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Report No: PAD4135

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF SDR 35.5 MILLION  
(US\$50.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MADAGASCAR

FOR AN ADDITIONAL FINANCING OF THE  
INTEGRATED URBAN DEVELOPMENT AND RESILIENCE PROJECT FOR GREATER  
ANTANANARIVO

NOVEMBER 25, 2020

Urban, Resilience And Land Global Practice  
Eastern and Southern Africa Region

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## CURRENCY EQUIVALENTS

Exchange Rate Effective Oct 31, 2020

Currency Unit = Malagasy Ariary

MGA 3,865.03 = US\$1

US\$1 = SDR 0.708

## FISCAL YEAR

January 1 - December 31

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## ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AGETIPA	Executing Agency for Public Interest Works ( <i>Agence d'Exécution des Travaux d'Intérêt Public et d'Aménagement</i> )
APIPA	Antananarivo Flood Protection Agency ( <i>Autorité pour la Protection contre les Inondations de la Plaine d'Antananarivo</i> )
CERC	Contingent Emergency Response Component
CMOD	Delegated Contract Management Agreement ( <i>Convention de Maitrise d'Ouvrage Déléguée</i> )
COVID-19	Coronavirus Disease 2019
CUA	Municipality of Antananarivo ( <i>Commune Urbaine d'Antananarivo</i> )
CPF	Country Partnership Framework
DGATE	Directorat General for Land Use Planning and Equipment ( <i>Direction Générale de l'Aménagement du Territoire et de l'Équipement</i> )
EFA	Economic and Financial Analysis
ESIA	Environmental and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FID	Intervention Fund for Development ( <i>Fonds d'Intervention pour le Développement</i> )
FM	Financial Management
FY	Fiscal Year
GA	Greater Antananarivo
GDP	Gross Domestic Product
GFF	Global Financing Facility
GPE	Global Partnership for Education
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
IDA	International Development Association
JIRAMA	National Water and Electricity Utility ( <i>Jiro sy Rano Malagasy</i> )
IP	Implementation Progress
IPF	Investment Project Financing
IRM	Immediate Response Mechanism
ISR	Implementation Status and Results
MATP	Ministry in charge of Land Use Planning and Public Works ( <i>Ministère de l'Aménagement du Territoire et des Travaux Publics</i> )
M&E	Monitoring and Evaluation
NPV	Net Present Value
O&M	Operation and Maintenance
OP	Operational Policy
OPCS	Operations Policy and Country Services
PADAP	Sustainable Landscape Management Project ( <i>Projet d'Agriculture durable par une Approche Paysage</i> )
PAP	People Affected by the Project
PDO	Project Development Objective
PFM	Public Financial Management

PIC	Madagascar Integrated Growth Poles and Corridor SOP-2 ( <i>Projet Pôles Intégrés de Croissance et Corridors</i> )
PIFM	Madagascar Financial Inclusion Project ( <i>Project d'Inclusion Financière de Madagascar</i> )
PIU	Project Implementation Unit
PIM	Project Implementation Manual
PMU	Project Management Unit
PMDU	Multisectoral Emergency Plan ( <i>Plan Multisectoriel d'Urgence</i> )
PRODUIR	Integrated Urban Development and Resilience Project for Greater Antananarivo ( <i>Projet Intégré de Développement Urbain Intégré et Résilience du Grand Antananarivo</i> )
RAP	Resettlement Action Plan
RPF	Resettlement Policy Framework
SAMVA	Antananarivo Autonomous Sanitation Service ( <i>Service Autonome de Maintenance de la Ville d'Antananarivo</i> )
SCD	Systematic Country Diagnostic
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
TOR	Terms of Reference
UCP	Project Coordination Unit ( <i>Unité de Coordination des Projets</i> )
US\$	United States Dollars
WASH	Water, Sanitation and Hygiene

MADAGASCAR

INTEGRATED URBAN DEVELOPMENT AND RESILIENCE PROJECT FOR GREATER ANTANANARIVO  
ADDITIONAL FINANCING

TABLE OF CONTENTS

<b>I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING .....</b>	<b>7</b>
<b>II. DESCRIPTION OF ADDITIONAL FINANCING .....</b>	<b>12</b>
<b>III. KEY RISKS .....</b>	<b>19</b>
<b>IV. APPRAISAL SUMMARY .....</b>	<b>20</b>
<b>V. WORLD BANK GRIEVANCE REDRESS .....</b>	<b>26</b>
<b>VI. SUMMARY TABLE OF CHANGES .....</b>	<b>27</b>
<b>VII. DETAILED CHANGE(S) .....</b>	<b>27</b>
<b>VIII. RESULTS FRAMEWORK AND MONITORING .....</b>	<b>32</b>

**BASIC INFORMATION – PARENT (Integrated Urban Development and Resilience Project for Greater Antananarivo - P159756)**

Country Madagascar	Product Line IBRD/IDA	Team Leader(s) Michel Matera		
Project ID P159756	Financing Instrument Investment Project Financing	Resp CC SAEU2 (9348)	Req CC AECS2 (5547)	Practice Area (Lead) Urban, Resilience and Land

Implementing Agency: Ministry of Land Use Planning, Housing and Public Works

Is this a regionally tagged project?  No	
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Bank/IFC Collaboration  No	
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Approval Date 17-May-2018	Closing Date 28-Feb-2023	Expected Guarantee Expiration Date	Original Environmental Assessment Category Full Assessment (A)	Current EA Category Full Assessment (A)
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**Financing & Implementation Modalities**

<input type="checkbox"/> Multiphase Programmatic Approach [MPA]	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input checked="" type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on, Enhanced Implementation Support (HEIS)

**Development Objective(s)**

The Project Development Objective is to enhance urban living conditions and flood resilience in selected low-income neighborhoods of Greater Antananarivo; and to improve the Recipient’s capacity to respond promptly and effectively to an Eligible Crisis or Emergency.

**Ratings (from Parent ISR)**

	Implementation			
	08-Nov-2018	28-May-2019	09-Dec-2019	24-Jun-2020
Progress towards achievement of PDO	S	S	S	S
Overall Implementation Progress (IP)	S	S	MS	MS
Overall Safeguards Rating	S	S	MS	MS
Overall Risk	S	S	S	S
Financial Management	S	S	MS	MS
Project Management	S	S	MS	MS
Procurement	S	S	S	S
Monitoring and Evaluation	S	S	S	S

**BASIC INFORMATION – ADDITIONAL FINANCING (Additional Financing to Integrated Urban Development and Resilience Project for Greater Antananarivo - P175087)**


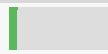

Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
P175087	Additional Financing to Integrated Urban Development and Resilience Project for Greater Antananarivo	Cost Overrun/Financing Gap	Yes

Financing instrument	Product line	Approval Date	
Investment Project Financing	IBRD/IDA	10-Dec-2020	
Projected Date of Full Disbursement	Bank/IFC Collaboration		
28-Feb-2023	No		
Is this a regionally tagged project?			
No			

**Financing & Implementation Modalities**

<input checked="" type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on, Enhanced Implementation Support (HEIS)
<input checked="" type="checkbox"/> Contingent Emergency Response Component (CERC)	

**Disbursement Summary (from Parent ISR)**

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed
IBRD				 %
IDA	75.00	6.04	66.83	 8.3 %
Grants				 %

**PROJECT FINANCING DATA – ADDITIONAL FINANCING (Additional Financing to Integrated Urban Development and Resilience Project for Greater Antananarivo - P175087)**

**FINANCING DATA (US\$, Millions)**



**SUMMARY (Total Financing)**

	Current Financing	Proposed Additional Financing	Total Proposed Financing
<b>Total Project Cost</b>	75.00	50.00	125.00
<b>Total Financing</b>	75.00	50.00	125.00
<b>of which IBRD/IDA</b>	75.00	50.00	125.00
<b>Financing Gap</b>	0.00	0.00	0.00

**DETAILS - Additional Financing**

**World Bank Group Financing**

International Development Association (IDA)	50.00
IDA Credit	50.00

**IDA Resources (in US\$, Millions)**

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
<b>Madagascar</b>	50.00	0.00	0.00	50.00
National PBA	50.00	0.00	0.00	50.00
<b>Total</b>	<b>50.00</b>	<b>0.00</b>	<b>0.00</b>	<b>50.00</b>

**COMPLIANCE**

**Policy**

Does the project depart from the CPF in content or in other significant respects?

Yes  No

Does the project require any other Policy waiver(s)?

Yes  No

**INSTITUTIONAL DATA**

**Practice Area (Lead)**

Urban, Resilience and Land

### Contributing Practice Areas

Social Protection & Jobs  
Water

### Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

## PROJECT TEAM

### Bank Staff

Name	Role	Specialization	Unit
Michel Matera	Team Leader (ADM Responsible)		SAEDR
Gael Fetraniaina Raserijaona	Team Leader		SAEU2
Pierre Francois-Xavier Boulenger	Team Leader	Sanitation	SAEW3
Sylvain Auguste Rambelason	Procurement Specialist (ADM Responsible)		EAERU
Maharavo Harimandimby Ramarotahiantsoa	Financial Management Specialist (ADM Responsible)		EAEG2
Andrianjaka Rado Razafimandimby	Social Specialist (ADM Responsible)	Social safeguards	SAES3
Paul-Jean Feno	Environmental Specialist (ADM Responsible)	Environment safeguards	SAEE3
Bonde Raharinoasy	Team Member	Operational assistance	AEMMG
Brenden Jongman	Team Member		SAEU2
Ellena Rabeson	Team Member		AWCF2
FNU Alphonse	Team Member	Consultant Sauvegarde	SAWS1
Hasina Tantelinirina Ramarson Ep Rafalimanana	Team Member	Social specialist	SAES3
Julia Rachel Ravelosoa	Team Member		HAES1
Laurent Corroyer	Team Member	Urban Resilience	SAWU1
Lira Hariravaka Rajenarison	Team Member	Governance	EAEG2
Noro Hajalalaina Rasoloarimanana Andriamihajas	Procurement Team		AEMMG

Salma Omar	Team Member	Social specialist	SAES3
Sandrine Razafimahefa	Team Member	Operational assistance	AEMMG
Sung Heng C. Kok Shun	Team Member	Operational assistance	SAWU1
<b>Extended Team</b>			
<b>Name</b>	<b>Title</b>	<b>Organization</b>	<b>Location</b>

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## I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

1. This Project Paper seeks the approval of the Executive Directors to provide an Additional Financing (AF) in the amount of US\$50 million to the Integrated Urban Development and Resilience Project for Greater Antananarivo (P159756). The US\$75 million parent operation was approved on May 17, 2018, became effective on March 28, 2019, and will close on February 28, 2023. The AF is proposed to fill the financing gap that has emerged following the activation of the Contingent Emergency Response Component (CERC) to support the Government of Madagascar (GoM) response to the social and economic shocks due to Coronavirus Disease 2019 (COVID-19) pandemic.

2. Madagascar is facing a health and socioeconomic crisis due to the impacts caused by the COVID-19 pandemic. Since 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 18, 2020. The number of detected COVID-19 cases began accelerating in early May, reaching 17,341 as of November 18, 2020. A multisectoral Emergency Plan to respond to the COVID-19 crisis was adopted on July 1, 2020. 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 IDA Immediate Response Mechanism (IRM) on August 10, 2020, to support the implementation of the multisectoral Emergency Plan, reallocating US\$123 million to the Contingent Emergency Response Components (CERC) of 3 Projects: Sustainable Landscape Management Project (P154698 PADAP), Madagascar Integrated Growth Poles and Corridor SOP-2 (P164536, PIC2.2), and Integrated Urban Development and Resilience Project for Greater Antananarivo (P159756, PRODUIR, the parent project). The IRM activation was approved by the World Bank Africa East Vice-President on September 2, 2020.

### A. Project original objective and scope

3. The Integrated Urban Development and Resilience Project for Greater Antananarivo is focusing on Drainage and Flood Risk Management, Urban Upgrading and Improving Social Resilience through improving access to basic services, and building institutions through improving planning, governance, financial and human resources management. The Project Development Objective is to: “enhance urban living conditions and flood resilience in selected low-income neighborhoods of Greater Antananarivo (GA); and to improve the Recipient’s capacity to respond promptly and effectively to an Eligible Crisis or Emergency.”

4. 650,000 people are expected to directly benefit from the Project. Beneficiaries live mostly in low-income neighborhoods in the first and fourth arrondissements of the *Commune Urbaine d’Antananarivo* (CUA) and the peri-urban communes of Anosizato Andrefana and Bemasoandro Itaosy. They are expected to benefit from improved drainage, sanitation, and road infrastructure. A further estimated 2 million people will benefit indirectly from flood protection investments and citywide infrastructure improvements.

5. Component 1 - Improving urban drainage, services and resilience in targeted areas (US\$58 million equivalent). This component finances: (i) flood and drainage risk reduction, (ii) urban upgrading and integration of vulnerable neighborhoods into the urban fabric while ensuring active citizen

engagement in diverse processes of design and implementation. Subcomponent 1.1 (US\$36.6 million) finances the reconstruction of a 12km canal that provides stormwater drainage for the western portion of the urbanized floodplain (Canal C3); the rehabilitation of 5km of embankments along the Ikopa and Sisaony Rivers; the construction of a sludge disposal site for sediments dredged from the canal and the development of resettlement sites. Subcomponent 1.2 (US\$20.1 million) finances critical urban infrastructure to improve (i) mobility and accessibility; (ii) access to essential sanitation services; and (iii) public and recreational spaces. Subcomponent 1.3 (US\$1.3 million) finances citizen engagement to contribute to the sustainability of the investments in the Project's pilot intervention area.

**6. Component 2: Strengthening institutional capacity for resilient urban governance (US\$5.5 million).** This component builds central and local authorities' ability to improve governance, municipal finance, and resilient urban planning and management. Sub-component 2.1 (US\$1.5 million) finances training and capacity building program for managing urban growth and an integrated slum upgrading strategy and affordable housing strategy for GA. Sub-component 2.2 (US\$2.1 million) finances technical assistance to CUA to enhance revenue mobilization and human resources management. Sub-component 2.3 (US\$1.8 million) finances technical assistance to *Autorité pour la Protection contre les Inondations de la Plaine d'Antananarivo* (APIPA) to enhance storm water drainage and flood protection service delivery, and to *Service Autonome de Maintenance de la Ville d'Antananarivo* (SAMVA) to provide a reliable solid waste management.

**7. Component 3: Project Management, Coordination, Monitoring and Evaluation (US\$6.5 million).** This component finance the following activities: (i) incremental operating costs (including delegated contract management costs); (ii) fiduciary activities; (iii) audit, studies and assessments required under various Project components; (iv) communication; and (v) monitoring (including of safeguards processes) and evaluation.

**8. Component 4: Contingent Emergency Response Component (CERC).** This was a zero dollar component to provide immediate response to an Eligible Crisis or Emergency, as needed. This could include repairing damage to infrastructure, ensuring business continuity, and enabling early rehabilitation. In parallel, following an adverse event that causes a major disaster, the Government of Madagascar may request the World Bank to channel resources from this component into the Immediate Response Mechanism (IRM).

## **B. Project performance**

**9. The Project has been effective for over 17 months and is rated Satisfactory for Progress towards achievement of the Project Development Objective.** As of November 24, 2020, the Project has disbursed US\$7.7 million from the IDA credit (IDA 6245-MG). As per the latest Implementation Status and Results (ISR) Report of June 2020, overall implementation progress (IP), progress on Components 1 and 3, Financial Management (FM) has been rated Moderately Satisfactory due to delays with the implementation of the Resettlement Action Plan (RAP) for the sludge disposal site and turnover of Project Management Unit (PMU) staff. Implementation progress under Component 2, as well as Procurement and Monitoring and Evaluation, are rated Satisfactory. The Satisfactory rating is based on recent launch of bidding documents related to the works on dikes and the final stage of the bidding documents for the resettlement site and the rehabilitation of C3 canal. Moreover, large studies have been launched in the

previous months such as the social and urban study for the intervention area.

**10. Component 1. Improving urban drainage, services, and resilience in targeted areas is rated Moderately satisfactory.** Sub-component 1.1: Improvements of Canal, Drainage and Sanitation Infrastructure. The bidding process for the rehabilitation works on the Ikopa and Sisaony dikes, estimated at US\$3.5 million, was launched at the end of July 2020 and works are scheduled to begin in February 2021. For the works related to the construction of the sludge disposal site, construction of the resettlement site and the rehabilitation of canal C3, estimated at US\$16.2 million, detailed designs have been finalized and the bidding process will be launched by December 2020. Sub-component 1.2: Urban upgrading. The consulting firm in charge of the detailed urban and social planning as well as the technical design and supervision of the urban upgrading works has been contracted in August 2020 for an amount of US\$4 million. A first phase of urban upgrading works will be launched in 2021 for an amount of US\$5 million. RAP implementation. Resettlement activities are under implementation for the works on the dikes, the sludge disposal site, the C3 canal and the resettlement site of Andavamamba. The PMU is currently finalizing the update of the list of PAPs, and the payment of compensation of US\$6 million is scheduled to start by the end January 2021 for the dikes and by October 2021 for the other sites. The government has also triggered the Eminent domain process to address some land acquisition issue mainly related to 27 PAPs opposed to the project on the sludge disposal site in Iarinarivo. 613 PAPs have been identified to be physically displaced, and 2,598 as losing their income because of temporary displacement.

**11. Component 2. Strengthening institutional capacity for resilient urban governance is rated Satisfactory.** Technical assistance within this component supported urban land management analytics for Antananarivo and implemented the revenue mobilization strategy for CUA. Technical documents are well advanced and the procurement process for the building and housing census should be launched by the end of 2020.

**12. Component 3. Project Management, Coordination, Monitoring and Evaluation – Overall implementation progress is rated Moderately Satisfactory.** Multiple changes of staff within the PMU impacted implementation as well as fiduciary management. A new PMU coordinator was recruited in March 2020 who is now working on filling key PMU vacancies as well as a procurement specialist and a monitoring and evaluation specialist.

### C. Rationale for the Additional Financing

**13. To consolidate different sectoral interventions and to prepare the medium-term response to COVID-19, a Multisectoral Emergency Plan (*Plan Multisectoriel d'Urgence – PMDU*) has been adopted by the Government 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 plan is steered by the Prime Minister's Office and will implement a range of measures and actions funded by the state budget and the donor community. The cost of the Government's COVID-19 Response Plan is estimated at US\$826 million.

**14. The Municipal Authorities in Antananarivo have been in the front line of the response to COVID-19 by implementing health and social protection measures, including** logistical support for social protection activities, management of cadavers, disinfection of public spaces, etc. The CUA developed an Emergency Response Plan for COVID-19 in July 2020 to contain the spread of the virus and mitigate the social and economic effects of the confinement measures. The plan is structured around five axes:

strengthen measures to contain the spread of the epidemic; ensure the coverage of basic needs of people and maintain access to essential services; support vulnerable population groups; adapt institutional and financial management to COVID-19 and promote the rapid restoration of normal life. During the early response to COVID-19, the municipality relied on private donation and its own limited resources to implement health and social measures. The plan allowed the municipality to better structure and detailed the needs, estimated at US\$11 million.

**15. The Government of Madagascar requested the activation of the IRM on August 10, 2020.** Three Projects have been selected: PIC, PADAP and PRODUIR to receive US\$123 million of existing Project financing for COVID-19 response. Funds were reallocated to address the most urgent needs in health, social protection and private sector recovery and to provide additional support to Emergency Response Plan of the capital city of Antananarivo (see Table 1). The IRM activation was approved by the World Bank on September 2, 2020.

**Table 1. Planned Emergency Activities**

Areas of Intervention	Activities	Responsible Agency	Cost (in US\$ millions)
<b>Health</b> US\$40 million	Strengthen disease surveillance with a monitoring and rapid response system	Ministry of Health-Project Coordination Unit (UCP)	2.5
	Ensure early detection of cases		10.5
	Ensure Case Management in hospital and other healthcare structures		26.4
	Operational costs		0.6
<b>Social Protection</b> US\$45 million <sup>1</sup>	Extension of the Unconditional Cash Transfer Program “ <i>Tosika Fameno</i> ”	Intervention Fund for Development (FID)	9.7
	Conditional Cash Transfer for urban areas		27.0.0
	Unconditional Cash Transfer Program for the South “ <i>Tosika Vonjy Aigna</i> ”		4.7.
	Accompanying measures and operating costs		3.6
<b>Urban/Water, Sanitation and Hygiene (WASH)</b> US\$5 million <sup>1</sup>	Support to Antananarivo COVID-19 Response plan and priority WASH activities	Ministry in charge of Land Use Planning and Public Works (MATP) - PMU	5.0
<b>Private Sector Recovery</b> US\$33 million	Expand the partial portfolio credit guarantee (PPCG) to mitigate the impact of COVID-19 on MSMEs and microfinance institutions.	PIC - Madagascar Financial Inclusion Project	18.0

<sup>1</sup> Supported by CERC from this project

		(PIFM) – Implementi ng Unit SOLIDIS	
	Provide emergency support to MSMEs affected by the COVID-19 crisis in the tourism and agribusiness sectors, through the Integrated Growth Poles (PIC P164536) Project.	PIC - Project Implementa tion Unit (PIU)	15.0
<b>TOTAL</b>			<b>123.0</b>

**16. PRODUIR was selected to support social protection activities and implement part of the Emergency Response plan of the CUA for an amount of US\$50 million.**

**17. The support to Antananarivo COVID-19 Response plan and priority WASH activities (US\$5 million)** (table 2) will (1) strengthen the city's capacities in managing health crisis to contain the epidemic : equipment to facilitate and/or enforce social distancing and hygiene services (public handwashing station and hand sanitizer for public transport services), personal protective equipment for CUA's staff, building and equipment of a municipal morgue and local health center rehabilitation ; (2) maintain the delivery of essential services (local solid waste management) provided by CUA and water providers (water trucks for *Jirama* and Minister in charge of WASH), (3) support to the vulnerable population groups as well as homeless by constructing one homeless shelter and supplying the existing facilities with food during 6 months; and (4) enhance CUA institutional and financial management by setting up a digital platform for taxes payment. CUA emergency response plan will be implemented by the Project Management Unit of the parent Project.

**Table 2. Support to Antananarivo COVID-19 Response plan and priority WASH activities**

<b>Activities</b>	<b>Cost (in US\$ millions)</b>
Sensibilization and equipment for hygiene and social distancing practices, and infrastructure for cadavers and burial management	2.48
Equipment for local solid waste collection and water supply	1.54
Upgrading existing services (meals and beds) and infrastructure for vulnerable groups such as homeless	0.64
Implement a digital platform for the payment of taxes	0.20
Technical design and operational cost	0.14
<b>TOTAL</b>	<b>5.00</b>

**18. Facing the health emergency with the COVID-19 pandemic, a social safety net strategic response to support vulnerable households in most affected area was prepared by the Government of Madagascar with support from partners.** The strategy includes an immediate emergency response to support quickly urban/peri-urban vulnerable households predominantly relying on informal work and self-employment in order to enable them to meet their daily basic needs; the unconditional cash transfer



program, called Tosika Fameno, was implemented and fully coordinated with all local Technical and Financial Partners including World Bank through Social Safety Net Project (P149323) that supported US\$12.7M out of a total of US\$20 million. The program targeted nearly 345,000 vulnerable households spread across 884 neighborhoods (*fokontany*) in the 14 districts mainly affected by the lockdown measures. The interventions targeted the poorest households affected by the economic consequences of imposed lockdowns.

**19. Social Protection support (US\$45 million) continues to cover families in extreme poverty and vulnerability situations which are affected by the consequences of the mitigation measures related to COVID-19** (table 1). Madagascar exits its coronavirus health emergency state from October 2020. Activities resume gradually, however, the income of the beneficiary households requires some time to be back to their pre-shock level. The interventions contribute to promoting human development through conditional and unconditional cash transfer that will support families' recovery needs and enable access to health, nutrition, and education services. The activities consists of: (i) extending Unconditional Cash Transfer to over 100,000 vulnerable households, in the main affected urban areas; (ii) Conditional Cash Transfer and cash for work targeting 200,000 vulnerable households mostly beneficiaries of the Program "*Tosika Fameno*" in the main affected urban areas, inter alia the cities of Antananarivo, Toamasina and Fianarantsoa; (iii) unconditional Cash Transfer to 40,000 beneficiaries of the Program "*Tosika Vonjy Aigna*" in the South of Madagascar.

**20. Social Protection activities will be implemented by the *Fonds d'Intervention pour le Développement (FID)*, the implementing agency of the Social Safety Net Project (P149323).** The Social Safety Net Project has supported around 70 percent of the urban and peri-urban unconditional cash transfer program set up by the authorities to support vulnerable households in regions, mostly affected by COVID-19 (Program "*Tosika Fameno*"). FID was the main implementing agency of the program serving 215,000 out of 345.000 households.

## II. DESCRIPTION OF ADDITIONAL FINANCING

### A. Financing gap to the core Project activities and COVID-19 response

**21. This Additional Financing in the amount of US\$50 million for the Integrated Urban Development and Resilience Project for Greater Antananarivo is to fill the financing gap created by the triggering of the IRM and reallocation of resources to the CERC for COVID-19 response, as detailed above.** Table 3 outlines the changes in financing across components due to reallocation of resources to the CERC.

**22. This AF will support the replenishment of the Project to ensure originally planned activities under the Parent Project would be financed and implemented.** Through this AF, financing will be provided back to the components that were used to finance the COVID-19 emergency response interventions under the CERC, thus ensuring the PDO would be achieved by the end of the Project despite the crisis. The proposed AF will provide the resources to resume and carry out the activities originally envisaged under the Project. More specifically, the resources will be used to replace funding under Components 1 and 2, specifically to rehabilitate dikes, C3 drainage canal, construct a sludge disposal site and resettlement site, compensate PAPs under the Resettlement Action Plan, rehabilitate/build small

local urban infrastructure and to finance the ongoing detailed urban study and technical assistance. The original activities envisaged by the parent project are still relevant and critical to reinforce urban resilience in Greater Antananarivo. Moreover, these activities, as well as improving urban living conditions, will support setting up a healthier environment within the low-income neighborhood of the city. The project investments in essential services on sanitation and local solid waste management will help develop and maintain better hygiene practices and protect health in the context of COVID-19 recovery.

**Table 3: Reallocation of financing across components due to IRM activation and Project Components and Cost After AF**

Parent Project Components	Parent Project Amount (US\$, millions equivalent)	Parent Project after CERC Reallocation (US\$, millions equivalent)	Proposed AF (US\$, millions equivalent)	Parent Project and AF (US\$, millions equivalent)
<b>C1. Improving urban drainage, services and resilience in targeted areas</b>	<b>58.04</b>	<b>16.04 (-42)</b>	<b>42</b>	<b>58.04</b>
Sub C1.1 Improvements of Canal, Drainage and Sanitation Infrastructure	36.64	14.64 (-22)	22	36.64
Sub C1.2 Neighborhood upgrading	20.1	0.1 (-20)	20	20.1
Sub C1.3 Citizen Engagement	1.3	1.3	0	1.3
<b>C2. Strengthening institutional capacity for resilient urban governance</b>	<b>5.46</b>	<b>1.46 (-4)</b>	<b>4</b>	<b>5.46</b>
Sub C2.1 Strengthening capacity for inclusive and resilient urban management	1.5	0.36 (-1.14)	1.14	1.5
Sub C2.2 Municipal Management	2.16	1 (-1.16)	1.16	2.16
Sub C2.3 Capacity Enhancement and sector reforms for environmental sanitation	1.8	0.1	1.7	1.8
<b>C3. Project Management, Coordination, Monitoring and Evaluation</b>	<b>6.5</b>	<b>2.5 (-4)</b>	<b>4</b>	<b>6.5</b>
Unallocated	5	5	0	5
<b>C4. CERC</b>	<b>0</b>	<b>50</b>	<b>0</b>	<b>50</b>
Sub C4.1 CUA Urban and WASH	0	5	0	0
Sub C4.2 Social Protection	0	45	0	0
<b>Total</b>	<b>75</b>	<b>75</b>	<b>50</b>	<b>125</b>

#### B. Proposed changes under this Additional Financing and Restructuring

**23. The proposed changes under this AF and restructuring cover:** (1) update of the Results Framework to introduce new results indicators and targets related to the COVID-19 activities financed under the CERC, (2) reallocation between disbursement categories and (3) changes in component costs.

**24. Results Framework.** The Results Framework will be revised to measure results related to the COVID-19 response activities implemented under the CERC. 4 PDO indicators and 2 intermediate result indicators related to the COVID-19 response activities will be incorporated in the Project as part of the AF.

**Table 4: Revised Result Framework**

<b>New PDO Indicators</b>	
Direct Beneficiaries of the social protection program (Number)	This indicator will measure the total number of selected and enrolled beneficiaries from the Unconditional and Conditional cash transfer program. Direct beneficiaries are people who directly derive benefits from cash transfer program.
Of which women (percentage)	The indicator measures the percentage of female beneficiaries among all beneficiaries of the social protection program.
Direct Beneficiaries of the CUA's homeless service (number)	This indicator will measure the total number of enrolled beneficiaries at CUA's homeless shelters receiving meals, hygiene, and bed services.
Of Which women (percentage)	The indicator measures the percentage of female beneficiaries among all beneficiaries of CUA's homeless service.
<b>New Intermediate Results Indicators</b>	
Person-days created by cash-for-work activities (number)	This indicator will measure the total number of person-days created by cash-for-work activities.
Complaints addressed per the GRM established by FID (percentage)	The indicator measures the effectiveness and efficiency of the grievance mechanism, to be established by FID, in terms of the percentage of project-related grievances received from intended beneficiaries that are promptly reviewed and effectively addressed.

**25. Reallocation between disbursement categories.** The AF formalizes the reallocation of finances between disbursement categories of the original IDA and AF allocation. The reallocation has the objective to replenish the IRM activation by allocating US\$50 million to Category 5. The table below presents the reallocation of funds between disbursement categories.

**Table 5: Reallocation between disbursement categories (millions of US\$)**

Disbursement Category	Original IDA Financing	Undisbursed (as of November 19)	Reallocation under CERC	Additional Financing	Total (Original IDA + AF)
1) Goods, works, non-consulting services and consulting services for the Project, except for Canal C3 rehabilitation works under Part 1.1(i), and Cash Compensation under Parts 1.1(iv) and 1.2(iv)	47.07	41.04	17.00	30.07	47.07
2) Works related to Canal C3 rehabilitation under Part 1.1(i) of the Project	15.00	15.00	0	15.00	15.00
3) Cash Compensation for Resettlement under:					
a. Canal C3 works under Part 1.1(i) of the Project	3.76	3.76	1.00	2.76	3.76
b. Pumping station works under Part 1.1(i) of the Project	1.41	1.41	0	1.41	1.41
c. Urban infrastructure investments Part 1.2(i) of the Project	0.76	0.76	0	0.76	0.76
4) Refund of Preparation Advance	2.00	2.00	2.00	0	2.00
5) Emergency Expenditures under Part 4 of the Project	0.00	0.00	50.00	0	0
6) Unallocated	5.00	5.00	5.00	0	5.00
<b>Total amount</b>	<b>75.00</b>	<b>68.96</b>	<b>75.00</b>	<b>50.00</b>	<b>75.00</b>

**C. Higher Level Objectives to which the Project Contributes**

**26. The Project is aligned with the objectives of the World Bank Group Country Partnership Framework for the Republic of Madagascar for FY2017-2021 (CPF, report number 114744-MG), and with the Government’s development plan, the “Initiative Emergence Madagascar” (IEM) adopted in October 2019.** 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.

**27. Adverse economic and fiscal impacts of the COVID-19 crisis in Madagascar are expected to be substantial in 2020.** 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.<sup>2</sup> The number of detected COVID-19 cases has accelerated since early May, reaching 17,341 as of November 18, 2020. Global trade and travel disruptions as well as domestic containment 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 in the second half of the year, with exports 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.<sup>3</sup> 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.

**28. 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 (below 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 remain 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. These factors are at the heart of state fragility in Madagascar, and links to other sources and drivers of fragility, including regional imbalances and inequalities that have contributed to the historical neglect of the lagging regions such as the south, and that undermine social cohesion and compromise state-society relations.

**29. Impacts of the current crisis on both poverty and stability could be compounded by further shocks, particularly from natural disasters.** Madagascar is estimated to face average annual loss of US\$100 million from tropical cyclones alone. This is in addition to recurrent droughts and floods. Natural disasters could lead to the displacement of large numbers of people and the need to house them in emergency shelters. This could hamper COVID-19 containment measures, while a resulting resurgence of the pandemic could undermine economic recovery. The risk of such cascading effects underlines the importance of buffers such as that available through the Catastrophe Deferred Drawdown Option (Cat DDO - P167941)<sup>4</sup> and of putting in place sovereign risk transfer for extreme climate events. The GoM plans to put in place sovereign catastrophe insurance for tropical cyclone risk as part of the Cat DDO implementation.

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<sup>2</sup> See World Bank. 2020. Global Economic Prospects, June 2020. Washington, DC: World Bank.

<sup>3</sup> International Monetary Fund projections used for the preparation of the second tranche of the Rapid Credit Facility discussed at the IMF Board on July 30, 2020 are more optimistic, at -1 percent in 2020 and 4.2 percent in 2021.

<sup>4</sup> The Cat DDO's remaining balance of IDA funds is US\$35 million.



**30. The World Bank has adjusted its CPF in response to COVID-19.** The significant impacts of the pandemic on Madagascar 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, COVID-19 vaccine and basic health services delivery P174903); 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.

**31. World Bank support under the Relief Phase will require an additional US\$210 million in IDA financing that was not anticipated under the CPF.** This phase of the response mobilizes resources from within the portfolio through activation of CERC and restructuring and scaling up of existing programs. So far, the World Bank has allocated US\$46 million to support the Government’s health, social, education, water and sanitation plans, and plans to leverage an additional US\$100 million to finance the Multisectoral Emergency Plan through other CERCs. Support to the agricultural sector, including the rice sub-sector, will be provided through an IPF which will finance measures to increase agricultural productivity and food security (see para 27 and Table 6). In total, IDA support for the relief phase will total US\$226 million (Table 6). Most project resources reallocated and mobilized for pandemic response through activation of CERC components will be replenished through additional financing operations during FY21. Hence together with the Madagascar COVID-19 Response Development Policy Financing (P174388), new IDA lending for the Relief phase of pandemic response that was not planned in the CPF will amount to US\$210 million.

**32. The Restructuring Phase is supported through US\$250 million in IDA financing, US\$32 million from the Global Partnership for Education (GPE), and US\$20 million from the Global Financing Facility (GFF).** GPE support will come through an additional financing to the Madagascar Basic Education Project (P172051) and will aim assist the Government to implement its strategic plan in an effort to curb the spread of the pandemic and to ensure educational continuity at home during the pandemic-induced confinement period, prepare for reopening of post-containment classes and strengthen the resilience of the system in the face of, natural disasters, whether resulting from cyclones or the COVID-19 pandemic. A new Pandemic Preparedness Project (P174903) of US\$120 million, including US\$20 million from the Global Financing Facility, will support government’s efforts to implement the recommendations of a recent assessment of the country global health security systems and further reinforce the country’s capacity to respond to future pandemics of COVID-19 magnitude. Building on a strong track record in social protection, a planned US\$150 million social protection project has been brought forward from FY23 to help build resilience to future shocks. Altogether, this Phase of the response adds US\$152 million in financing that was not anticipated in the CPF while reprioritizing and bringing forward US\$150 million from later years.

**33. The Resilient Recovery Stage is supported by US\$450 million in IDA Financing.** Of this amount, US\$350 million represents operations that will be delivered as planned in FY21 with adjustment in design as needed to make them COVID-19 resilient and take advantage of new opportunities to ensure a more

sustainable, inclusive and resilient future in a world transformed by the pandemic. In addition, one project has been brought forward, the Madagascar Integrated Growth Poles and Corridor SOP-2 Project (P164536) which builds on a proven and successful Madagascar growth poles approach. This is part of a strongly complementary approach whereby the ongoing Growth Poles Project is being restructured to scale-up immediate support to the private sector during the COVID-19 crisis, with additional funds from the portfolio-level CERC, while the new proposed Growth Poles Project will provide significant support for the subsequent economic recovery, with an expanded sector and geographical coverage, and a focus on economic transformation including through digital entrepreneurship. Infrastructure related projects, a key pillar of the economic recovery, have been postponed until FY22 to accommodate the program changes outlined above.

**Table 6. Adjustments to the CPF to Support COVID-19 Response**

<i>Response Phase</i>	Portfolio Reallocations, incl. CERC	New/ unplanned Operations	CPF Operations Brought Forward	CPF operations adjusted but proceeding as planned	Total
<i>Relief</i>	136	90			226
<i>Restructuring</i>		152	150		302
<i>Resilient Recovery</i>			100	350	450

Sources: World Bank Group.

**34. The World Bank COVID-19 response is closely coordinated with the International Finance Corporation (IFC) response.** In line with the Approach paper, IFC's strategy for the country will be delivered in three phases. Phase 1 – Rescue: IFC is supporting the Government's emergency response, with a focus on: (i) agriculture for livelihoods and jobs; (ii) light manufacturing for health response; and (iii) financial sector. Phase 2 - Restructuring: IFC will provide support through (i) restructuring assistance to the financial sector, corporates and key sectors; and (ii) advisory to government on private sector support. Phase 3 - Recovery: IFC will help mobilize private investment to drive solutions for key development challenges by (i) supporting the expansion of access to power, the development of sustainable railroad and port infrastructure; (ii) helping to build competitive global value chains; and (iii) leveraging digital platforms to support smallholder farmers and MSMEs. IFC has continued disbursing in the agribusiness sector (US\$3.3 million) in support of small holder farmers and has been deploying its available small and medium enterprise (SME) risk sharing facility (US\$6 million) with a systemic bank as a crisis response. It is also in negotiation with a systemic bank for a medium-term loan (US\$10 million). Furthermore, IFC is at different stages of discussing new financing and early disbursements for clients in the agriculture and financial sectors (for a total amount of US\$19.3 million).

**35. The overall World Bank Group response, including this operation, is aligned with the Government's Multisectoral Emergency Plan as well as the activities of other development partners.** The World Bank is playing a critical role to further strengthen donor response. These efforts have paid off, resulting in a coordinated response on budget support measures. Similar efforts were carried out to rally donors around the response on health, social protection and private sector which are financed through a coalition of donors and leveraging the donor coordination platforms. The Multisectoral Emergency Plan

supported by this operation has served as a platform for identifying priority needs and coordinating donor support.

**36. Further adjustments to the country program in response to heightened fragility risks are also planned.** Based on the number of conflict-related fatalities Madagascar experienced in 2019, the country meets the quantitative eligibility criteria for the Prevention and Resilience Allocation (PRA) under the IDA19 Fragility, Conflict, and Violence envelope. Management is preparing a PRA eligibility note that would be submitted to the World Board in Q3 of FY21. This eligibility note will, among other things, clarify how the World Bank Group portfolio will be recalibrated to support the Government's strategy to prevent further escalation of conflict/violence, and to directly address the pertinent drivers of conflict/violence.

**37. Climate change co-benefits.** The World Bank Climate and Disaster Risk screening tool was used to complete climate screening for the parent project. As large parts of Greater Antananarivo are located in a flood plain, extreme precipitation and flooding was identified as the primary hazard that climate change poses to investments under this project. Adaptation measures incorporated into the project design include: (i) increasing the drainage and pumping capacity of the canal C3 while protecting water retention basin from future encroachments; (ii) improving emergency evacuation roads/paths and creating evacuation spaces as part of the urban upgrading sub-component; and (iii) preparing communities for emergency response. The proposed AF will allocate US\$20 million into sub-component 1.1 for the rehabilitation of the storm water drainage system and flood protection infrastructure; US\$20 million into sub-component 1.2 for the neighborhood resilient upgrading interventions; and finally, US\$10 million will go to resilient urban governance under component 2.

### III. KEY RISKS

**38. The overall project risk for the proposed operation is rated as Substantial.** Given that the AF is a replenishment and that none of the planned activities are significantly different from those of the original parent Project, risk ratings are largely the same as those for the parent project based on the last Implementation Status and Results Report of June 2020. However, the multidisciplinary and complex nature of the project, including the framework design approach, remains a significant project risk, in particular with implementation capacity and environment and social.

**39. Environmental and Social Risks are rated as High** due to mainly to the nature of the works which could impact significant vulnerable group (population living and/or having commercial activities on the existing right-of-way of the C3 canal), with a complex resettlement implementation and which also need adequate mitigation environmental measures. The project is mitigating these risks by developing and implementing relevant and adapted Environmental and social safeguard frameworks and plans, by working with experienced international Environmental and social expert to support the PMU on the implementation of Environment and Social (E&S) measures and in ensuring close monitoring of the project implementation.

**40. Institutional Capacity for Implementation and Sustainability Risk is rated as High** due to the need of close collaboration between PMU and the delegated contract manager (*Agence d'Exécution des Travaux d'Intérêt Public et d'Aménagement* - AGETIPA), which has more experience in World Bank policies and procedures. Detailed activity planning and clear division of responsibilities by updating and detailing



the Project Implementation Manual (PIM) and close follow up on project planning are taken as mitigation measures. The PMU is finalizing the recruitment of a Monitoring and Evaluation specialist to implement these measures.

**41. Political and Governance Risk is rated as Substantial** due Madagascar has a long history of recurring political crises and unconstitutional regime changes. However, the presidential elections held in late 2018 were an important barometer of Madagascar's overall stability and the GoM has signaled its commitment to maintaining the pre-crisis reform momentum while taking exceptional measures to mitigate the impact of the crisis and support a sustainable recovery. The governance challenge raised by the project imply the mobilization of multiple stakeholders, from municipalities to ministries and non-governmental organizations working in the project intervention area. As a mitigation measures, the project steering committee in place from 2017 will continue to provide strategical oversight to the project but also bring together the relevant stakeholders to build consensus around strategic activities affecting the metropolitan area.

**42. Fiduciary Risk is rated as Substantial**, reflecting a lack of rigorous financial management and delaying the submission of FM reporting documents. After implementation of mitigation measures, the procurement residual risk would remain Substantial because the PMU and AGETIPA have not worked with World Bank procedures for a long period. Mitigation measures will include the recruitment of additional FM staff to support the project team, to open segregated designated account at the Central Bank to receive IRM funds and to update the PIM reflecting FM of CERC activities.

**43. Stakeholder Risk is rated as Substantial** due to the number of stakeholders involved. Sub-component 1.3 has been designed to address stakeholder coordination and build consultative platforms for community stakeholders to stay updated during project implementation. Moreover, the steering committee where all stakeholders are represented and meeting twice a year for project monitoring should mitigate the risks.

**44. All other risks are rated as Moderate.**

## IV. APPRAISAL SUMMARY

### A. Economic and Financial Analysis

**45. The Economic and Financial Analysis (EFA) detailed in the parent Project demonstrate positive incremental net benefits and confirm the financial viability of the proposed investment for households.** The net present value of the impact of the Project is estimated at US\$24.8 million, i.e. a benefit cost ratio of 1.38 at a discount rate of 5 percent. At this discount rate, the direct benefits of flood risk reduction amount to 16 percent of the total impact when assuming the new infrastructure would withstand a 20-year return period flood. The overall success of the Project, however, lies in its ability to contribute to a healthier, safer environment that is more conducive to growth. The potential impact on benefits to the livelihoods of households living in poverty amounts to US\$32.4 million at a 5 percent discount rate. The Projects' economic rate of return with those benefits is estimated at 9.8 percent.

**46. The assumptions of the EFA remain valid, and the anticipated Project interventions is expected to reduce significantly the exposure of a total area of 15.9 square kilometers, including at least 14,745 buildings<sup>9</sup>, to ten-year and probably 20-year return period flooding, lowering property damages and the health-risks associated to stagnant and contaminated water, particularly for the poor. Three quarters of the health gains from improved sanitation, equivalent to about US\$13.6 million, come from averted diseases by poor children aged 0 to 5 years living today in front of non-functioning drains.**

## **B. Technical**

**47. The Project approach and design remain technically sound and sustainable.** The Project assumes that investing in flood risk management infrastructure, coupled with urban upgrading, urban strategic and detailed planning, improving solid waste management systems, and enhancing financial viability of CUA and neighboring municipalities are the comprehensive pillars for long-term resilience building of GA. The Project design builds on successful approaches and lessons learned, the findings of diverse assessments while also considering numerous technical options needed to build long-term resilience in GA. The Project supports selected physical investments aimed at: (i) improving urban hydraulics (drainage, dikes, canals, etc.) and reducing flood risks in selected areas of GA; and (ii) improving living conditions in complementary selected areas of GA. Technical assistance will complement a comprehensive resilience in GA, which will build a pipeline of knowledge for the Government, and build the needed knowledge base to design the future planned programmatic operations.

**48. The justification for the social safety net emergency COVID-19 activities funded under the CERC remains valid.** A timely and effective social safety net interventions can mitigate the economic effects of the pandemic on poor urban/peri-urban households in vulnerable employment through temporary income support, prevent the spread of the COVID-19 through information and social distancing, and promote local economic development through cash transfers to poor urban households with a high propensity to consume products from local businesses.

**49. Technical design of the cash transfer interventions under the CERC has been built on experience from national crisis programs and the current COVID-19 epidemic event in affected countries.** The technical design of the activities, included under the CERC, reflects both the existing capacity of the implementing agency and the proposed GoM response strategy supported by development partners. The implementation of cash transfer programs and public work has provided a space for adaptation of activities to specific target groups and to address resiliency needs in emergency and post-emergency contexts. These programs are an effective tool to provide both income support and facilitate recovery. The technical design includes: (i) a targeting process which has been found to be effective using independent and rapid targeting assessment; (ii) management information system for tracking data on beneficiaries; (iii) third-party payment provider to introduce transparency and accountability in the payment process; (iv) accompanying measures that provide information on education, health, and nutrition and encourage human capital investments; and (v) complaints and grievance mechanism managed to ensure social accountability. These elements have evolved through lessons learning and drawing on further national and international social safety nets and are still considered good practices when implementing emergency and post-emergency social safety net programs.

**50. The coordination with other social protection actors, humanitarian agencies, and Government**

**under the cash working group will facilitate the use of already produced lists of affected households, reducing beneficiary registration efforts.**

### **C. Financial Management**

**51. The Financial Management assessments of the PRODUIR PMU and the FID were carried out in October 2020 in accordance with Bank Directive and Policy for IPFs issued on September 30, 2018, the World Bank Guidance on FM in World Bank IPF Operations issued on February 10, 2017, Guidance Note on FM in Rapid Response to Crises and Emergencies issued by OPCS on November 1, 2013 and updated on June 1, 2015. Implementation arrangements were agreed upon on the following:**

- a. PRODUIR PMU and AGETIPA will be responsible of implementing the parent project (Components 1, 2, 3) and the additional financing;
- b. PRODUIR PMU will implement the IRM part relating to WASH Activities (referred to as component 4.1) amounting US\$5 million. The PRODUIR PMU will be in charge of the overall reporting of the IRM implementation; and
- c. FID will be responsible of implementing social protection activities, part 2 of the component 4 of PRODUIR (referred to as component 4.2) amounting US\$45 million.

**52. The assessment' objective was to confirm whether the FM arrangements in place are acceptable.** The assessment considered the degree to which: (a) reasonable records are maintained and financial reports produced and disseminated for decision-making, management and reporting; (b) funds are available to finance the Project; (c) there are reasonable controls over Project funds; and (d) adequate audit arrangements are in place.

**53. The existing PRODUIR FM arrangements were assessed adequate and will apply for the AF implementation.** To further strengthen the FM arrangements in the PRODUIR and to address the risks related to the emergency activities, the following additional measures shall be put in place:

- a. PRODUIR PMU will finalize the internal auditor recruitment by December 2020 and include IRM activities in the internal audit plan;
- b. PRODUIR PMU will temporarily recruit one additional Accountant to support with WASH activities; and
- c. A segregated designated account will be opened at the Central Bank to receive IRM funds.

**54. Subject to additional risks mitigating measures, the FID FM arrangements are deemed adequate for the implementation of the social protection activities under the IRM.** To address the risks related to the emergency activities:

- a. FID will temporarily recruit additional FM staff to support the existing team with the IRM implementation;
- b. Regarding the cash transfers to beneficiaries, the FID will recruit well performing payment agencies, clarify reporting arrangements in the payment agencies contracts, strengthen supervision over these activities; and
- c. FID will open a separate designated account at the Central Bank to manage the funds from IRM.

**55. In addition, to these measures, the PIUs will update their manuals of internal controls procedures to consider the IRM activities specificity.** The World Bank FM team will increase

implementation support for the IRM.

**56. The risk of the entire PRODUIR project was re-evaluated considering the IRM activation and the AF.** The FM residual risk level was assessed and retained as Substantial considering the mitigation measures.

#### **D. Procurement**

**57. The proposed AF would be supported by the MATP** responsible for project implementation of the parent project. A Project Management Unit PMU (a department of MATP) will implement procurement activities for Component 1.3 and Component 2 and AGETIPA, a delegated contract manager, for Components 1.1 and 1.2.

**58. The implementation arrangements will be revised to accommodate the implementation of the COVID-19 emergency response activities in Social Protection and in supporting Emergency Response plan of the CUA.** Social Protection activities will be implemented by FID. The FID procurement capacity was assessed under the Second Additional Financing of the Social Safety Net Project (P167881). The procurement assessment of the FID has been completed and the risk rating remains Substantial due to the same implementation conditions and the need to apply the Procurement Regulations for IPF Borrowers Applying for Investment Project Financing and dated on July 2016, revised on November 2017 and August 2018 (The Procurement Regulations).

**59. An IRM Operations Manual (IRM-OM) governs the activation and use of funds through the IRM mechanism including procurement.** The Manual was updated specifically to incorporate COVID-19 response and approved by the World Bank in August 2020. Since the AF is dedicated to CERC replenishment, the client would not be requested to develop a new Project Procurement Strategy for Development (PPSD) and a simple Procurement Plan will be developed for the program by December 2020.

**60. Ongoing monitoring and mitigation of any potential risks will be made possible through regular reporting on the progress and implementation of fiduciary activities, World Bank implementation support and further capacity building.**

**61. The project will continue to use the World Bank's online procurement planning and tracking tools to carry out all procurement transactions.** The Systematic Tracking of Exchanges in Procurement (STEP) will be used for submission, clearance, and update of the Procurement Plan.

- (i) All goods and non-consulting services will be procured in accordance with the requirements set forth or referred to in Section VI of the procurement regulations.
- (ii) Approved Selection Methods: Consulting services will be procured in accordance with the requirements set forth or referred to in Section VII of the procurement guidelines.

#### **E. Social (including Safeguards)**

**62. No new activities will be implemented under the Additional Financing. Further, the location of**

**Project implementation will also remain unchanged.** Social risks and impact remain the same, such as complex resettlement (physical displacement, permanent land acquisition, temporary or permanent losses of income and assets), mainly linked to subcomponent 1.1 “Improvements of Canal, Drainage and Sanitation Infrastructure” and 1.2 “Neighborhood Upgrading”, workers labor influx issue in a sensitive location, number of vulnerable group. There are thus no additional risks. The AF project will continue to be rated as a Category A project because of its cumulative and complex environmental and social impact. Nevertheless, all social impacts of the individual project activities are expected to be site-specific. Social impacts are assessed, and mitigation measures have been identified and developed into the parent project Environmental and Social Management Framework (ESMF), and also into specific Environmental and Social Impact Assessment for works related to the C3 canal, sludge disposal site, relocation site in accordance with Bank Operational Policies (OP) 4.01 Environmental Assessment.

**63. Like the parent project, the AF triggers OP 4.12 on Involuntary Resettlement.** Because the nature and the type of the expected activities of the AF remain the same (mainly under subcomponent 1.1 “Improvements of Canal, Drainage and Sanitation Infrastructure” and 1.2 “Neighborhood Upgrading”), the Resettlement Policy Framework (RPF) and Resettlement action plans (RAPs for Chanel C3 and dike, RAP for sludge disposal site, and RAP for relocation site) developed for the parent project and disclosed both in-country and in the World Bank’s external website remain valid for both the parent and the additional financing. These RAPs are currently in implementation. 3211 PAPs will be affected by the project, 613 have been identified to be physically displaced, and 2 598 as losing their income because of temporary displacement.

**64. Working conditions, safety, and gender violence prevention.** The project involves two major civil works components that entail significant social, SEA, and GBV risks for the population living in its area of influence. Even if no case has been registered to date for the parent project, the project will continue to pay attention to GBV. Measures to be taken or to be continued will include, but are not limited to (a) a sensitization related to SEA and GBV, and the project values, (b) a requirement that the project includes clauses on workers’ conditions and management, child protection, and GBV prevention in all contracts; (c) provision of assistance and training to the project and awareness-raising on GBV among all contractors, workers, and local residents; (d) the reinforcement of the grievance redress mechanism (GRM) to ensure that any incident related to GBV will be addressed in an effective manner with sufficient social sensitivity; and (e) collaboration with a specialized agency to support GBV survivors such as the Center anti-GBV of Mahamasina.

**65. Social inclusion of vulnerable groups.** Key vulnerable groups include the population living and/or having commercial activities on the existing right-of-way of the C3 canal, children, people with disabilities, elderly, waste-pickers, youth affected by crime and violence and girls and women at risk of sexual exploitation. A more in-depth social assessment of these groups is conducted as part of the study to the design of the urban upgrading component and include an investigation of the social context in the project’s implementation areas, including identification of ways to include the most vulnerable and marginalized groups in the decision-making and implementation process, identification of negative behaviors that could hinder the project’s outcomes and sustainability, as well as comprehensively analyze of the social risks that may result from the project.

**66. Citizen engagement.** Under Sub-component 1.3, the project will finance good practice activities

to enhance citizen engagement. These will consist of (i) technical assistance to support the establishment of Local Consultation Structures (LCS) for promoting inclusive participation of all local stakeholders, including authorities, citizens and communities, private sector into the identification and selection of small infrastructures and urban planning; and (ii) the development of a Stakeholder Engagement Plan (SEP) to ensure the participation and the commitment of all stakeholders of the project; (iii) the implementation of the Grievance Redress Mechanism (GRM) of the project ; and (iv) to conduct bi-annual beneficiaries feedback survey and public disseminations activities of the project. During the implementation of the project, the GRM was used to effectively channel PAPs grievance but also required the project to conduct public consultation and meeting as well as individual meeting with PAPs. The indicator measures the effectiveness and efficiency of the grievance mechanism, to be established by the project, in terms of the percentage of project related grievances received from intended beneficiaries that are promptly reviewed and effectively addressed.

**67. COVID-19 measures.** The AF project will benefit from measures already in place with the parent project regarding COVID-19 prevention and measures mainly related to public consultation and the safety of workers.

#### **F. Environment (including Safeguards)**

**68. No new activities will be implemented under the AF.** Further, the location of Project implementation will also remain unchanged. There are thus no additional risks. The initial risk rating of High will apply to the AF. Therefore, the Project remains classified as category A in the World Bank's Environmental Assessment classification. Four environmental and social Safeguard Policies remain triggered: OP 4.01 (Environmental Assessment), OP 4.04 (Natural Habitat); OP 4.11 (Physical Cultural Resources); OP 4.12 (Involuntary Resettlement).

**69. Frameworks documents.** Since the exact locations of other subprojects have not been determined prior to the parent project appraisal, an ESMF that includes an ESMP and a RPF have been prepared and approved by the World Bank. These documents are well exploited by the PMU to ensure integration of environmental and social dimensions of all identified activities during implementation.

**70. Specific Environmental and Social documents.** For the activities identified during the parent project preparation, mainly the Canal C3 and dikes rehabilitation works, an Environmental and Social Impacts Assessment (ESIA) has been prepared and adopted and includes relevant and adequate mitigation measures to address the risks and adverse environmental and social impacts. Since effectiveness, the appropriation of the ESMP has been reflected in the preparation of strong and coherent documents such as Environmental and Social (E&S) clauses of the bidding documents and E&S Terms of Reference for the works identified during the project implementation phase.

**71. Disclosure of safeguard documents.** All prepared Environmental and Social instruments have been approved by the Bank and disclosed in-country on April 05, 2018 and on the World Bank's External Website on April 06, 2018. The existing Canal C3 and Dikes ESIA and RAP have been reviewed and updated and a specific ESIA and RAP for the sludge disposal site have been developed and approved by the Bank. ESIA's and RAPs have been disclosed in-country on March 27, 2019 and on the World Bank's External Website on March 28, 2019.

**72. Institutional arrangement.** Since the launching of project activities, the PRODUIR PMU has two full-time environmental and social specialists with a good understanding of the principles and provisions required in the Environmental and Social implementation and monitoring of environmental and social safeguards instruments and risks. They ensure day-to-day safeguard works and assess project activities for their compliance with the prepared safeguard documents. This AF will be implemented by the same implementing agency.

## V. WORLD BANK GRIEVANCE REDRESS

**73.** Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported Project may submit complaints to existing Project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address Project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/Projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org)

## VI. SUMMARY TABLE OF CHANGES

	Changed	Not Changed
Results Framework	✓	
Components and Cost	✓	
Reallocation between Disbursement Categories	✓	
Implementing Agency		✓
Project's Development Objectives		✓
Loan Closing Date(s)		✓
Cancellations Proposed		✓
Disbursements Arrangements		✓
Safeguard Policies Triggered		✓
EA category		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓
Implementation Schedule		✓
Other Change(s)		✓

## VII. DETAILED CHANGE(S)

### COMPONENTS

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Improving urban drainage, services and resilience in targeted areas	58.04	No Change	Improving urban drainage, services and resilience in targeted areas	58.04





Strengthening institutional capacity for resilient urban governance	5.46	No Change	Strengthening institutional capacity for resilient urban governance	5.46
Project Management, Coordination, Monitoring and Evaluation	6.50	No Change	Project Management, Coordination, Monitoring and Evaluation	6.50
Contingent Emergency Response Component (CERC)	0.00	Revised	Contingent Emergency Response Component (CERC)	50.00
Unallocated	5.00	No Change	Unallocated	5.00
<b>TOTAL</b>	<b>75.00</b>			<b>125.00</b>

**REALLOCATION BETWEEN DISBURSEMENT CATEGORIES**

Current Allocation	Actuals + Committed	Proposed Allocation	Financing % (Type Total)	
			Current	Proposed

IDA-62450-001 | Currency: XDR

iLap Category Sequence No: 1	Current Expenditure Category: GD, WK, NCS, CONS, EXC CANAL C3			
32,400,000.00	1,461,480.57	10,659,600.00	100.00	100.00
iLap Category Sequence No: 2	Current Expenditure Category: WK RELATED TO CANAL C3 PT A.A. (i)			
10,400,000.00	0.00	0.00	100.00	100.00
iLap Category Sequence No: 3A	Current Expenditure Category: CASH RESETTLEMT C.C3 WK PT 1.1(i)			
2,600,000.00	0.00	640,400.00	100.00	100.00
iLap Category Sequence No: 3B	Current Expenditure Category: CASH RES. PUMP STAT. WK PT 1.1(i)			
900,000.00	0.00	0.00	100.00	100.00
iLap Category Sequence No: 3C	Current Expenditure Category: CASH RES. URB INFRA INV PT 1.2(i)			



500,000.00	0.00	0.00	100.00	100.00
iLap Category Sequence No: 4		Current Expenditure Category: PPF REFINANCING		
1,400,000.00	727,606.22	1,400,000.00		
iLap Category Sequence No: 5		Current Expenditure Category: EMERGENCY EXPENDITURES PT 4		
0.00	0.00	35,500,000.00	100.00	100.00
iLap Category Sequence No: 6		Current Expenditure Category: UNALLOCATED		
3,400,000.00	0.00	3,400,000.00		100.00
<b>Total</b>	<b>51,600,000.00</b>	<b>2,326,860.03</b>	<b>51,600,000.00</b>	

**Expected Disbursements (in US\$)**

Fiscal Year	Annual	Cumulative
2018	0.00	0.00
2019	4,713,820.00	4,713,820.00
2020	11,026,600.00	15,740,420.00
2021	15,599,350.00	31,339,770.00
2022	24,008,250.00	55,348,020.00
2023	19,651,980.00	75,000,000.00

**SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)**

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● Moderate	● Substantial
Macroeconomic	● Moderate	● Moderate
Sector Strategies and Policies	● Moderate	● Moderate
Technical Design of Project or Program	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● High	● High



Fiduciary	● Substantial	● Substantial
Environment and Social	● High	● High
Stakeholders	● Substantial	● Substantial
Other		
Overall	● Substantial	● Substantial

**LEGAL COVENANTS – Additional Financing to Integrated Urban Development and Resilience Project for Greater Antananarivo (P175087)**

**Sections and Description**

For purposes of verifying the number of people who would be affected by resettlement under Parts 1.1(iv) and Part 1.2 (iv) of the Project, including the amount of cash compensation and or resettlement assistance to be paid to such people, no later than three (3) months after the Effective Date, the Recipient shall hire an independent agent under terms and conditions acceptable to the Association; and immediately thereafter furnish to the Association an audited compensation statement report, acceptable to the Association.

The Recipient shall furnish to the Association, not later than November 30 of each year, the annual work plans and budgets approved by the Project Steering Committee for the Association’s review and approval; except for the annual work plan and budget for the Project for the first year of Project implementation, which shall be furnished no later than one (1) month after the Effective Date.

The Recipient shall, not later than three (3) months after the Effective Date, establish and maintain a financial management system including records, accounts and preparation of related financial statements in accordance with accounting standards acceptable to the Association.

The Recipient shall ensure that the financial statements of the project shall be audited in accordance with international auditing standards and that such audited financial statements for each fiscal year shall be furnished to the Association not later than six (6) months after the end of the fiscal year.

The Recipient shall cause the Service Provider to furnish the annual financial statements audit report to the Association not later than six (6) months after the end of the fiscal year.

The Recipient shall, not later than three (3) months after the Effective Date, recruit: (a) a senior internal auditor; and (b) an independent external auditor, with qualifications and experience acceptable to the Association.

**Conditions**

Type	Description
Disbursement	No withdrawal shall be made for payments under Category 2 unless and until the sludge disposal site is operational, in accordance with the requirements of the Safeguard Documents, and acceptable to the Association.
Disbursement	No withdrawal shall be made for payments under Category 2 unless and until the resettlement sites are operational in compliance with the terms of the



	Safeguards Documents and acceptable to the Association.
Type Disbursement	<p data-bbox="524 285 662 317">Description</p> <p data-bbox="524 321 1490 422">No withdrawal shall be made for payments under Category 5 unless and until the Association is satisfied that the following conditions have been met, and has notified the Recipient accordingly:</p> <p data-bbox="524 464 1469 562">(i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include activities in the IRM Part of the Project in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;</p> <p data-bbox="524 709 1481 848">(ii) the Recipient has prepared and disclosed all Safeguards Documents (or other required safeguard instruments) required for said activities, and the Recipient has implemented any actions required pursuant thereto, all in accordance with the provisions of Section I. E of Schedule 2 to the Financing Agreement;</p> <p data-bbox="524 890 1490 1024">(iii) the Recipient has ensured that the Coordinating Authority has adequate staff and resources in accordance with the provisions of Section I.E.2 of Schedule 2 to the Financing Agreement, for the purposes of activities in the IRM Part of the Project; and</p> <p data-bbox="524 1066 1463 1165">(iv) the Recipient has maintained the IRM Operations Manual approved for the Recipient, in form and substance acceptable to the Association pursuant to Section 1.E.1 of Schedule 2 to the Financing Agreement.</p>
Type Disbursement	<p data-bbox="524 1182 662 1213">Description</p> <p data-bbox="524 1218 1490 1316">No withdrawal shall be made for payments under Category 3 unless and until the audited compensation statement report has been furnished and deemed acceptable to the Association.</p>



### VIII. RESULTS FRAMEWORK AND MONITORING

#### Results Framework

COUNTRY: Madagascar

Additional Financing to Integrated Urban Development and Resilience Project for Greater Antananarivo

#### Project Development Objective(s)

The Project Development Objective is to enhance urban living conditions and flood resilience in selected low-income neighborhoods of Greater Antananarivo; and to improve the Recipient’s capacity to respond promptly and effectively to an Eligible Crisis or Emergency.

#### Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<b>Urban living conditions and flood resilience enhanced in selected low-income neighborhoods of GA</b>								
People provided with improved urban living conditions (CRI, Number)		0.00	0.00	50,000.00	200,000.00	300,000.00	100,000.00	650,000.00
People provided with improved urban living conditions - Female (RMS requirement) (CRI, Number)		0.00	0.00	25,000.00	100,000.00	150,000.00	50,000.00	325,000.00
People protected by restored or improved flood protection infrastructure (Number)		0.00	0.00	10,000.00	15,000.00	15,000.00	3,500.00	43,500.00
Share of direct project beneficiaries that are satisfied with the project		0.00	0.00	25.00	50.00	60.00	70.00	70.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
interventions (Percentage)								
<b>IRM-CERC (Action: This Objective is New)</b>								
Direct beneficiaries of the social safety net program (Number)	0.00	200,000.00	400,000.00	830,000.00	1,000,000.00	1,250,000.00	1,375,000.00	
<b>Action: This indicator is New</b>								
Direct beneficiaries of the social safety net program - Female (Percentage)	0.00	30.00	40.00	50.00	55.00	60.00	65.00	
<b>Action: This indicator is New</b>								
Direct beneficiaries of the CUA's homeless service (Number)	0.00	40,000.00	60,000.00	80,000.00	100,000.00	120,000.00	146,000.00	
<b>Action: This indicator is New</b>								
Direct Beneficiaries of the CUA's homeless service - Female (Percentage)	0.00	10.00	20.00	30.00	40.00	50.00	55.00	
<b>Action: This indicator is New</b>								



**Intermediate Results Indicators by Components**

Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<b>Improving urban drainage, services and resilience in targeted areas</b>								
People provided with access to improved sanitation services (CRI, Number)		0.00	0.00	10,000.00	20,000.00	80,000.00	112,000.00	112,000.00
People provided with access to improved sanitation services - Female (RMS requirement) (CRI, Number)		0.00	0.00	5,000.00	25,000.00	40,000.00	56,000.00	56,000.00
Length of canals and embankments rehabilitated (Kilometers)		0.00	5.00	10.00	17.00	0.00	0.00	17.00
Amount of sludge dredged from the C3 and safely disposed (Cubic Meter(m3))		0.00	0.00	20,000.00	40,000.00	40,000.00	0.00	100,000.00
Roads constructed or rehabilitated (Kilometers)		0.00	1.00	2.00	3.00	0.00	0.00	6.00
Pedestrian paths constructed or rehabilitated (Kilometers)		0.00	0.00	3.00	5.00	10.00	0.00	18.00
Neighborhoods (Fokontany) which have prepared and tested a contingency plans and evacuation strategy (Number)		0.00	0.00	5.00	10.00	5.00	0.00	20.00
Person-days of temporary jobs created (Number)		0.00	0.00	10,000.00	30,000.00	20,000.00	0.00	60,000.00



Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
Increase of water and sanitation community groups (RF2) operational within the project area (Percentage)		10.00	0.00	10.00	20.00	20.00	0.00	50.00
Percentage of complaints regarding project activities addressed per the grievance redressal system established by the project (Percentage)		0.00	80.00	100.00	100.00	100.00	100.00	100.00
<b>Strengthening institutional capacity for resilient urban governance</b>								
Detailed Urban Plan completed in a 2-year timeframe (Yes/No)		No	No	No	Yes	Yes	Yes	Yes
Revenue Enhancement strategy and action plan for CUA (Yes/No)		No	Yes	Yes	Yes	Yes	Yes	Yes
Annual increase of properties for which owners have been identified for tax purposes over previous year (Percentage)		0.00	10.00	10.00	10.00	10.00	10.00	10.00
Solid Waste Management Strategy approved (Yes/No)		No	No	No	No	Yes	Yes	Yes
<b>Component 4: Contingent Emergency Response Component (Action: This Component is New)</b>								
Person-days created by cash-for-work activities (Number)		0.00	300,000.00	500,000.00	600,000.00	800,000.00	1,000,000.00	1,300,000.00





Indicator Name	PBC	Baseline	Intermediate Targets					End Target
			1	2	3	4	5	
<i>Action: This indicator is New</i>								
Complaints addressed per the GRM established by FID (Percentage)	0.00	40.00	50.00	60.00	70.00	80.00	90.00	
<i>Action: This indicator is New</i>								

Monitoring & Evaluation Plan: PDO Indicators						
Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection	
People provided with improved urban living conditions		Annual	Project Progress Report		MATP/AGETIPA	
People provided with improved urban living conditions - Female (RMS requirement)		Annual	Project Progress Report		PMU/MATP	
People protected by restored or improved flood protection infrastructure	The indicator measures the number of houses which benefit from the flood protection investment undertaken under the project, which include the river dikes, dredging and rehabilitation of C3 Canal	Annual	Results of the hydraulic modeling conducting by the engineering consultant to assess the		AGETIPA	



			impact of the drainage and flood protection infrastructure		
Share of direct project beneficiaries that are satisfied with the project interventions	The indicator measures the degree of satisfaction of project beneficiaries through a Beneficiary Feedback Survey to be conducted twice a year.	Semi-annual	Beneficiaries satisfaction survey		PMU/M2PATE
Direct beneficiaries of the social safety net program	This indicator will measure the total number of selected and enrolled beneficiaries from the cash transfer program. Direct beneficiaries are people who directly derive benefits from cash transfer program.	Quarterly	MIS FID	Project progress reports	FID
Direct beneficiaries of the social safety net program - Female	The indicator measures the number of female beneficiaries among all beneficiaries.	Quarterly	MIS FID	Project progress reports	FID
Direct beneficiaries of the CUA's homeless service	This indicator will measure the total number of enrolled beneficiaries at CUA's homeless shelters receiving meals, hygiene, and bed services.	Semi-annual	CUA	Project progress reports	CUA - PMU



Direct Beneficiaries of the CUA's homeless service - Female	The indicator measures the percentage of female beneficiaries among all beneficiaries of CUA's homeless service.	Semi-annual	CUA	Project progress reports	CUA-PMU
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**Monitoring & Evaluation Plan: Intermediate Results Indicators**

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
People provided with access to improved sanitation services	The indicator measures the cumulative number of people who benefited from improved sanitation facilities that have been constructed through operations supported by the World Bank.	Annual	Project Progress Report. Number of people provided with access will be estimated by multiplying the actual number of improved sanitation facilities with the estimated number of people per household using the improved sanitation		AGETIPA



			facility.		
People provided with access to improved sanitation services - Female (RMS requirement)	The indicator measures the cumulative number of people who benefited from improved sanitation facilities that have been constructed through operations supported by the World Bank.	Annual	Project survey to count of unique users of new or improved sanitation infrastructure (female)		AGETIPA
Length of canals and embankments rehabilitated	The indicator measures the total length of canals and dikes upgraded under sub-component 1.1	Annual	Supervision Consultant. Project Progress Report. Measurement of implemented infrastructure		AGETIPA
Amount of sludge dredged from the C3 and safely disposed	The indicator measures the quantity of sludge collected from the works on the C3 canal which are adequately treated and disposed at the selected site(s), as per the procedures detailed in the Environmental-Social Management Plan (ESMP).	Semi-annual	Supervisory Engineer and Project Progress Report		AGETIPA/M2PATE
Roads constructed or rehabilitated	The indicator measures the number of kilometers of all	Annual	Supervision Consultant.		AGETIPA



	roads constructed, reopened to motorized traffic, rehabilitated, or upgraded under the project and contributing to improvement on urban accessibility.		Project Progress Report.		
Pedestrian paths constructed or rehabilitated	The indicator measures the number of kilometers of all pedestrian paths constructed, rehabilitated or upgraded under the project and contributing to improvement on urban accessibility.	Annual	Supervision Consultant. Project Progress Report.		AGETIPA
Neighborhoods (Fokontany) which have prepared and tested a contingency plans and evacuation strategy	The indicator measures the successful preparation of contingency plans and the testing of those plans during simulation exercises.	Semi-annual	Project Progress Report and BNGRC reporting		AGETIPA/M2PATE
Person-days of temporary jobs created	The indicator measures the number of temporary jobs that are created during the implementation of the works, which include construction and community workers.	Semi-annual	Progress reports by firms contracted for activities under sub-components 1.1 and 1.2.		AGETIPA
Increase of water and sanitation community groups (RF2) operational	This indicator measures the progress in establishing	Semi-annual	Project Progress		AGETIPA/M2PATE



within the project area	new or strengthening existing RF2 (Water, sanitation and hygiene community groups; Rafitra Fikojàna ny Rano sy Fidiovana) under the project, to support local water and sanitation standards.		Report		
Percentage of complaints regarding project activities addressed per the grievance redressal system established by the project	The indicator measures the effectiveness and efficiency of the grievance mechanism, to be established by the project, in terms of the percentage of project-related grievances received from intended beneficiaries that are promptly reviewed and effectively addressed.	Semi-annual	Inventory of complaints and grievance redress measures		PMU/M2PATE
Detailed Urban Plan completed in a 2-year timeframe	The indicator measures the development of a detailed urban plan developed for the target area within a 2-year timeframe.	Year 2	Project Progress Report		AGETIPA/M2PATE
Revenue Enhancement strategy and action plan for CUA	The indicators measure the development and approval of a Revenue Enhancement strategy and action plan for CUA.	Annual	Project Progress Report		CUA
Annual increase of properties for which owners have been identified for tax	The indicator measures improvement in the	Annual	CUA Information		CUA



purposes over previous year	registration of residential and commercial properties to support tax collection by the local government.		System		
Solid Waste Management Strategy approved	The indicator measures the development and approval by government of a Solid Waste Management Strategy for Greater Antananarivo.	Once by year 4	Project Progress Report		PMU/M2PATE
Person-days created by cash-for-work activities	This indicator will measure the total number of days-worked provided by cash-for-work activities.	Quarterly	MIS FID	Project progress reports	FID
Complaints addressed per the GRM established by FID	The indicator measures the effectiveness and efficiency of the grievance mechanism, to be established by FID, in terms of the percentage of project-related grievances received from intended beneficiaries that are promptly reviewed and effectively addressed.	Quarterly	MIS FID	Project progress reports	FID



## ANNEX 1. Financial Management Assessment for the Parent Project, AF and IRM Activation

1. The proposed AF of US\$50 million will replenish the funds reallocated from the Madagascar Integrated Urban Development and Resilience Project (PRODUIR) to support the IRM-CERC at the portfolio level of Madagascar. The AF will be utilized to fund the originally planned project activities under PRODUIR. The reallocated funds to the Component 4 Contingent Emergency Response of the parent project will be implemented as follows:

- Part 1. US\$5 million will finance the WASH activities of Antananarivo Municipality related part of the COVID-19 Response Plan. This part will be implemented by the PRODUIR PMU (referred to as component 4.1 of PRODUIR CERC).
- Part 2. US\$45 million will finance the Social Protection support for families in extreme poverty and vulnerability situations which are affected by the consequences of the health security measures related to COVID-19. This part will be implemented by the *Fonds d'Intervention pour le Développement* (FID). (referred to as sub-component 4.2 of PRODUIR CERC).

2. The results of the assessment indicate that the FM arrangements of PRODUIR, parent project, are adequate. There is no overdue financial audit. Interim financial reports are submitted timely and are acceptable. The recent external audit opinion for the project for the period ended December 31, 2019 are unqualified. The financial management performance of the project is moderately satisfactory due to the vacant position of the internal auditor and weaknesses in maintaining supporting documents for expenditures. The institutional implementation arrangements for the PRODUIR parent project will remain applicable subject to additional capacity and risk mitigating measures due to increased funds and the nature of emergency activities.

3. To further strengthen the existing arrangements considering the AF and the IRM activation, the following additional measures shall be put in place: (i) the PMU will recruit a qualified internal auditor by December 2020 and IRM activities will be included in the internal audit plan; (ii) the PMU will recruit temporarily one accountant to support with WASH emergency FM tasks by December 2020, (iii) a segregated designated account PMU will be opened at the Central Bank to receive IRM funds.

4. The risk of the entire PRODUIR project was re-evaluated considering the IRM activation and the AF. The FM residual risk level shall be maintained at **Substantial** considering the mitigation measures.

### **Specific financial arrangements at the PRODUIR PMU level considering the AF and IRM activation**

5. **Staffing.** The PRODUIR PMU will temporarily recruit one additional accountant to support the Urban/WASH activities relating to the IRM (referred to as Sub-component 4.1). As the AF intends to replenish the original allocation of the component 1,2,3 of the project, no additional activity is expected, and no change is required in the current staffing of the PMU with regards to the AF.

### **Budgeting, Internal controls, Accounting and Reporting**

6. The ongoing budgeting, accounting of the parent project PRODUIR as well as the project implementing procedures manual (PIM) will apply to the components 1, 2, 3, and 4.1. However, additional





implementing and reporting arrangements will be put in place given the increased resources and CERC activities and will include the following : (a) the PIM will be revised by December 2020 to include comprehensive guidance on use of funds and reporting arrangements relating to the additional CERC activities, (2) the PRODUIR PMU will record the additional activities transactions using the current accounting software, and (3) the PRODUIR PMU will submit the consolidated<sup>5</sup> IFRs from the first disbursement from the AF. The World Bank procurement procedures will apply to the whole project activities.

### **Funds flow and Disbursement arrangements**

7. Disbursements will be made in accordance with the *World Bank Disbursement Guidelines for Projects*, dated February 2017. The disbursement and financial information letter (DFIL) will define the applicable disbursement methods and terms to the AF. The PMU will use the existing designated account (DA) denominated in US\$ for the AF funds management. The disbursement will be transactions-based as for the parent project.

8. A separate DA will be opened by December 2020 at the Central Bank of Madagascar to receive the US\$5 million of IRM funds to finance emergency priority WASH activities. The DFIL of the parent project will be restated to consider the change incurred by the IRM activation.

9. **Internal audit.** This position is vacant since April 2020. The PMU shall fill this position by December 2020. The audit plan will be developed using risk-based approach and cover the whole project. The internal auditor will at least conduct two audits per year. Reports should be communicated to the World Bank 30 days after finalization of each internal audit.

10. **External financial Audit.** The external audit of the whole project financial statements will be carried out by an independent audit firm acceptable to the World Bank. The ongoing contract will be extended to cover the AF and the IRM. The audit will comply with the International Standards on Auditing. The audit report will be furnished to the World Bank within six months after the end of the project fiscal year.

11. **Fraud and corruption.** The project manual of procedures that will apply to the AF, has been developed considering the World Bank directives and guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (revised as of July 1, 2016).

12. **Implementation support and Supervision plan.** The implementation mission plan for the AF will be aligned with the parent project supervision’s schedule based on the overall residual risk level.

### **Financial Management Assessment for the Sub-Component 4.2 – IRM implementation at FID level**

13. **The FM assessment was conducted on FID** in October 2020 in accordance with the Directives and Policy for IPFs, the Bank Guidance on FM in World Bank IPF Operations issued on February 28, 2017, Guidance Note on FM in Rapid Response to Crises and Emergencies issued by Operations Policy and

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<sup>5</sup> Parent project and Additional financing



Country Services on November 1, 2013 and updated on June 1, 2016. The assessment was aimed at confirming whether the FM arrangements in place are acceptable. The assessment considered the degree to which: (a) reasonable records are maintained and financial reports produced and disseminated for decision-making, management and reporting; (b) funds are available to finance the Project; (c) there are reasonable controls over Project funds; and (d) adequate audit arrangements are in place.

14. The FID will be implementing the social protection responses in the Multisectoral Emergency Plan of the country under the IRM of the PRODUIR (referred to as Sub-Component 4.2 of the PRODUIR). The total financing amounts to US\$45 million.

15. The FID is currently implementing the main part of Social Safety Net Project amounting to US\$ 90million<sup>7</sup>. The FID is also managing funds from other donors such as United Nations Children's Fund, World Food Program, and International Labor Organization. The FID activities consist primarily of cash transfers. The FM performance is broadly satisfactory for the FID. The external audit opinion for the successive fiscal years are unqualified and no major FM issues were identified. With the additional US\$45 million brought by the IRM which will also fund social benefits through cash transfer, the risk related to the whole activities implemented by the FID was re-assessed. The overall risk rating is Substantial due mainly to the risk related to the funds flow given the decentralization and the nature of activities to be financed; the risk is exacerbated by the emergency context.

16. The FM arrangements in place for the FID are adequate subject to the additional measures noted below.

17. To address the risks related to the emergency activities and to further strengthen the arrangements the following measures, as captured in the table 1.2, will be implemented:

- a) the FID will temporarily recruit additional FM staff to support the existing team with the IRM-PRODUIR implementation,
- b) Regarding the cash transfers to beneficiaries: the FID will rely on the well performing payment agencies, clarify reporting arrangements in the payment agencies contracts, and strengthen supervision over these activities,
- c) the project implementation manual will be updated to incorporate the IRM-PRODUIR activities,
- d) the FID will open a separate designated account to manage the funds from this IRM,
- e) the World Bank will increase implementation support for the IRM.

#### **Detailed FM arrangements for the IRM implementation at FID**

18. **Staffing.** Among the additional staff to be recruited by the FID will be: one finance officer and one accountant at central level, one finance officer and one accountant for Tolagnaro regional office. One accountant per regional office (*Région Analamanga, Région Atsinanana, Région Haute Matsiatra*).

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<sup>7</sup> The P149323 is amounting US\$90 million, US\$3 million implemented by the Ministry of Population responsible and US\$87 million implemented by the FID. The project is currently 51 percent disbursed and will close in March 2022.



### **Funds flow and Disbursement arrangements**

19. Disbursements will be made in accordance with the *World Bank Disbursement Guidelines for Projects*, dated February 2017. The DFIL will define the applicable disbursement methods and terms. The FID will open DA at the Central Bank of Madagascar to receive the proceeds of the IRM. The D.A will be denominated in US\$ and managed by the FID. The disbursement will be report-based for the FID and the DFIL of the PRODUIR parent project will be amended to consider this provision.

### **Budgeting, Internal controls, and Accounting**

20. The budgeting, internal controls and accounting arrangements as well as the PIM used by the FID for similar social protection activities will apply to the IRM activities.

21. Regarding the cash transfers to beneficiaries, the FID will contract with payment agencies on the basis of their track record. The FID will also clarify reporting arrangements in the payment agencies contracts to enable timely and frequent reporting and strengthen supervision over these activities. The grievance redress mechanism in place within the FID will be extended to the IRM activities.

22. The internal controls procedures manual of the FID will be revised by December 2020 to include comprehensive guidance on use of funds and reporting arrangements for the IRM. The World Bank procurement framework will apply to the IRM activities.

23. The FID will use a separate database within the current accounting software to record the IRM transactions and will ensure adequate segregation with other projects activities implemented by the entity. The FID will also ensure that supporting documentation related to the IRM are kept separately.

24. **Internal audit.** The FID is staffed with qualified internal auditors recruited under the ongoing project. The current audit plan is comprehensive and satisfactory. Internal audits are conducted as planned and reports are issued on a timely basis for management attention. The internal audit department will include bi-annual review of the IRM in its audit plan. Separate report shall be communicated to the World Bank 30 days after finalization of each internal audit mission.

25. **Reporting.** For quarterly financial reporting, the FID will furnish financial report to the PRODUIR PMU no later than 30 days after the end of the quarter to meet the reporting requirements. The PRODUIR PMU will submit the consolidated IFRs of the whole project to the World Bank within 45 days after the end of each quarter.

26. **External financial Audit.** The CERC will be audited as part of the whole project financial statements. FID will provide the PRODUIR PMU with financial statements related to the IRM no later than three months after each fiscal year. The PRODUIR PMU will consolidate the received financial data with those related to the components 1,2,3 and 4.1 of the project. The ongoing audit contract for the PRODUIR will cover the IRM component. The audit will comply with the International Standards on Auditing. The audit report will be furnished to the World Bank within six months after the end of the project fiscal year.



27. **Fraud and corruption.** The internal control procedures manual used by the FID, has been developed considering the World Bank directives and guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants (revised as of July 1, 2016).

28. **Implementation support and Supervision plan.** The implementation support mission plan will be aligned with the parent project supervision’s schedule based on the overall residual risk level. The FM risk has been reassessed as Substantial and therefore the number of supervisions per year will be twice a year. In addition, the FMS will increase implementation support for the IRM with FM meeting in the second month covering budget, flow of funds and internal control aspects.

**Table 1.1. Revised Risk Assessment of the PRODUIR considering the AF and the IRM implementation**

Risk	Risk rating	Risk Mitigating Measures Incorporated into Project Design	Effectiveness condition (Y/N)	Residual risk
<b>Inherent risk</b>	<b>Substantial</b>			<b>Substantial</b>
<b>Country level</b> Public Financial Management (PFM) reform is experiencing implementation delays and weaknesses identified by the Public Expenditure and Financial Accountability 2018 in PFM cycle generate the risk of lack of transparency and accountability in the use of public funds.	H	The country PFM performance remains weak. The implementation of the PFM reform agenda is supported by the World Bank and other donors (African Development Bank and European Union). The World Bank financed project (P150116, Public Sector Services Delivery and Accountability Project) is on implementation stage and is supporting the improvement of the Madagascar public sector and PFM system.	N	S
<b>Entity level</b> Ministries’ PFM system mirrors the Central level PFM system and its weaknesses resulting in the risk of lack of transparency and accountability in the use of public funds.	S	The implementation will rely on PIUs with qualified staff recruited and adequate procedures.	N	S
<b>Project level</b> Misunderstanding of the responsibility as the project involve several stakeholders	S	The internal control manual of procedures describes the role and responsibility of each implementing entity. Each PIU will ensure effective application of these procedures. The internal control manual of procedures	N	S



		will describe the roles of the FID and the PRODUIR PMU in terms of implementation and reporting for the IRM. The manual will be updated to consider the activation of the IRM and the changes in the reporting arrangements.		
<b>Control Risk</b>	S			S
<b>Budgeting</b> Delay in preparing yearly budget and inappropriate monitoring of budget execution resulting in delay in achieving project's objectives.	S	The PIUs will follow strictly budget procedures and timeline as per internal control procedures manual. The PIUs will ensure that the annual work program and budget is in line with the procurement plan to prevent any delays due to the procurement process. The planned Emergency activities agreed between the World Bank and the Government will serve for the budget. The PIUs will track budget variances and take proactive decisions.	N	S
<b>Accounting</b> Weak capacity in the financial management of World Bank financed project which will result in delay and inaccuracies in recording financial transactions.	S	The PRODUIR PMU and the FID will maintain qualified financial management specialists and accountants at the central and regional levels and recruit addition staff to support with the CERC implementation. The PRODUIR PMU will use the existing software to record CERC and AF transactions. The FID will keep IRM records separately from other financing activities, using the ongoing accounting software.	N	S
<b>Internal Controls and Internal audit</b> Ineffective internal audit function Risk of ineligible expenditures	S	The PRODUIR PMU will fill the vacant position of internal auditor. The FID will rely on the qualified internal auditors recruited for the CERC implementation oversight. The PRODUIR PMU and the FID will use a comprehensive internal control manual of procedures covering all FM cycle (budget, internal control, accounting, funds flow, internal audit, external audit, mission, ...). Their manual will be updated to consider the IRM activation and the changes in the reporting arrangements resulting from	N	S



		<p>these operations.</p> <p>The PRODUIR PMU and the FID will monitor the risk of non-compliance of the expenditures by using risk-based approach for internal audit.</p> <p>The FID will include IRM activities in the internal audit program.</p>		
<p><b>Funds Flow</b></p> <p>Risk of delay in the disbursement of the funds due to the location of the designated account at the Central Bank.</p> <p>Risk of fraud over resettlement compensations' payment</p> <p>Low control on cash transfers to beneficiaries made by payment agencies (IRM - social protection).</p>	S	<p>The PRODUIR PMU will use the existing Designated Account open at the Central Bank to receive the proceeds of AF.</p> <p>The FID and PRODUIR PMU will open each a separate Designated Account at the Central Bank to receive the proceeds of the CERC.</p> <p>The World Bank will continue providing support to the government to improve the national disbursement mechanism (Designated accounts for donors funded projects are hosted at the Central Bank).</p> <p>Procedures in place ensure that the resettlement compensations' list of payment is validated by competent authority and verified by an independent agency prior the payment.</p> <p>The FID will rely on well performing payment agencies, clarify the reporting arrangements in the contract and reinforce supervision of payments.</p>	N	S
<p><b>Financial Reporting and Monitoring</b></p> <p>Unreliable IFRs and delay in submitting the IFRs due to unclear responsibilities between the PRODUIR PMU and the FID</p>	S	<p>The PRODUIR PMU will use adequate accounting software to produce financial reports.</p> <p>The FID will transmit financial information to the PRODUIR PMU timely to ensure quarterly and yearly reporting.</p>	N	M
<p><b>External Auditing</b></p> <p>Inadequate audit opinion</p>	S	<p>The PRODUIR PMU will amend the TORs of the ongoing external auditor to consider the CERC activation and cover the AF.</p> <p>The audit will be performed according to internationally recognized standards, the scope and the objectives of the audit tailored to the particularity of the project.</p>	N	M
<p><b>Fraud and Corruption</b></p> <p>Risk of fraud &amp; corruption in the contracts' management</p>	S	<p>The PRODUIR PMU and the FID will ensure that the grievance redress mechanism is effective.</p>	N	S



		The World Bank will increase implementation support.		
<b>Overall Risk</b>	S			S

**Table 1.2.FM action plan for the IRM/CERC implementation**

<b>Action</b>	<b>Responsible</b>	<b>Deadline</b>
Recruit temporarily additional FM staff to support the existing team the IRM-PRODUIR implementation.	FID PRODUIR PMU	No later than three months after the IRM activation
Fill the vacant position of internal auditor and include IRM activities in the internal audit plan.	PRODUIR PMU	December 31, 2020
Regarding the cash transfers to beneficiaries, recruit with well performing payment agencies, clarify reporting arrangements in the payment agencies contracts, strengthen supervision over these activities.	FID	No later than two months after the IRM activation
Update the project implementation manual to consider the CERC-PRODUIR activities.	PRODUIR-PMU FID	No later than three months after the approval date of the IRM
Open designated account at the Central Bank of Madagascar to receive the IRM funds.	FID PRODUIR-PMU	Two months after the IRM activation
Increase implementation support for the IRM with monthly FM meeting to follow-up on budget, flow of funds and internal control aspects.	World Bank	During the IRM implementation period