P164536, this project), and Integrated Urban Development and Resilience Project for Greater Antananarivo (P159756, PRODUIR). The IRM activation was approved by the World Bank Africa East Vice-President on September 2, 2020.

4. **The financing gap for private sector programs under the PMDU (those under Pillar 3, "Supporting economic resilience and supporting the private sector"[1]) is estimated at US$103 million.** A number of measures described under Pillar 3 are aligned with existing PIC2.2 initiatives to support the tourism and agribusiness sectors, and aligned with activities under the World Bank-financed Financial Inclusion Project (PIFM) – specifically, those in support to SMEs impacted by the crisis. The PIC2.2 project was therefore selected to mobilize US$33 million under the portfolio-level CERC to contribute to filling the financing gap for Pillar 3. It was done by reallocating undisbursed project funds to the IRM component

[1] Pillar 3 of the PMDU describes activities intended to support the tourism, transport and agriculture sectors, as well as transversal activities in support to the private sector in general.

of the PIC2.2 to finance crisis-response activities under the two existing World Bank projects (PIC2.2 and PIFM), as described in the following paragraphs. As such, the CERC component activities in support to the PMDU benefit from the use of established project mechanisms that will be adjusted to address specific COVID-19 issues, while also taking into account the crisis context in their implementation.

5. **An Additional Financing (AF) is proposed in order to replenish the US$33 million** of PIC2.2 funds reallocated through the portfolio-level CERC activation. The replenishment will ensure that the PDO can be achieved by the end of the current project despite the crisis. The original activities envisaged by the parent project are still relevant and will all also now contribute to responding to the crisis and to recovery of the two target sectors, tourism and agribusiness, in the COVID context. The originally planned project activities are also aligned with current WB guidance on how to support countries during the crisis.[2] The AF will include a level two project restructuring for the PIC2.2 project. This restructuring is needed in order to (i) update the project's PDO to include a reference to COVID response activities; (ii) update project results indicators to reflect the impact of the crisis on economic activity and the project's crisis-related response; (iii) adjust definition of eligible expenses under project activities; (iv) formalize reallocation of undisbursed funds to the IRM disbursement category, and (v) reallocate some funds across components/sub-components following the replenishment of CERC funds through the AF based on current implementation and context.

Sectoral and Institutional Context

6. **The Madagascar Integrated Growth Poles and Corridor project ("PIC2.2")** project development objective (PDO) is "to contribute to the sustainable growth of the tourism and agribusiness sectors by enhancing access to enabling infrastructure and services in the Target Regions of Madagascar". The project's target regions are Diana, Atsimo-Andrefana and Anosy, and the island of Sainte Marie. The previous project in the Madagascar Growth Poles SOP, or "PIC2.1", closed in September 2019 and was rated Satisfactory by its Implementation Completion and Results Report (ICR) (confirmed by the Independent Evaluation Group, IEG). The project consists of four components, summarized below.

7. **Component 1: Leveraging private investment in tourism and agribusiness (US$11.5m).** This component strengthens the government's ability to attract and channel private investments into productive infrastructure and improved service delivery, as well as providing direct support to new investment in productive sectors and support services. It includes (i) the Madagascar Business and Investment Facility (MBIF), a competitive grant program that supports the creation of new enterprises and growth-oriented Small and Medium Enterprises (SMEs) and the realization of investments with significant economic, environmental and social externalities in the tourism and agribusiness sectors; and (ii) support to investment promotion and transactions. The MBIF Agribusiness window has received 75 proposals, and 20-25 are expected to be financed. Letters of intention for private investment have been received, although implementation of these projects will likely be slowed by the crisis. New large-scale investment projects, particularly in the tourism sector, are not expected in the short-term.

8. **Component 2: Removing key binding constraints for private investment in tourism (US$32.5m).** This component helps destinations in the target regions to grow into sustainable, standalone tourism

[2] For instance, Pillar 3 of "Saving Lives, Scaling-up Impact and Getting Back on Track: World Bank Group COVID-19 Crisis Response Approach Paper", June 2020.

destinations anchoring a growing portfolio of circuits for increasingly diverse markets. It includes (i) support to public management capacity related to tourism; (ii) upgrading of urban connectivity and services for tourism development; and (iii) preparing decentralized authorities for private investment in tourism. Implementation of the component is progressing well, although some activities (e.g. consultancies by international specialists) have been complicated and/or slowed by international travel restrictions and confinement measures in Madagascar.

9. **Component 3: Removing key binding constraints for private investment in agribusiness (US$22m).** This component supports the establishment of efficient, diversified and sustainable agribusiness systems for high potential export crops in the target regions. It includes (i) support to public management capacity related to agribusiness; (ii) upgrading of rural and urban connectivity for agribusiness development; and (iii) preparing decentralized authorities for private investment in agribusiness. Implementation of the component is progressing well, although some activities (e.g. organization of training in the regions, mobilization of stakeholders for value chain structuration, road rehabilitation in a key cocoa growing zone) have been slowed by domestic confinement measures and resulting impacts on the movement of goods and equipment around the country.

10. **Component 4: Project implementation, monitoring and evaluation, safeguards and impact evaluation (US$4m).** This component finances the Project Implementation Unit (PIU) and allows it to implement the project, comply with fiduciary rules and safeguards, and fulfill monitoring and evaluation commitments.

11. **A no-cost IRM component was included in the project's Financing Agreement** in accordance with Operational Policy (OP) 10.00, to enable the provision of an immediate response to an eligible crisis of emergency, as needed.

13. **Implementation has been proceeding well.** Progress towards achievement of the PDO and overall Implementation Progress (IP) have been Satisfactory since Effectiveness. Financial management (FM), procurement, monitoring and evaluation and all safeguards ratings have also been Satisfactory since Effectiveness. The project has disbursed 13 percent of its funds to date, in line with original disbursement estimates. There are no overdue financial audits and interim financial reports (IFRs) are submitted in a timely manner. All legal covenants to date have been complied with. Overall project risk remains Substantial.

14. **Beginning in March 2020, the project and its target sectors began to feel the economic impact of the outbreak of COVID-19.** The export-oriented sectors of tourism and agribusiness, supported by the parent project, are being particularly impacted by the crisis. The tourism sector, which accounts for 44,000 direct and 300,000 indirect jobs, foresees lost earnings of US$620 million in 2020 alone. A recent survey indicates that tourism sales revenues have declined by 90 percent on average and cash flow has decreased by 69 percent. Approximately 45 percent of tourism businesses are partially or permanently closed, compared with 31.4 percent for non-tourism businesses.[3] A lack of clarity on border reopening and ongoing global travel challenges worsen the outlook. Reduced international demand for agribusiness products is significantly impacting revenues, for instance with prices of some of Madagascar's key

[3] INSTAT and World Bank, "Enquête d'évaluation de l'impact du coronavirus auprès des entreprises", June-July 2020.

essential oils dropping by 20-30 percent and demand for key exports slowing down. Project implementation has been affected as described in paragraphs 7-9 above.

12. **The parent project and the AF are aligned with the objectives of the World Bank 2017-2021 Country Partnership Framework (CPF, report number 114744-MG),** and with the Government's development plan, the "Initiative Emergence Madagascar" (IEM). Overall, the CPF seeks to increase the resilience of the most vulnerable people and to promote inclusive growth, while strengthening national and local institutions to reduce fragility. However, the World Bank has adjusted its Country Partnership Strategy (CPS) in response to COVID-19. The significant impacts of the pandemic on Madagascar, as previously described, have had a major impact on Madagascar's development financing needs over the next two years, requiring adjustments to the WBG country program. In line with the World Bank Group COVID-19 Crisis Response Approach Paper from June 2020, resources have been realigned to support priority actions aimed at saving lives threatened by the virus; protecting the poor and vulnerable; securing the foundations for the private sector; and strengthening policies and institutions for increased resilience based on transparent, sustainable debt and investments. Program adjustments include: i) reallocation of portfolio resources through activation of CERC and restructuring and reallocations of existing programs; ii) developing new operations responding to the pandemic that were not envisioned in the original CPF program (e.g. Pandemics preparedness program); and, iii) reprioritization of the CPF pipeline to advance operations that were planned for later years (from FY22/23 to FY21) while delaying selected new operations in infrastructure.

C. Proposed Development Objective(s)

Original PDO

The development objective is to contribute to the sustainable growth of the tourism and agribusiness sectors by enhancing access to enabling infrastructure and services in the Target Regions of Madagascar.

PIC 2.1 (SOP1) has supported economic recovery by improving the investment climate, increasing investor confidence, investing in key infrastructure and restoring economic governance, to lay the foundation for inclusive growth and shared prosperity in the target regions.

Current PDO

The proposed new PDO is: To contribute to the sustainable growth of the tourism and agribusiness sectors by enhancing access to enabling infrastructure and services in Target Regions, and to provide immediate and effective response to an eligible crisis or emergency.

Key Results

The project's original Results Framework has two PDO-level indicators:

- **PDO indicator 1: Number of formal jobs created in Target Regions (of which in tourism, of which in agribusiness).** Under restructuring, the baseline year is revised to 2018, the year prior to effectiveness of the project. The 2018 and 2019 figures, from which subsequent annual targets are calculated, reflect actual formal jobs created in the Target Regions in the two target sectors in those years (cumulative), rather than also reflecting jobs created under the previous SOP phase as they originally did, hence notable differences in end targets. Targets are also revised downwards to reflect the impact of COVID-19 on the economy in general, but particularly on the tourism sector.

- **PDO indicator 2: Value of private investment enabled by the project (in US$ million).** The baseline year is revised to 2018, the year prior to effectiveness of the project. The indicator definition is revised to specify that enabled investments are only counted once signed commitments are made and operation or construction works effectively start. It is estimated that no new hotel investments will be committed to in the coming two years. Investments that have already benefitted from the project's support but have not yet begun construction are not expected to do so before 2023. As such, annual targets for 2021 and 2022 are set to zero, but the end target for 2023 remains unchanged.

A third PDO indicator is added through restructuring: "Businesses benefiting from at least one COVID response activity". The indicator is designed to capture the results of the COVID response activities for firms, and is complemented by a new intermediate indicator measuring the number of individuals benefiting from crisis response training activities.

Intermediate indicators. The only intermediate indicator that remains entirely unchanged through restructuring is "Percentage of registered complaints that have been addressed by the project" (citizen engagement indicator). For all other intermediate indicators, baseline years are standardized to 2018, and baseline figures are revised to either zero or to the real 2018 value, depending on the indicator. In some cases, indicator definitions are revised to (i) adjust the parameters of disaggregations (e.g. for "Increase in annual sales revenue for MBIF Business Plan Competition (BPC) recipient enterprises, of which women-owned"), and/or to (ii) improve or clarify measurement methodologies (e.g. "Hotel rooms available in the Target Regions", "Increase in the value of exports of the selected crops in the Target Regions"), and/or (iii) to make small corrections. Intermediate and end targets are revised where relevant to reflect changes in the baselines, indicator definitions, measurement methodology, and/or the impact of the COVID-19 crisis on the sectors. One intermediate indicator is proposed for deletion (Increase in average daily tourist expenditure in products and services for overnight tourists (%)) and two new intermediate results indicators are added:

- Visitors to tourism sites enabled by the project (to replace the expenditure indicator)
- People benefitting from at least one training in the tourism or related sectors (thousands) (to capture the impact of crisis response training activities).

D. Project Description

15. **The CERC component activities to be implemented by the PIC2.2 project include:**

   a. Supporting public and private sector tourism stakeholders in the overall management of the crisis, with a focus on support to the Ministry of Transport, Tourism and Meteorology (MTTM) (e.g. financing and TA for market intelligence, communication, and purchase of required COVID-related equipment and materials).
   b. Training for tourism sector workers to maintain human capital during the crisis. Training will focus on reinforcing and/or diversifying skills of formal and informal workers and entrepreneurs in the tourism sector. Training modules may include languages, information technology and entrepreneurship.
   c. Financing key investments and initiatives to increase resilience and competitiveness of targeted value chains linked to both the tourism and agribusiness sectors. Eligible initiatives

may include, for instance, small road rehabilitation activities, and cleaning of public areas and tourist sites.

d. Provision of grants to tourism startups and micro, small and medium enterprises (MSMEs), or groups/associations of firms, for implementation of projects that will enhance their resilience and competitiveness and prepare them for recovery. Eligible expenses under the grants may include, for instance, digitization of interactions with customers, suppliers and government; purchase of equipment and materials related to COVID sanitary protocols; training on implementation of sanitary protocols; and capacity building for repositioning marketing/promotion.
e. Increasing available funding for the existing MBIF Agribusiness window. The window has received many proposals from firms that demonstrate potential for supporting job creation and revenue generation in agribusiness value chains, as well as mitigating impact of the crisis on the sector. As such, funding for the window will be increased. Projects that will be able to disburse at least 60 percent of their funds within 12 months, and that are expected to have a substantial impact (e.g. on revenues) within 12 months, will be prioritized for funding.

16. **The CERC component activities to be implemented by the PIFM will support the Partial Portfolio Credit Guarantee (PPCG) Fund** to help supporting liquidity and balance sheets of vulnerable MSMEs that are affected by COVID-19, ensure the stability of the microfinance sector and through that, will contribute to increasing financial inclusion in the country. The project will expand the scope, risk coverage and eligibility criteria to include additional sectors and provide capital relief for financial institutions of the PPCG scheme to mitigate the impact of COVID-19 on MSMEs and microfinance institutions (MFIs). More specifically, it will create two new windows under the PPCG scheme:

a. **A credit restructuring window** that will provide guarantees for the restructuring of bank and MFI loans to MSMEs that have turned bad because of the crisis.
b. **A MSME assistance window** to allow MSMEs access to new loans to cover operating expenses and thus continue to operate despite the pandemic.

E. Implementation

Institutional and Implementation Arrangements

18. **The institutional and implementation arrangements of the project will remain unchanged, although additional PIU capacity will be required to implement the emergency activities under the CERC.** No changes will be made to the implementation arrangements, nor fiduciary or safeguards arrangements of the parent project as a result of the AF or restructuring. The activities to be financed through the AF remain covered by the existing safeguards instruments prepared for the parent project. New planned activities under the IRM component do not differ significantly from those described in the original financing. The PIU will however require additional human resource capacity in order to implement and monitor all activities, particularly for FM purposes. The PIU is already in the process of recruiting for these purposes.

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F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The PIC2.2 project will operate in four regions of Madagascar: Tuléar pole (Atsimo-Andrefana region) in the South-West, Nosy Be in the North-West, Diego and Ambanja (Diana region) in the North, Fort Dauphin pole (Anosy region) in the South-East and the island of Sainte Marie (Analanjirofo region) in the East.

G. Environmental and Social Safeguards Specialists on the Team

Paul-Jean Feno, Environmental Specialist
Andrianjaka Rado Razafimandimby, Social Specialist
FNU Alphonse, Social Specialist
Hasina Tantelinirina Ramarson Ep Rafalimanana, Social Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	
Performance Standards for Private Sector Activities OP/BP 4.03	No	
Natural Habitats OP/BP 4.04	Yes	
Forests OP/BP 4.36	No	
Pest Management OP 4.09	Yes	
Physical Cultural Resources OP/BP 4.11	Yes	
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/BP 4.12	Yes	
Safety of Dams OP/BP 4.37	No	
Projects on International Waterways OP/BP 7.50	No	
Projects in Disputed Areas OP/BP 7.60	No	

KEY SAFEGUARD POLICY ISSUES AND THEIR MANAGEMENT

OPS_SAFEGUARD_SUMMARY_TBL

A. Summary of Key Safeguard Issues

1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

No additional activities nor change in project location are planned under this Additional Financing. It is a replenishment following activation of the Immediate Response Mechanism (IRM) component under a portfolio-wide CERC activation in the COVID-19 context. As such, the Additional Financing will replenish the budgets allocated to implement originally planned project activities in the original regions.

The parent project with its AF remains classified as Category “B” because the environmental and social impacts are site-specific, local, reversible and mainly temporary (i.e. only during civil works), and can be reduced to an acceptable level after adoption of specific mitigation measures. In addition, no physical relocation issues are anticipated under the project: any potential resettlement/displacement is expected to be economic and temporary (i.e. only during works). Project-supported tourism activities in or around National Parks are not expected to have any impact on natural habitat or protected areas, and will follow guidelines on the use of buffer zones and existing potential ecotourism zones approved under the former Third Environmental Program (EP3) financed by the Bank. Five environmental and social Safeguard Policies triggered by the parent project remain unchanged under the AF: OP 4.01 (Environmental Assessment), OP 4.04 (Natural Habitat); OP 4.09 (Pest Management); OP 4.11 (Physical Cultural Resources); and OP 4.12 (Involuntary Resettlement). As the activities remain the same for the AF, no new operational policy is triggered.

The PIC2.2 activities may result in both direct and indirect environmental and social impacts and risks: (i) activities and investments implemented through grants awarded under the MBIF Business Plan Window and under OCAI grants to local authorities; (ii) improvements to regional and municipal service delivery through rehabilitation and extension of water distribution networks to vulnerable/poor populations (standpipes), (iii) improvements to primary and secondary solid waste collection services in urban and semi-urban areas; (iv) enabling of sustainable development and private investment in tourism, including financing of small-scale civil works in tourist sites, enhancement of basic tourism infrastructure, facilitation of access to tourist sites and provision of visitor services (e.g. visitor centers, signage, rest areas); (v) upgrading/rehabilitation of rural and urban roads within their existing alignments and right-of-ways (RoWs), (vi) technical assistance and purchase of equipment to upgrade lighting and navigation equipment at two airports located in the poles; and (vii) boosting private investments and diversification in selected agribusiness value chains.

An Environmental and Social Management Framework (ESMF) that includes an Environmental and Social Management Plan (ESMP) for the parent project, which covers activities whose exact locations were unknown at the time of parent project appraisal, was prepared. Technical studies related to these activities are being conducted during implementation. This ESMF is still valid for the AF.

The parent project and AF activities may result in both direct and indirect environmental and social impacts and risks, including: community health and safety risks such as risks of increased HIV/AIDS transmission, and propagation of COVID-19 (or similar pandemic infection); risks related to the influx of workers and local recruitment during civil works, as well as to the development of tourism activities (e.g., gender based violence/Sexual Exploitation and Abuse (SEA) risks); increased risk of accidents during works; general nuisances such as noise, dust and vibration; and temporary/permanent land acquisition and economic displacement.

Civil works planned under the parent project and AF may have the following main environmental impacts: generation of noise, dust and vibration; erosion on the quarry sites of rocks and earth; traffic disturbance and traffic accident risks; and community health and safety risks such as increased STD/AIDS transmission risks as a result of the number of workers during the civil works. For road investments pre-identified during project preparation (i.e. High Sambirano rural road, Ambanja peri-urban road, V1/V2 road in Nosy Be, Ramena Road in Diego and the Crater Road in Nosy Be), Environmental and Social Impact Assessments (ESIA) and Environmental and Social Management Plans (ESMPs) have been prepared and already implemented by the project to address the risks and adverse environmental and social impacts. To date, seven ESMPs have been approved by the Bank and disclosed in the project zones. The environmental and social measures are well captured in the contractor ESMP and implemented in a satisfactory manner.

The main social impacts associated with the project (parent project and AF) are related to (i) land acquisition and economic displacement and loss of revenues (without any physical resettlement), which could affect more than 624 households; (ii) labor influx issues of temporary workers during civil works, bringing community health and safety risks (e.g. increased STD/AIDS and COVID 19 transmission risks as a result of the number of workers during the civil works, local recruitment, and accident risks). The project's tourism component will support the GoM's strategic tourism development objective of reaching 500,000 annual visitor arrivals by 2023. This increase in the number of tourism arrivals could generate the risk of proliferation of SEA risks, and community health and safety risks such as increased STD/AIDS and COVID 19 transmission risks. The Borrower has included a provision in ESMF to prepare a Tourism Master Plan for Nosy Be (where the larger agglomeration of tourist arrivals is located), which will incorporate a Strategic Environmental and Social Assessment (SESA) to be undertaken soon to address all risks and adverse environmental and social impacts of project-enabled tourism growth. The Request for Proposals is ongoing at this stage.

Project activities seeking to boost private investments and diversification in selected agribusiness value chains will focus on linking smallholders with medium to larger investors through grower schemes. Investors will work with smallholders to improve the quality of agricultural products on their own existing land, collect and/or buy the products, store them and sell them to large consumers. The investors themselves will not need to secure large plots of land. As land acquisition could lead to social problems, activities linked to land acquisition will be not allowed under the parent project or AF. Operational procedures to implement support to four agricultural value chains are available and the farmer groups have been identified.

Planned activities to improve agricultural performance and agribusiness investments may lead to the extensive use of pesticides to boost agricultural productivity. The irresponsible use of pesticides and fertilizers could generate contamination and pollution of water and soil; health issues and human toxicity risks with facilities, use, storage/disposal and application of agrochemicals, etc. To mitigate risk related to pesticide use, the Borrower has prepared a Pest Management Plan (PMP) that is still valid for the AF. The PIU has developed coherent PMP capacity building for the identified farmer groups to avoid use of pesticides and to reduce impacts and pollution of soil, water and any human contaminations if pesticide use is required.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

The PIC2.2 parent project and AF activities are not expected to have long term adverse environmental and social impacts on potential future activities in the project target areas. Overall project impacts are generally considered substantial, with the most significant impacts linked to land use during road rehabilitation works and water supply civil works.

Tourism development could be considered one of the proposed activities with the most potential for longer-term impacts. The GoM's vision for Madagascar is to welcome 500,000 tourists by 2023 (an objective that will be drastically affected by the impact of the COVID crisis on global travel and tourism). However, the potential cumulative impacts of tourism growth are very limited when considering the country’s landmass, population and still very low number of visitors. By way of comparison, in 2016 Madagascar received 296,000 tourists, as compared to neighboring Mauritius, 300 times smaller in size, which received 1.27 million, and to Costa Rica which is 10 times smaller (considered an example of sustainable tourism development), which received 2.9 million. Regardless, cumulative impacts of tourism will be closely monitored and mitigated, in particular for Nosy Be, where tourism levels represent 32% of total visitors to Madagascar (localized in a small geographical area of the country) and where the project anticipates to see the largest increase of arrivals and hotel investments (second only to Antananarivo). The impacts are being addressed in early project implementation through the preparation and implementation of a Strategic Tourism Master Plan including a Strategic Environmental and Social Assessment (SESA) and screening tools and guidelines to ensure that (i) all cumulative and potentially induced impacts are considered in the prioritization and selection of investments, and (ii) investment-specific impacts are screened and identified early in the process. The project in fact aims to make these increases sustainable by focusing activities on the improvement of infrastructure (e.g. roads) and services (e.g. waste management), which will benefit both tourists and the local population, while also providing governance TA on investment planning to municipalities impacted by the project.

Importantly, the project and AF are also expected to have a positive impact on people in the target areas, especially women, children and youth who disproportionately depend on agribusiness as their main source of livelihood. The planned activities under the parent project and AF are expected to: (i) promote inclusive growth by enhancing the competitiveness of the tourism and agribusiness sectors in targeted regions; (ii) increase export values in targeted value chains; (iii) increase visitation to – and consequently, spending in – regional destinations of the country; and (iv) provide avenues for incremental tax revenue increases and export revenues for the government and its decentralized institutions.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

There are no alternatives to the present project design that would allow the project to achieve the Project Development Objective (PDO). The project will work with existing farmers and investors, rehabilitate existing feeder roads and urban roads, and expand water supply. To minimize impacts of proposed infrastructure investments, civil works will be undertaken within the existing RoWs so as to avoid environmentally sensitive zones and to minimize involuntary resettlement. For water supply interventions, the project will take into account the requirements of the existing planning tools.

4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The client has been actively responsive in addressing safeguards issues during implementation of the previous phases of the project. At the national level, Madagascar has a legislative and regulatory framework that is conducive to good environmental management. In addition, Madagascar has signed a number of international treaties and conventions to ensure sound environmental management. The Malagasy Environmental Law mentions that environmental assessment for both private and public development is regulated under Decree N°2004-167 (MECIE). This framework is fairly effective, although further institutional capacity needs to be developed to ensure more widespread application and improved monitoring. The national Environmental Law will be reinforced by the World Bank Safeguard Policies for all activities financed under the parent project and its AF as listed under section 1. The Borrower has prepared safeguards instruments (PMP, ESIAs, ESMPs, Resettlement Action Plans (RAPs), Resettlement Policy Framework (RPF) and ESMF), and the ToR for the SESA for the Strategic Tourism Master Plan (Nosy Be) is currently at Request for Proposals stage.

Environmental and Social Management Framework (ESMF): In compliance with OP 4.01 (Environmental Assessment), since the precise locations and potential impacts of some activities/investments could not be determined prior to parent project appraisal (see list under section 1), an ESMF was prepared. The ESMF includes an ESMP and takes into account the urban and rural environmental and social review and the environmental and social profiles in the project regions, as well as the potential activities to be supported by the project. The ESMF/ESMP outlines an environmental and social screening process (screening form and checklist), in line with Government of Madagascar and World Bank policies and guidelines on environmental and social impact management, to screen future activity proposals for environmental, social, gender, and health and safety impacts, and to ensure that they are environmentally and socially sound and sustainably implementable.

Prior to commencement of work, and as soon as the implementation sites are identified, each activity is screened as per the Environmental and Social Screening Form (ESSF) procedures detailed in the ESMF. The screening outcomes determine the need to prepare an ESIA and a freestanding ESMP (whereas the RPF will determine the need for preparation of additional RAPs). The works of these selected activities will be executed with the environmental and social clauses in the respective enterprise contracts and with the required Contractor Environmental and Social Management Plans (C-ESMP) included after the specific ESIAs are approved by the Bank. To date, seven ESMPs have been approved by the Bank and disclosed in the project zones. The environmental and social measures are well captured in the contractor ESMP and implemented in a satisfactory manner.

The screening of the activities is undertaken by the existing environmental and social safeguards focal points, who are currently operational in the PIU. The environmental and social safeguards specialists are responsible for the procurement of consultants to prepare the safeguards instruments, supervision of the consultants and monitoring of the implementation of the ESMPs and RAPs in the project areas. The safeguards specialists also ensure that all contractor contracts include environmental and social clauses (including a worker code of conduct, specific grievance redress mechanism (GRM), specific measure regarding gender-based violence), which are attached as an annex to the ESMF and will also develop the specific ESIA for the selected activity sites during implementation in order to ensure adequate environmental and social management practices during construction and operation. The ToR for the SESA for the Strategic Tourism Master Plan (Nosy Be) is currently being developed by the PIU, which will address potential issues linked to tourism growth. The request for proposals in ongoing at this stage. The second batch of environmental and social studies have been launched in compliance with the project ESMF.

The ESMF also outlines the importance of developing an operational GRM that will capture and address environmental, social, governance, and other grievances and any negative impacts of the project. Since effectiveness of the parent project, the PIU has operated a strong GRM.

In order to manage the risks associated with COVID-19, the PIU has adopted the National Pandemic Measures that include considerations for COVID-19 response, including World Health Organization (WHO) recommendations on quarantine and biosecurity. The environmental and social risks and impacts are managed by the inclusion in ESMPs of detailed measures and principles to be followed to meet the National Pandemic Measures for project activities under the parent project and this AF.

For activities to be financed under the parent project and AF, the ESMF has analyzed the general and specific EHS guidance that could be applied, which includes:

General : https://www.ifc.org/wps/wcm/connect/00dbdb8048855b7588f4da6a6515bb18/010_General%2BGuidelines.pdf?MOD=AJPERES&CACHEID=00dbdb8048855b7588f4da6a6515bb18

Perennial Crop Production :

https://www.ifc.org/wps/wcm/connect/ef0d4b804c3c5ad9bcb9bed8bd2c3114/English_2016_Perennial+Crop+Production_EHS.pdf?MOD=AJPERES

Annual Crop Production (in English only) :

https://www.ifc.org/wps/wcm/connect/c6f002804c3c4596bb44bfd8bd2c3114/Annual+Crop+Production+EHS+Guidelines_2016+FINAL.pdf?MOD=AJPERES

Airports (relevant sections to the project) :

https://www.ifc.org/wps/wcm/connect/76bd458048855a96868cd66a6515bb18/055_Airports.pdf?MOD=AJPERES&CACHEID=76bd458048855a96868cd66a6515bb18

Toll Roads :

https://www.ifc.org/wps/wcm/connect/4c4c238048855590b71cf76a6515bb18/048_Toll%2Broads.pdf?MOD=AJPERES&CACHEID=4c4c238048855590b71cf76a6515bb18

Waste Management Facilities :

https://www.ifc.org/wps/wcm/connect/0fb7f380488554ceb434f66a6515bb18/051_Waste%2BManagement%2BFacilities.pdf?MOD=AJPERES&CACHEID=0fb7f380488554ceb434f66a6515bb18

Water and Sanitation :

https://www.ifc.org/wps/wcm/connect/c292fc00488658adb6c6f66a6515bb18/052_Water%2Band%2BSanitation.pdf?MOD=AJPERES&CACHEID=c292fc00488658adb6c6f66a6515bb18

Gender Based Violence and SEA Strategy and action plan. In line with the GBV Good Practice note, the Project has developed a solid and coherent Strategy for Prevention and Fight Against Gender-Based Violence (ESMF annex 18) and a GBV/SEA/SH action plan to reduce risks of social conflicts and GBV/SEA/SH risks from project interventions in the tourism sector and during implementation of civil works. The GBV/SEA/SH action plan consist of (i) ensuring the involvement of partner and GBV/SEA/SH service provider; (ii) supporting the implementation of prevention actions (periodic and permanent sensitization, capacity building in GBV/SEA/SH, integration of specific GBV/SEA/SH measures in bidding document); (iii) ensuring the availability of mechanism to support GBV/SEA/SH survivors, which include adapted GRM, and integrated services; (iv) ensuring M&E action. Dedicated GBV consultants have been hired and are operational since May 2020 to support the implementation of the GBV/SEA/SH action plan in targeted regions. These activities started with the parent project, and will be continued into the AF project, given the AF project finances activities already planned under the parent project.

In addition, the global tourism sector has established a “Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism,” an industry-driven initiative supported by UNICEF and the UNWTO, which includes guidelines for tourists. The parent project and AF will work to support implementation of these guidelines. UNICEF implements ongoing activities with local communities on these issues, which will be leveraged and reinforced. However, an effective and longer-term solution to some of these key social issues is to ensure that the benefits of tourism are extended to local communities living in/near tourist destinations. All these issues will be taken into consideration by the Strategic Tourism Master Plan and SESA for Nosy Be, and more generally for other regional destinations to be supported by the project (both parent project and AF).

For OP 4.11 Physical Cultural Resources: Public consultations and field visits have confirmed that the project activities will not affect any sites defined as physical cultural resources. For more assurance, the ESMF makes provisions for cultural resources management in the event OP 4.11 is triggered during the implementation phase and includes procedures for dealing with “chance finds” to be integrated in contractor contracts.

For OP 4.04 Natural Habitats: The ESMF assessment demonstrated that the project aims to preserve natural habitat; no planned activities will affect natural habitats under the parent project, or under this AF. As some of the project activities will be in the proximity of National Parks and site-sensitive areas, the project has triggered this policy and the ESMF incorporates all mitigation measures that should be considered to preserve these zones. In fact, activities to support tourism (e.g. small-scale civil works investments on islands of high tourism interest to enhance basic tourism infrastructure, facilitate access and provide visitor services (e.g. visitor centers, signage, rest areas, renovation of existing interpretation centers) will be very limited and developed in accordance with Madagascar National Park’s (MNP, the national agency managing the National Park network in the country) National Park Management Plan. Upgrading connectivity to rural tourism sites through rehabilitation and upgrading of rural roads within their existing alignments will not be undertaken in the proximity of protected areas. The instruments to mitigate any potential impacts and risks are described under Environmental Assessment OP 4.01 above.

Tourist visits to protected areas remain very limited and involve visiting existing trails/products within the National Parks that were established by MNP. Promotion of tourism visitation and development in National Parks will focus on such products and trails. Any new tourism activities will require a full ESIA in accordance with national environmental laws and will be developed in accordance with the existing plans mentioned above, the project’s ESMF, and any related requirements under the responsibility of MNP. Any activities that could potentially affect sensitive areas will not be eligible for financing.

Environmental and Social Impact Assessments: In compliance with OP 4.01 (Environmental Assessment), four standalone ESIAs were prepared by the project for the project activities identified during parent project preparation: for the civil works to rehabilitate the High Sambirano rural road, the V1/V2 Road in Nosy Be, the Ramena Road in Diego and the Crater Road in Nosy Be. See section 1 for a list of the main potential impacts during the construction stage of these activities. The environmental and social review of these activities noted that they could directly or indirectly cause impacts at the main work sites, but without any major or irreversible impacts. Based on the results of public consultations and field visits, no natural habitat and no archaeological vestiges are impacted due to the parent project, as it will work within the existing rights-of-way. The ESMP outlined solid and coherent environmental and social measures to manage and reduce to an acceptable level the identified impacts and risks of the identified activities. A Standard Code of Conduct with a Gender Based Violence strategy is included in the ESMF. It includes environmental and social clauses to be included in enterprise contracts, and the required C-ESMPs to be considered during civil works. Since effectiveness of the parent project, the prepared bidding documents for these first-year civil works have been developed with strong and coherent environmental and social measures.

COVID 19 measures: To deal with the COVID 19 pandemic, the parent project has already integrated into civil works specific measures for workers and for communities, in line with World Bank and government recommendations. The AF will benefit from these measures already in place, mainly related to the holding of public consultations, the safety of workers, etc. The PIU has adopted the National Pandemic Measures that include considerations for COVID-19 response, including WHO recommendations on quarantine and biosecurity.

Pest Management Plan: As per OP 4.09 (Pest Management), agribusiness promotion activities (i.e. improving agricultural performance and agribusiness investments) may lead to the extensive use of pesticides to boost agricultural productivity. To ensure safe pest management, the parent project has prepared a PMP for activities and value chains selected to be supported in the project regions. This PMP remains valid for AF activities in the original project regions. Project funds will not be used to purchase and distribute agrochemicals. The PMP includes: (i) a survey on the local bio pesticides and agronomic technical practice to reduce the impacts of pests on the agriculture value chains in project zones; (ii) actions to reduce the exposure of farmer groups to pesticides used in agricultural production systems; (iii) guidelines to be adopted in cases of agrochemical application and disposal; and (iv) training sessions to strengthen capacity of different actors (farmers, local vendors, regional agricultural agents, etc.) on the use, storage and disposal of agrochemical products with a coherent budget available in the project financing. Finally, it recommends the application of an integrated pest management approach coupled with the promotion of agro-ecological practices by the farmers' groups.

Resettlement Policy Framework: In compliance with OP 4.12 (Involuntary Resettlement), since the precise locations and potential impacts of some activities are still being defined, an RPF has been developed by the parent project. It takes into account the socio-economic context of the resettlement relevant for both the parent and AF project. Interventions related to the rehabilitation and development of urban roads, rural tracks, municipal infrastructure (i.e. activities funded by OCAI grants) will affect various elements of the rural and urban environment and are likely to generate land acquisitions that would result in loss of land, property, assets and/or socio-economic activities among the affected communities, including their possible involuntary resettlement. Therefore the RPF has (i) identified a global number of affected households for the project, (ii) described the method of preparation of potential RAPs after identification of specific project activities, (iii) outlined eligibility criteria for Project-affected persons (PAPs), (iv) defined a specific compensation matrix for the project, (v) outlined the consultation process for future RAPs, (vi) defined the GRM that will capture all complaints related to the project (not only those from resettlement issues), and (vii) proposed the institutional arrangements for resettlement implementation and monitoring and evaluation.

Resettlement Action Plans: In compliance with OP 4.12 (Involuntary Resettlement), Resettlement Action Plans have been developed to address all aspects related to land acquisition, temporary or permanent involuntary resettlement, and/or loss of livelihoods during for the rehabilitation of roads in High Sambirano, Ramena (in Diego) and the Crater Road in Nosy Be. These first RAPs have identified households (248), infrastructure and also PAPs directly or indirectly impacted by the project, and outline variable compensation and resettlement support according to households' and PAPs' categorization – without exclusion, even though some PAPs are irregular occupants. The RAPs also defined a global project GRM. These RAPs included a clear and coherent implementation plan, including institutional arrangements, with a total budget of approximately $71,359 which was co-financed by the Government and the parent project.

Environmental and Social Capacity Building: The parent project and the AF build on two previous project phases and will be implemented by the same implementing agency. The Borrower has long-standing experience in implementing complex World Bank-funded projects (IG2P and PIC2.1). The ESMF and RPF include institutional arrangements outlining the roles and responsibilities for the various stakeholder groups involved, for screening and approval of activities, as well as implementation and monitoring of their mitigation measures and capacity building activities needed. The capacity assessment conducted as part of the AF preparation concluded that the current environmental and social institutional arrangements are operational and can be maintained for the parent project and this AF. Under the implementation of the IG2P and PIC2.1 projects, the Borrower gained tangible knowledge and experience managing social and environmental safeguards risks. Instruments such as ESMFs, RPFs, ESIAs and RAPs were prepared by the client in a timely manner and were well implemented by the enterprises under the supervision of the safeguard focal points at the PIU level. At sectorial Ministries involved in this project (Agriculture, Tourism and Public Works), an environment unit has been created by the National Environment Office (ONE) but with limited staff without experience of World Bank safeguards policy. This is fairly effective but institutional capacity and technical staff need to be further developed and strengthened to ensure more widespread application and improved monitoring.

The World Bank team will continue to provide hands-on training in management of environmental and social safeguards risks, including the new Environmental and Social Framework (ESF). The PIC2.1 and the former IG2P project contributed to supporting capacity building of the National Environment Office (ONE) through a MOU for hiring environmental and social experts to train their technical staff and develop the environmental and social technical review manuals. This capacity building can be maintained under this parent project and AF to further strengthen national capacity in environmental and social assessments. Safeguards training workshops will be iterative and open to other key stakeholders including beneficiary communities, private sector (e.g. consultant firms), civil society organizations (CSOs), etc., with the aim of reinforcing the grounding of public consultation and participation to foster more engagement, and ownership, social accountability and sustainability of project implemented activities.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

Key stakeholders of the project include the public sector (e.g. the Ministry of Finance and sectoral Ministries, regional governments, municipalities in the target regions), the private sector (e.g. local and national companies), and local communities. During parent project preparation, the PIU with the concerned municipalities and the sectorial Ministries conducted public consultations and meetings relating to proposed project activities in the project target regions and Sainte Marie. Extensive public consultations were conducted during the preparation of safeguards instruments to take into account the local populations' and communities' concerns regarding project design and impacts. Implementation of the parent project and AF will continue to apply participatory processes, which are at the very heart of the project approach. Since the beginning of implementation of the parent project, public consultations have been conducted in the target zones. A strong appropriation of the project activities by local populations is noted.

The current PIU has long-standing experience with public consultation and disclosure policy, through the previous IG2P/PIC2.1 project phases and the ongoing PIC2.2 project. During implementation of the PIC2.2 parent project and AF, any additional required environmental and social safeguards instruments will be prepared or those prepared and approved during parent project appraisal (ESMF, RPF, PMP) will be built upon through a consultative and participatory process involving all relevant stakeholders at the regional and national levels as well as within local communities and among beneficiaries of the activities. In particular, the PIU has a good practice of consulting project-affected groups and local non-governmental organizations on all environmental and social aspects of the project and taking their views into account accordingly. The PIU initiates these public consultations as early as possible and provides all relevant material in a form and language(s) that are understandable and accessible to the groups being consulted in a timely manner prior to consultation. All the safeguards instruments (PMP, ESIAs, ESMPs, RAPs; RPF and ESMF) have been approved by the Bank and disclosed in-country and on the World Bank's External Website on July 11, 2018.

B. Disclosure Requirements (N.B. The sections below appear only if corresponding safeguard policy is triggered)

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors

"In country" Disclosure

Resettlement Action Plan/Framework/Policy Process

Date of receipt by the Bank	Date of submission for disclosure

"In country" Disclosure

Pest Management Plan

Was the document disclosed prior to appraisal?	Date of receipt by the Bank	Date of submission for disclosure
Yes		

"In country" Disclosure

C. Compliance Monitoring Indicators at the Corporate Level (to be filled in when the ISDS is finalized by the project decision meeting) (N.B. The sections below appear only if corresponding safeguard policy is triggered)

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