



# Concept Environmental and Social Review Summary

## Concept Stage

### **(ESRS Concept Stage)**

Date Prepared/Updated: 12/01/2020 | Report No: ESRSC01676



**BASIC INFORMATION**

**A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Madagascar	AFRICA EAST	P174684	
Project Name	Madagascar Economic Transformation for Inclusive Growth		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing	1/4/2021	3/17/2021
Borrower(s)	Implementing Agency(ies)		

Proposed Development Objective

The Development Objective is to increase private investment and the growth of Small and Medium Enterprises in targeted regions in Madagascar.

Financing (in USD Million)	Amount
<b>Total Project Cost</b>	<b>100.00</b>

**B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?**

No

**C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]**

The Project Development Objective (PDO) for Madagascar Economic Transformation for Inclusive Growth Project (named PIC 3) is to increase private investment and the growth of small and medium enterprises in targeted regions in Madagascar. The PIC 3’s integrated, multi-sectoral approach to job creation and inclusive growth is fully aligned with the objectives of the World Bank 2017-2021 Country Partnership Framework. 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. The project specifically supports the two Focus Areas of the CPF, namely: i) increase resilience and reduce fragility; and ii) promote inclusive growth. It aligns with the CPF objective of unlocking productivity in labor-intensive sectors by improving the investment climate and building resilient infrastructure. This project is presented as the first in a Series of Projects (SOP), which will share the same PDO as the proposed first



project. This new series will build on the successful model implemented under the preceding Integrated Growth Pole (PIC) operations (PIC1, PIC2-1 and PIC2-2), which focused on local economic development, while also supporting reforms at the national level, both with the objectives of increasing investments, firm growth and the creation of jobs. PIC3-1 (Phase I) will support the economic recovery from the COVID-19 crisis, the expansion of the PIC model to new regions and sectors, while also piloting novel approaches that if successful can be scaled under the PIC3-2 project. This project is expected to have four (4) components:

**Component 1: Removing Key Binding Constraints for Private Investment – National Level.** The component will focus on streamlining, automating and making more transparent the interactions between government institutions and businesses, as related to registration of firms, and obtaining of licenses, permits, approvals and other key documents needed for a business to operate in Madagascar. The component will also support building the capacity of key public sector ministries and agencies, but also of key private sector entities to ensure an effective implementation and sustainability of these reforms. For the tourism sector, it is expected that the PIC3-1 will finance TA, capacity building and equipment to support the Ministry of Tourism, the institution in charge of tourism promotion at the national level, the Tourism Confederation of Madagascar and regional tourism offices in the targeted poles to strategically plan for and operationalize a more competitive destination in the post-COVID global context. To ensure private sector engagement and input to the reforms implemented under this component, the project will use established public-private dialogue platforms, or create ad-hoc working groups for discussions on the reforms being proposed, validate changes made and support implementation and communication of the reforms and activities being undertaken.

**Component 2: Removing Key Binding Constraints for Private Investment – Regional Level.** This component will include the continuation of local infrastructure and human capital investments done under the PIC2-2, such as small works in water delivery, solid waste management, and improvement of key access roads to local economic clusters, among others. In addition, it will also support local actors, including communes, districts and regional governments to enhance their capacity to conduct and support the planning processes required in cases of private investment in the agribusiness and tourism sectors anchored in these regions.

**Subcomponent 2.1: Facilitate tourism sector recovery and increased competitiveness.** In the post-COVID context, this subcomponent will focus on enhancing competitiveness of destinations in the target regions, and ultimately of the overall “Destination Madagascar”. As such, it will build on work carried out under PIC 2.1 and PIC 2.2 to continue supporting the public and private sectors to (i) develop, manage and position more diversified destinations, and (ii) generate greater private investment in tourism supply. It will finance TA, capacity building, equipment and civil works to (i) implement site upgrades for selected attractions and support improved management of those sites; (ii) improve local infrastructure and services in the poles to create a more favorable environment for citizens and tourists and to enhance the attractiveness for investment in the tourism industry, (iii) develop strategies to improve marine and air connectivity to targeted destinations, (iv) enhance local skills for the tourism industry, and (v) support to decentralized territorial local authorities (DTLA) and decentralized technical services (DTS), to enhance public-private collaboration for local infrastructure management.

**Subcomponent 2.2: Facilitate agribusiness sector recovery and increased competitiveness.** This subcomponent will support the recovery of efficient, diversified and sustainable agribusiness systems in the Target Regions. The component will also support strengthening value chains already supported in target regions while also looking to pilot support to new value chains with strong diversification potential while leaving open the possibility of expanding to other value chains. The subcomponent will finance TA (i) and capacity building to support inclusive, innovative and climate-smart technologies for agribusiness SMEs; (ii) equipment and civil works to rehabilitate urban and rural secondary and tertiary roads directly linked to key agricultural value chains; (iii) capacity building, equipment and



small civil works to improve overall municipal service delivery , render expected outcomes of project interventions more sustainable, and enhance local municipalities’ capacity to conduct the planning processes required in cases of private investment in the agribusiness sector. And the sub-component will also provide small grants based on the OCAI model to DTLA that encourage delivery of communal and intercommunal sub-projects linked to supported agribusiness value chains.

### Component 3: Supporting SME and Entrepreneurship Growth

Subcomponent 3.1: Strengthen Ecosystem Support for Entrepreneurship and SME Growth. This subcomponent will stimulate the supply side of the local economy at two levels: (i) by facilitating capability buildup and growth of the domestic private sector through supporting the entrepreneurship ecosystem; (ii) by increasing the provision of rapid technology and entrepreneurial skills to firms that meet local private and public sector needs. It will support: (i) Capacity building of intermediaries’ to boost local private firms’ growth, through the provision of increased quality of business services, entrepreneur managerial capabilities, technical training, and mentorship provided to ideation and early-growth stage firm, with the aim of incubating and accelerating new businesses in target sectors; (ii) Rapid private sector provision of key digital and entrepreneurial skills. This will include financial and technical support for private providers to increase the overall numbers of technical (digital) trainees, including specifically the number of women trainees . The component will support active outreach of these providers to help participants develop practical, in-demand skills and experience in their training, based on good practice models.

Subcomponent 3.2.: Direct Support to Start-ups and SMEs in targeted sectors. This subcomponent will aim to provide financial and non-financial support to growth-oriented start-ups and SMEs in the target project sectors: tourism, digital and agribusiness. In order to provide the TA needed to support these start-ups and SMEs, the project will hire existing incubators, accelerators or business development service (BDS) providers to carry out the support, acceleration and incubation of these businesses. The subcomponent will support: (i) The expansion of digital, agribusiness and tourism firms in the domestic and global markets. It will finance business development and outreach activities to build linkages between Malagasy firms and buyers in regional and global markets, and specifically new markets beyond France (in Asia, Europe, USA), particularly for small and women-led firms; (ii) the access of digital SMEs to public procurement contracts. This will be carried out through financing outreach, networking, and training activities of domestic digital firms; (iii) and Expansion of MBIF, a competitive grant program, which will support the creation of new enterprises and growth-oriented SMEs and the realization of investments with significant economic, environmental and social externalities in the tourism, agribusiness and digital sectors. This subcomponent will also seek to leverage additional private investments to help growth-stage development of SMEs. To help leverage additional capital and investment support, the project will set aside resources (up to US\$5 million) for investing or co-investing in growth-oriented SMEs and entrepreneurs.

Component 4: Project Implementation. This component will finance the PMU and allow it to implement the project, comply with fiduciary rules and safeguards, and fulfill monitoring and evaluation (M&E) and impact evaluation commitments. Specifically, it will fund: (a) the continued operation of the PIC 2.2 National Project Secretariat PMU based in Antananarivo, as well as decentralized technical units in the four Target Regions and Sainte Marie; (b) the digital Coordinator under PIU at the national level; (c) the project’s M&E system; and (d) the preparation and implementation of all safeguards processes and documentation.

## D. Environmental and Social Overview



D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The DIANA Region (located in the northern part of the country) has abundant and diversified natural resources. The vegetation formations in the DIANA Region follow the climatic and edaphic conditions of the environment composed of four (4) types of forest: (i) Dense humid evergreen forest; (ii) Dense humid mountain forest; (iii) Dense dry forest; and (iv) Mangroves. The region has several formal protected areas. Similarly, to the population of Madagascar in general, that of the DIANA Region is characterized by a wide ethnic diversity where the society is heterogeneous and where various religions and beliefs coexist. Nearly 60% of the population is Christians, and 30% Muslim, the rest adhere to traditional belief systems based on ancestor worship. In Diana Region, there are more sacred sites than in any other region of Madagascar. For each activity, such cultural/worship sites will be identified during the related studies and all possible precautions will be taken to avoid them. Nosy be is an island within the DIANA Region. It is a growth pole with high tourism potential, that attracts many immigrants. The result is a melting pot of people with various habits and customs. Nosy be has several Nature Reserves and has also marine protected areas.

The Anosy region is situated in SouthEastern Madagascar. This Region is endowed with diverse resources and benefits from natural assets ranging from shrubby forests to large green primary forests rich in fauna and flora. The region also has 194 km of coastline with magnificent beaches. The region has vast wooded areas as well as conservation sites, private and public protected areas rich in biodiversity, waterfalls, lakes and geothermal springs (e.g. Ranomafana National Park). The region is mainly populated by Antanosy tribes. They bury the dead in forests. Therefore, forests are home to many sacred sites. The regional economy is mainly based on mining, exploitation of fishery resources, agriculture and tourism.

By its surface area, the Atsimo-Andrefana Region is the biggest Region of Madagascar. It is located in the southern part of the island which is known for its aridity. There are many ecosystems and natural habitats which are all important: dense dry forests, xerophytic thickets, mangroves, marshy formations, among others. Land clearing, illegal cutting of precious woods, charcoal production and bush fires are the main anthropogenic pressures on natural resources identified in the ecological corridor. The region is mainly populated by Antandroy, Bara, Mahafaly tribes. Sainte-Marie is an island of the East Coast of Madagascar and is one of the most well-known tourism destinations in the country. Its lagoons are endowed with important coral reefs and its underwater fauna and flora constitute a preserved natural heritage and a first-rate diving site in the Indian Ocean. Sainte-Marie has a dozen cultural sites used as tourist attractions.

Finally, the Analamanga Region is new for PIC Project. It is located in the center of the country and is host to most of Malagasy ICT companies (mainly in the capital city Antananarivo). Except electronic waste management, there are no specific E&S issues.

The PIC 3 project has been designed to build on the strong base for growth of the preceding SOP (PIC 2.1& 2.2) in agribusiness and tourism in the target regions through a deepening of interventions and limited strategic geographical extension. This project will deepen investments and activities already started under PIC 2.2, while expanding the geographic focus to the Analamanga region, to help in the recovery from the COVID-19 pandemic. In addition, during project preparation additional regions may be considered for pilot interventions. PIC3 is thus more focused on the recovery from the economic impacts of the COVID-19 pandemic on the local private sector. The main outcomes of the project will be growing SMEs in target sectors, with a rising contribution to GDP and job creation.

D. 2. Borrower's Institutional Capacity

As a cross-sectoral strategic project, PIC3 will continue with the Project Management Unit that has managed the preceding PIC series and coordinate closely with the same relevant line ministries including the Ministry of Tourism,



the Ministry of Agriculture, and the Ministry of Industry, Trade and Entrepreneurship. At the technical level, the PMU will be supported by expert advisors and will work in close collaboration with relevant agencies, delegated authorities from line Ministries, and decentralized technical units in project areas. The PMU will be supported at the regional level through strong decentralized technical units in Diana, Atsimo-Andrefana, Anosy, Sainte Marie and Analamanga. The decentralized technical units will consist of technical specialists in areas such as private sector development, tourism and agribusiness, according to the project activities in each region. The units will be responsible for acting as focal points for each region, overseeing implementation, and leading and reporting on dialogue with local stakeholders. The PMU for PIC 3 will be the same that implemented PIC 2.2, was subsequently reinstated, and is currently successfully implementing PIC 2.1. The Implementation Completion Report (ICR) of PIC 1 rated the PMU’s performance as highly satisfactory, and “deeply committed to the achievement of the project development objectives. The PMU has previous experiences in implementing World Bank’s safeguards policies with the preceding SOP PIC projects and has dedicated E&S specialist overseeing and implementing the environmental and social mitigation instruments, and also VBG consultants to support VBG action plan in DIANA (Diego, Nosy be) which will be expanded to Sainte-Marie and Atsimo Andrefana. As such, the PMU is familiar with World Bank’s safeguards policies and has applied these satisfactorily in these same targeted regions. The PMU safeguard staff have taken part in the basic Environment and Social Framework (ESF) training provided by the Bank. They have demonstrated strong capacity in the previous SOP, and the WB will continue capacity building with the application of the ESF. The they will need particular support for the implementation of new additional measures related to ESS2 (such as LMP), and ESS 10 (SEP) as well as on GBV/SEA.

## II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC)

Substantial

#### Environmental Risk Rating

Moderate

In line with the World Bank ESF guidelines the environmental risk rating (ERR) for this project has been classified as Moderate. The adverse environmental impacts from activities from component 2 relate to: (i) emission of dust, noise, debris, waste products during construction; (ii) health and safety of workers and traffic disruption during construction of tourism infrastructure and access and feeder roads; and (iii) the use of pesticides associated with agriculture activities that could cause adverse health effects, land and water pollution. The activities supported in component 3 on increasing digital services are anticipated to increase electronic waste including heavy metals that could contaminate soil and air and have deleterious effects on humans. All these adverse potential risks can be effectively prevented, mitigated, or minimized on-site in a predictable manner through good engineering design. Support provided under Component 3 for strengthening SME growth in targeted sectors (tourism, agri-business sector) are anticipated to result in the aggregation of direct impacts over time.

#### Social Risk Rating

Substantial

In line with the World Bank ESF guidelines the social risk rating (SRR) for this project has been classified as Substantial. It is expected that these project activities will have essentially positive social impacts by creating space for investment in private sector, tourism, etc... which are expected to create employment opportunities and resources. The project would entail employment of labor for the construction of local infrastructure and facilities, rehabilitation of urban,



rural secondary and tertiary roads (component 2). Workers will mostly be from the same region, but some interventions may require the engagement of foreign companies / labor given their specialized nature. Therefore, project components are likely to induce some social risks and adverse impacts that are mostly temporary, predictable and/or reversible. Hence labor conditions (protection of the labor force and failure to comply with the labor standards of non-discrimination, child and forced labor, as well as the potential for exploitation and abuse of surrounding communities and tourism workers), labor influx and associated risk and impacts can be a point of concern, especially on community health (including the risk of transmission of diseases such as STDs/HIV , as well as the transmission and propagation of COVID-19) and Gender-based violence (GBV)/ Sexual Exploitation and Abuse (SEA). The initial GBV risk screening has classified the GBV/SEA risk as Substantial which is mainly linked to development of tourism activity (tourism influx) supported by the project in targeted regions. Furthermore, community health and safety may be adversely affected by waste/debris transportation to dump site, air and water pollution emanating from construction site and labor camps. The project needs also to address issues related to data privacy and security with respect to interventions in the digital sector/access expansion. There may also be a need for land acquisition and subsequent resettlement, physical and economic displacement— the extent of which can be determined based on a detailed social analysis to be performed during preparation. Risk of exclusion of potential SMEs, or young entrepreneurs, or stakeholders in the targeted sector (tourism, agri-food,...) that may be linked to a lack of transparency and communication should be considered. No adverse and irreversible risks and impacts on cultural heritage have been identified. The client E&S risk management capacity is relatively sound as the PMU has experienced safeguard staff who have already received basic training on the ESF. Given the nature and scale of the project, overall social risk and impact, capacity of the IAs and context under which the project will be implemented, the social risk rating is initially set at “Substantial”. This social risk rating will be revisited before appraisal as project locations and detailed design of components and activities are determined and will continue to be assessed and re-assessed during implementation.

## **B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered**

### **B.1. General Assessment**

#### **ESS1 Assessment and Management of Environmental and Social Risks and Impacts**

##### ***Overview of the relevance of the Standard for the Project:***

From the preliminary review carried out at this concept stage, the project does not involve any activities that could generate significant and irreversible environmental and social impacts. The project will finance mostly capacity building and technical assistance activities, some grant provided and equipment for tourism facilities. However, significant social risks linked to components 1 and 3 relate mainly to the risk of exclusion of potential SMEs, or young entrepreneurs, or stakeholders in the sectors of intervention (tourism, agri-food,...) that may be linked to a lack of transparency and communication about the project's activities and the potential/conditions to benefit from it. Component 2 which will finance subprojects of upgrading urban connectivity and service for tourism may involve minor construction/rehabilitation works, such as renovations. Environmental and social risks related to civil works will be limited to the construction phase, and may include waste generation, hazardous material management, noise and vibration, wastewater discharges and air quality as well as occupational and community health and safety. Other environmental and social risks/impacts associated with implementing site upgrades for selected attractions and improving local infrastructure relate to the operational phase, and are linked to water and energy consumption, hygiene and food requirements, land and water management, the use of pesticides, manure and veterinary waste management. Scope of these works will be duly assessed once defined during preparation of the project. The





presence of immigrant workers, and also the increase of tourist influx could also increase the risk of transmission of diseases such as STDs/HIV, as well as the transmission and propagation of COVID-19. Most of the project's components offer capacity buildings among public and private sector entities. These capacity building activities are not expected to have direct adverse environmental and social impacts. But these activities may trigger issues of labor conditions, discrimination, SEA/GBV and stakeholder engagement issues such as the community stakeholders feeling less involved in decision-making processes and feeling their interests are probably not being considered. The Stakeholder engagement Plan (SEP) will more specifically include a social inclusion and citizen engagement strategy to mitigate risks of exclusion of any groups and to overcome potential cultural and situational barriers. The social risks relate to the protection of the labor force and failure to comply with the labor standards of non-discrimination, child and forced labor, as well as the potential for exploitation and abuse of surrounding communities and tourism workers. Cumulative impacts, whether related to tourism or agribusiness, will be assessed as part of relevant subproject instruments. Under PIC 2.2 a strategic Environmental and Social Assessment (SEA) for the tourism sector has been conducted. The SEA findings determined that activities have generated economic growth and revenue generating opportunities, but no cumulative environmental impacts have been identified with regards to existing projects. PIC3 will continue with the same approach, and whether in agribusiness or tourism the activities are not considered to be a risk for overloading carrying capacity in any given region.

An Environmental and Social Management Framework (ESMF) that will be informed by an environmental and social risks and impacts analysis will be prepared by the client and an advanced draft disclosed before appraisal. The ESMF will also contain provisions to ensure that potential labor risks, including child and forced labor, discrimination and sexual harassment, are properly addressed in practice as well as throughout all the project documentation, including ESMPs, bidding documents, and civil works contracts. The ESMF will also ensure proper consultation with project beneficiaries and the implementation of a Stakeholder Engagement Plan (SEP). An Integrated Pest Management Plan (IPMP) to ensure safe pest management procedures are applied to the selected projects will also be developed as part of the ESMF. For the other TA activities as well as its own staff, the PMU will incorporate reference to the E&S Standards and Labor Management Procedures (LMP) in the TORs to ensure that the activities and outputs are in line with these standards. During project preparation, the WB will undertake its due diligence on the capacity of the implementing agency capacity, and further assess the relevance of ESSs for the project. All sub-projects will be assessed for their potential environmental and social risks and impacts using an E&S screening tool to be developed as part of the ESMF and subsequent ESAs proportionate to the risks and nature of the sub-project will be required ensuring that these assessments include the requirements of the Bank Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups. The impacts of agribusiness sub-projects and/or civil works will be addressed in the respective ESMPs of these sub-projects in accordance with the results of the related E&S screening tools, including those arising from SEA/GBV, STD and/or COVID 19. In addition, risks and impacts associated with the influx of tourists will be addressed both in the TA and training of tourist operators, in their Code of conduct and the implementation of GBV action plan by the PIC project. With the current PIC 2.2 project, the PMU has already a GBV action plan, and Grievance mechanism. These tools need to be updated to fit with the current scope and location of the PIC3 project. A Stakeholder Engagement Plan (SEP) will be developed during early preparation of the project that will promote participation of vulnerable groups and consider sensitivities of GBV/SEA issues. In line with ESF requirements, the Borrower will develop by appraisal (i) the first Environmental and Social commitment plan (ESCP) which could be adjusted during the project life keeping with the evolution of environmental and social risks and impacts; (ii) a draft stakeholder engagement plan (SEP), including the updated GM; (iii) a draft Environmental and Social Management Framework (ESMF); (iv) a draft Resettlement Framework (RF); (v) a draft of Integrated Pest





Management Plan (IPMP); (vi) a draft Labor Management Procedures (LMP); (vii) and an update of GBV/SEA action plan.

**Areas where “Use of Borrower Framework” is being considered:**

The Borrower’s E&S Framework is not being considered for this project, either in whole or in part.

**ESS10 Stakeholder Engagement and Information Disclosure**

ESS10 is relevant for the project. At this stage, stakeholders identified for the project would include (i) the Project Affected People—all residents in the focused regions (Diana, Atsimo Andrefana, Anosy, Sainte Marie and Analamanga), particularly potential local communities for tourism sector and SMEs; (ii) The three Ministries, namely, the Ministry of Tourism, the Ministry of Agriculture, and the Ministry of Industry, Trade and Entrepreneurship; (iii) All institutions in charge of tourism promotion at the national level (ONTM), the Tourism Confederation of Madagascar (CTM) and regional tourism offices in the targeted poles (ORTs); (iv) SMEs, entrepreneurs, farmers and local firms; (v) local actors, including communes, districts and regional governments and (vi) entrepreneurship hubs, incubators and other BDS providers, including, but not limited to.

The PMU will prepare the project’s Stakeholder Engagement Plan (SEP) according to the requirements of ESS10 by further identifying and mapping specific stakeholder groups of the project, considering special needs such as cultural practices or any other obstacles for effective engagement and consultation throughout the project lifecycle. The SEP will also include mechanisms to communicate on environmental and social risks associated with the project as well as gather feedback on these risks from concerned stakeholders. During project preparation, consultations will be carried out and raised concerns, especially those from disadvantaged or vulnerable individuals or groups summarized in the SEP to be taken into account in project design and E&S planning and instruments. The SEP will also include establishing and maintaining a grievance redress mechanism to respond to public inquiries and complaints and to ensure concerns are recorded and responded to on a timely basis. The SEP will be prepared, cleared, and disclosed before appraisal.

Public Disclosure

**B.2. Specific Risks and Impacts**

**A brief description of the potential environmental and social risks and impacts relevant to the Project.**

**ESS2 Labor and Working Conditions**

ESS2 standard is relevant for the project. Project workers for this project will include direct and contracted workers (which will include technical consultants, agri-entrepreneurs, business experts and contractors for renovation works); primary supply workers. Relevance of ESS2 to all types of project workers, including the labor and working conditions for contracted workers will be assessed during preparation. Renovating tourism and agribusiness facilities at the component 2 are labor-intensive and potentially hazardous workplaces that expose their workers to a wide range of hazards. During preparation, the project design and ESMF will be further developed to support and enable the better control of OHS risks in both sectors, while at the same time promoting employee well-being and a safer work environment.

The Republic of Madagascar has a clear legal framework governing the right of workers (the law 2003-044 of July 28, 2004 which established the Labor Code). This code preserves the worker's essential interests (trade union rights, employment contract, health and safety, intimidation, sexual harassment). Various laws and regulations (decrees,



orders, decisions) supplement the Labor Code, mainly the Law n ° 66-003 of July 2nd, 1966 on the General Theory of Obligations (in particular, the contracts of employment of consultants not subject to Labor Code are governed mainly by this Law on TGO and the provisions relating to the obligations of the French Civil Code of 1960 applicable to Madagascar). to provide a system in which to raise workers' concerns.

The PMU will prepare Labor Management Procedures (LMP). The Procedures will set out the way project workers will be managed in accordance with the requirements of national laws and ESS2. The Borrower will develop and implement (i) required labor conditions as part of Labor Management Plan (LMP); (ii) a worker's Grievance Mechanism (GM) which could address all workers complaints; and (iii) sensitization related to the availability of worker's Grievance Mechanism (GM) and to the respect of code of conduct to prevent and address potential harassment, child labor, gender discrimination or GBV/SEA issues, intimidation and/or exploitation during the implementation of the activities financed under this project. Mitigation measures to manage potential risks of GBV and SEA, and to avoid forced labor, as a result of the project will be included as part of the ESMF and subsequent ESMPs, SEP and RPF, as well as in the bidding documents and contractors' contracts. The LMP will include assessment of Occupational Health and Safety (OHS) risks and impacts, and provisions for labor camps related to project activities as they are defined through preparation and proposed measures to manage those risks – in tandem with sub-project ESA instruments.

### **ESS3 Resource Efficiency and Pollution Prevention and Management**

ESS3 is relevant to the project. The project may present risks/impacts linked to pollution management of waste generated, dust emission, noise and vibrations during minor civil works that will be defined. Other impacts are related to resources use efficiency and possible use of pesticides and veterinary products from supported farmers. The ESMF will identify all the risks/impacts, and an Integrated Pest Management Plan prepared to mitigate risks associated with increased pesticide use. The effective implementation of the IPMP will address risks associated with water and soil pollution from the use of pesticides that may arise from spillage or drift or other accidental contamination. The project may also present risks linked to hazardous materials associated with electronic waste that may contain heavy metals or other harmful materials that could be released into airways and waterways if not properly disposed of. The project will seek to reduce and recycle waste as much as possible and an electronic waste management plan (E-Waste MP) will be prepared once the scope, scale and type of e-waste is identified in order to adequately mitigate associated risks. If necessary, as result of E&S screening tools, other ESS3 issues like efficient water consumption and gross GHG estimation will be followed up.

### **ESS4 Community Health and Safety**

ESS4 is relevant to the project. Communities health and safety issues are associated to typical risks/impacts of minor civil works, such as dust, noise, vibrations, waste and road safety. The propagation of COVID19 as a result of project activities might be also identified as a potential risk. Minor civil works may result in the presence of workers and/ or influx of opportunistic migrants. This has the potential to result in impacts to community health. Gender-based violence (GBV), sexual exploitation and abuse (SEA), and the spread of sexually transmitted and communicable diseases, may occur especially as the communities are rural and remote. This will be linked both to labor influx and increased activity of tourism in the targeted areas. The E&S procedures in the ESMF will identify all project related risks and /impacts and propose mitigation measures and appropriate management plans such as the environmental



and social management plans (ESMPs) for managing such risks and impacts that will provide more site-specific and detailed mitigation measures, monitoring indicators, budget and roles and responsibilities. Community health and safety risks (STD, ...) related to increased activity in tourism or influx of tourists will be addressed through related community awareness, public service enhancements—including health, partnership with health projects, etc. Issues related to data privacy and security with respect to interventions in the digital sector/access expansion will be considered in collaboration with the MG Digital governance project (P169413). The GBV risk of the project has been classified as substantial. The current PIC 2.2 project has already a GBV action plan. This current GBV action plan will be assessed and updated during the preparation of PIC 3.3 and appropriate mitigation measures should be included in project design.

### **ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

ESS5 is relevant to the project. Improvement of water delivery and rehabilitation of key access roads (rural and urban), to local economic clusters, site upgrades for selected attractions; improvement of local infrastructure and services in the poles in component 2 may require land acquisition for some of its planned infrastructure. This might lead to the loss of land and loss or the disruption of income streams and livelihood activities for individuals or groups of people. However, the full extent of land acquisition, displacement of people and disruption of livelihoods will be known after a socio-economic impact of the subproject has been conducted as part of the related ESIA. A preliminary assessment of such risks will be provided in the draft ESMF.

The Government has clear regulations regarding land acquisition (Law n°2005-019 of October 17, 2005 laying down the principles governing the statutes of lands and Law n°2006-031 of November 16, 2006 laying down the legal regime of private land ownership), however there are limited regulations regarding involuntary resettlement (Ordinance n°62-023 of September 19, 1962 relating to expropriation for public benefit, to the amicable acquisition of immovable property by the State or the secondary public authorities and to the land gains).

To avoid, minimize and to manage any land acquisition issues, and in compliance with ESS5 (and ESS10 for consultation and mobilization) the project will develop a Resettlement Framework (RF) prior to appraisal. Subsequent Resettlement Plans (RP) will be required for all subprojects that will induce such impacts.

### **ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources**

ESS6 is assessed as currently relevant according to the following preliminary biodiversity baseline.

The DIANA Region (located in the northern part of the country) has abundant and diversified natural resources. The vegetation formations in this region follow the climatic and edaphic conditions of the environment composed of four (4) types of forest: (i) Dense humid evergreen forest; (ii) Dense humid mountain forest; (iii) Dense dry forest and (iv) Mangroves. Indeed, the presence of several protected areas and the natural resources in this region increase its potential for tourism activities. The region has several formal protected areas (Montagne d'Ambre, Montagne des Français, Ankarana ...). In terms of biodiversity, there are humid tropical forests in Nosy be including those of the Integral Nature Reserve of Lokobe, and the Nosy Sakatia forest. The marine protected area of Nosy Tanikely was established during PIC1 Project. These forests cover correspond, from a climatic point of view, to areas where the rainfall is greater than 2,000 mm per year and, above all, where the dry season is little marked. Some secondary forests also occupy vast spaces in Nosy be and in its satellite islands.



The Anosy region is situated in SouthEastern Madagascar. This Region is endowed with diverse resources and benefits from natural assets ranging from shrubby forests to large green primary forests rich in fauna and flora. The region also has 194 km of coastline with magnificent beaches. The region has vast wooded areas as well as conservation sites, private and public protected areas rich in biodiversity (Andohaëla, Berenty, Ouest Tranomaro, Nord Ifotaka, Sud-ouest, Ifotaka, Taviäla ...), waterfalls, lakes and geothermal springs (e.g. Ranomafana National Park).

Despite the low rainfall or the aridity of certain areas of the Atsimo Andrefana Region, in terms of biological resources, there are many ecosystems and natural habitats which are all important: dense dry forests (Mikea National Park, Tsimanampetsotsa,), xerophytic thickets, mangroves, marshy formations, sclerophyllous forests, riparian forests, herbaceous formations, coral reefs (in particular the large reef of Toliara and the fringing reefs of Nosy Ve) and other water bodies.

Lagoons in Sainte-Marie are endowed with important coral reefs and its underwater fauna and flora constitute a preserved natural heritage and a first-rate diving site in the Indian Ocean. Sainte-Marie is also well known as an island that is host to a spectacular “ballet of whales” every year during the southern winter. On a regular basis, large groups of humpback whales (*Megaptera novaeangliae*) migrate from Antarctica to the Sainte-Marie's Channel.

The project is unlikely to negatively affect any biodiversity, their natural habitat, or living natural resources and ecosystem services. The promotion of tourism may include the promotion of environmental tourism which could increase revenues and benefit management of the associated sites. Overall, the living natural resources and their assemblage are expected to be positively affected / benefited if project components and interventions can efficiently be implemented and result in cleaner air and water quality. Risks to biodiversity associated with increased tourism are likely to be of a scale that can be mitigated through design. Further screening and assessment will be conducted as next step proportionate to the identified risks, and screening criteria will be included in the ESMF ensuring environmental services and social risks related to these and potential restriction of access to natural resources are properly addressed as part of screening and covered once project sites and activities are known.

#### **ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities**

ESS7 is not relevant for the project. There are no Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities that meet the criteria of IP/SSHAUTLCs, per the requirements of this Standard, in the project area.

#### **ESS8 Cultural Heritage**

ESS8 is assessed as currently relevant. There are more sacred sites in the Diana Region than in any other Madagascar region. For each activity, cultural/worship sites will be identified during the related studies and all possible precautions will be taken to avoid them. During the past SOPs, all cultural/worship sites in Nosy Be were been inventoried. Some of them have been protected by PIC Project when located in the vicinity of a given work area. In Anosy region, mainly populated by Antanosy, communities bury their dead in forests ; therefore, forests are home to many sacred sites. Sainte-Marie has a dozen cultural sites used as tourist sites including the Pirates’ cemetery, “Ile aux Forbans”, the Queen Betty Museum, “Ilot Madame” and others.

As it is expected that project sites will be in well-developed industrial and municipal areas, the proposed project activities are expected to have no adverse impacts on archaeological, paleontological, historical, architectural, religious, aesthetic, or other cultural resources however, an assessment will be done on all proposed project sites,



once identified, to verify if such sites are located near to any heritage sites. Potential chance finds are also possible due to civil works.

To manage and mitigate the identified risks related to ESS8, further screening and assessment will be conducted next step proportionate to the identified risks, and screening criteria will be included in the ESMF as well as chance find procedures which will also be included in the relevant ESMPs and contractor contracts. Potential commercial use of cultural heritage site will be avoided without informed, adequate, and large consultation process, and agreement from relevant stakeholder.

**ESS9 Financial Intermediaries**

ESS9 is assessed as not currently relevant, however because of the implication of the project to financing to private SMEs, the relevance of this standard will be further assessed during the project preparation and measures adjusted as needed.

**B.3 Other Relevant Project Risks**

COVID-19 not only represents a worldwide public health emergency but has become an international economic crisis that could surpass the global financial crisis of 2008–09. Right now, containment and mitigation measures are necessary in nearly every country to limit the spread of the virus and save lives. Madagascar has recently issued a state of emergency as a preventive measure to contain the virus, with the complete shutdown of the Capital City (Antananarivo) and an uncertain evolution of the virus that come with the reducing economic activity in the country, including in the project’s two implementation regions (Anosy and Atsimo-Andrefana) in the Great South.

**C. Legal Operational Policies that Apply**

**OP 7.50 Projects on International Waterways** No

**OP 7.60 Projects in Disputed Areas** No

**III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE**

**A. Is a common approach being considered?** No

**Financing Partners**

N/A

**B. Proposed Measures, Actions and Timing (Borrower’s commitments)**

**Actions to be completed prior to Bank Board Approval:**

Actions to be completed prior to Appraisal:

- Preparation, consultation and disclosure of Draft Environmental and Social Commitment Plan (ESCP)
- Preparation, consultation and disclosure of Draft Environmental and Social Management Framework (ESMF);

Public Disclosure



- Preparation, consultation and disclosure of Draft of Integrated Pest Management Plan (IPMP)
- Preparation, consultation and disclosure of Draft Labor Management Procedures (LMP)
- Preparation, consultation and disclosure of Draft Resettlement Framework (RF)
- Preparation, consultation and disclosure of Draft Stakeholder Engagement Plan (SEP),
- Review and update, if necessary, the existing preceding PIC PMU Grievance Mechanism (GM) to be included within the SEP
- Review and update, if necessary, the existing preceding GBV Action Plan

**Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):**

Environmental and Social Management Framework (ESMF), Integrated Pest Management Plan (IPMP), Labor Management Procedures (LMP), Resettlement Framework (RF), Stakeholder Engagement Plan (SEP), Grievance Mechanism (GM), GBV Action Plan will be finalized and implemented as a requirement under the ESCP. Capacity building on ESF for relevant stakeholders will be included in the ESCP

**C. Timing**

**Tentative target date for preparing the Appraisal Stage ESRS**

22-Dec-2020

**IV. CONTACT POINTS**

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**Borrower/Client/Recipient**

**Implementing Agency(ies)**

**V. FOR MORE INFORMATION CONTACT**

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## **VI. APPROVAL**

Task Team Leader(s):	Cristian Quijada Torres, Justine White
Practice Manager (ENR/Social)	Africa Eshogba Olojoba Recommended on 19-Nov-2020 at 11:03:29 GMT-05:00
Safeguards Advisor ESSA	Peter Leonard (SAESSA) Cleared on 01-Dec-2020 at 17:06:35 GMT-05:00