

AFRICAN DEVELOPMENT BANK GROUP



AGRO-INDUSTRIAL PROCESSING ZONE DEVELOPMENT PROJECT IN THE SOUTH-WEST REGION OF MADAGASCAR (PTASO): P-MG-AA0-038

COUNTRY : REPUBLIC OF MADAGASCAR

APPRAISAL REPORT

Project Team	Team Leader:	Mr. Léandre GBELI, Chief Agro-Economist	AHFR.2 Ext. 3646
	Members:	Mr. Mamadou KANE, Chief Rural Infrastructure Engineer	AHFR.2 Ext. 3004
		Mr. Jean-Marie MENG LIHINAG, Principal Agro-Economist	RDGS.2 Ext. 3968
		Mrs. Eliane RAZANASAMI, Procurement Officer	COMG Ext. 6009
		Mr. Ilyes BDIOUI, Chief Financial Analyst	AHHD Ext. 5270
		Mrs. Ma Soukha BA, Young Professional	AHFR.2 Ext. 4318
		Mrs. Maria Saguti MAREALLE, Principal Lands Specialist	AHAI.2 Ext. 4852
		Mr. Joseph BYAMUGISHA, Senior Fin. Management Specialist	RDGS Ext. 6561
		Mr. Emmanuel NYIRINKWAYA, Fragility Management Spec.	RDGW.4 Ext. 2351
		Mrs. Anne CELESTINO-VALKO, Senior Gender Specialist	RDGW.2 Ext. 2535
		Miss Musole MUSUMALI, Climate Change Officer	RDGS.2 Ext. 3983
		Mr. Modeste Lawakilea KINANE, Chief Environmentalist	RDGS Ext. 2933
		Mrs. Daniela MORRO, Senior Social Development Specialist	RDGS Ext. 8452
	Sector Division Manager:	Mr. Olagoke OLADAPO	AHFR.2 Ext. 3494
	Regional Division Manager:	Mr. Neeraj VIJ	RDGS.2 Ext. 3852
Peer Reviewers	Resident Representative:	Mr. Mohamed CHERIF	COMG Ext. 6000
	Sector Director:	Mrs. Atsuko TODA	AHFR Ext. 2042
	Acting Regional Director:	Mrs. Josephine NGURE	RDGS Ext. 8501
	Mr. Mariam YINUSA	Principal Financial Economist	AHAI.1 Ext. 2357
	Mr. Laouli GARBA	Chief Smart Agriculture Expert	AHAI.2 Ext. 1990
	Mrs. Christine DOVONOU	Senior Agro-Economist	RDGW.2 Ext. 5191
	Mrs. Aminata SOW	Principal Rural Infrastructure Engineer	RDGC.2 Ext. 3888
	Mrs. Maïmouna DIOP-LY	Chief Health and Social Protection Specialist	AHHD.1 Ext. 4211
	Mr. Borel A. FOKO TAGNE	Principal Education Specialist	AHHD.1 Ext. 1547
	Mr. Morou MOUSSA	Senior Rural Infrastructure Officer	RDGS.2 Ext. 6001

AFRICAN DEVELOPMENT BANK GROUP



REPUBLIC OF MADAGASCAR

AGRO-INDUSTRIAL PROCESSING ZONE DEVELOPMENT PROJECT IN THE SOUTH-WEST REGION OF MADAGASCAR (PTASO)

RDGS/AHFR DEPARTMENTS

September 2020

Translated document

TABLE OF CONTENTS

Currency Equivalents, Fiscal Year, Weights and Measures, Acronyms and Abbreviations, Project Information, Project Summary, Results-Based Logical Framework, Project Implementation Schedule
..... i - ix

I.	STRATEGIC THRUST AND RATIONALE	1
1.1	Project Linkages with Country Strategy and Objectives	1
1.2	Project Alignment with Bank Policy	1
1.3	Rationale for Bank Intervention	2
1.4	Aid Coordination	2
II.	PROJECT DESCRIPTION	3
2.1	Project Components	3
2.2	Technical Solutions Adopted and Alternatives Considered	6
2.3	Project Type	7
2.4	Project Cost and Financing Arrangements	7
2.5	Project Area and Beneficiaries	8
2.6	Participatory Approach to Project Identification, Design and Implementation	9
2.7	Bank Group Experience and Lessons Reflected in Project Design	9
2.8	Key Performance Indicators	10
III.	PROJECT FEASIBILITY	11
3.1	Economic and Financial Performance	11
3.2	Environmental and Social Impact	12
3.3	Involuntary Resettlement	15
IV.	IMPLEMENTATION	15
4.1	Implementation Arrangements	15
4.2.	Procurement and Disbursement Arrangements	16
4.3	Financial Management	17
4.4	Monitoring	18
4.5	Governance	18
4.6	Sustainability	18
4.7	Risk Management	19
4.8	Knowledge Building	19
V.	LEGAL FRAMEWORK	20
5.2	Conditions for Bank Intervention	20
5.3	Compliance with Bank Policies	21
VI.	RECOMMENDATION	21

Currency Equivalents

(July 2020)

UA 1	=	MGA 5 319.54
USD 1	=	MGA 3 866.79
EUR 1	=	MGA 4 330.04
UA 1	=	USD 1.3757
UA 1	=	EUR 1.22852

FISCAL YEAR

1 January - 31 December

WEIGHTS AND MEASURES

1 metric tonne	=	2,204 pounds
1 kilogramme (kg)	=	2.200 pounds
1 metre (m)	=	3.28 feet
1 millimetre (mm)	=	0.03937 inch
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 ares

ACRONYMS AND ABBREVIATIONS

ADF	:	African Development Fund
AfDB	:	African Development Bank
AIP	:	Agro-Industrial Park
ARAP	:	Abbreviated Resettlement Action Plan
AREP	:	Adaptation Review and Evaluation Procedures
AVC	:	Agricultural Value Chain
BD	:	Bidding Document
CABIZ	:	Agribusiness Centre
CBR	:	Cost/Benefit Ratio
CC	:	Climate Change
COMG	:	Bank's Country Office in Madagascar
CSP	:	Country Strategy Paper
CSS	:	Climate Safeguards System
DGA	:	General Directorate of Agriculture
DGGR	:	General Directorate of Rural Engineering
EDBM	:	Economic Development Board of Madagascar
ERR	:	Economic Rate of Return
ESIA	:	Environmental and Social Impact Assessment
ESMF	:	Environmental and Social Management Framework
ESMFP	:	Environmental and Social Management Framework Plan
ESMP	:	Environmental and Social Management Plan
FD	:	Final Design
IFAD	:	International Fund for Agricultural Development
IRR	:	Internal Rate of Return
JICA/ACFA	:	Accelerated Co-financing Facility for Africa of JICA

LI	:	Labour Intensive
MAEP	:	Ministry of Agriculture, livestock and Fisheries
MFI	:	Micro-Finance Institution
MGA	:	Ariary (National Currency of Madagascar)
MICA	:	Ministry of Industry, Trade and Handicraft
NCB	:	National Competitive Bidding
NGO	:	Non-Governmental Organisation
NPV	:	Net Present Value
ONE	:	National Environmental Authority
PD	:	Preliminary Design
PMU	:	Project Management Unit
PNDA	:	National Agricultural Development Plan
PNDA	:	National Agricultural Development Policy
PNDES	:	National Economic and Social Development Plan 2016-2020
PNIA	:	National Agricultural Investment Plan
PNIASAN	:	National Agricultural Investment and Food and Nutrition Security Plan
PP	:	Procurement Plan
PPIP	:	Portfolio Performance Improvement Plan
PPP	:	Public-Private Partnership
PSC	:	Project Steering Committee
RE	:	Rural Engineering
RUS	:	Roads and Utility Services
SAPZ	:	Special Agro-Industrial Processing Zone
TAAT	:	Technologies for African Agricultural Transformation
TFP	:	Technical and Financial Partner
UA	:	Unit of Account
WB	:	World Bank
WFP	:	World Food Programme
WSC	:	Water and Soil Conservation

PROJECT INFORMATION

Client Information

BORROWER	:	Republic of Madagascar
EXECUTING AGENCY	:	Project Management Unit in MICA

Financing Plan (in UA million)

Source	Amount (UA)	Instrument
TSF Loan	20.00	Loan
Government of Madagascar	4.27	-
TOTAL COST	24.27	

Key TSF financing information

TSF (Pillar I)			
Loan/Grant currency		UA	
Interest Type*		Not Applicable	
Interest Rate Margin*		Not Applicable	
Commitment Fee*		0.5% (5 basis points)	
Other Charges*		0.75% (service charge)	
Tenor		40 years	
Grace Period		10 years	
IRR (baseline scenario):	23.60%	NPV Amount:	USD 109.57 million
ERR (baseline scenario):	24.93%	NPV Amount:	USD 123.43 million

Duration – Key Milestones (expected)

Concept Note approval	08 February 2020
Project approval	02 September 2020
Effectiveness	02 March 2021
Closing date	31 December 2026
Last disbursement	31 December 2025

PROJECT SUMMARY

Overview: The Agro-industrial Processing Zone Development Project in the South-West Region of Madagascar (PTASO) is the first project of an initiative that could be replicated at national level to ensure greater processing of agricultural products. It is intended to reverse the trend of repeated poor performance in the agricultural and economic sectors (more than half of the population is extremely poor and almost as many people take in less than 2,100 calories/day), despite the immense potential offered by this large island covering 587,295 km², 14% of which is arable land. It should also provide a response to the situation in the post-COVID-19 era. The population of the country, estimated at 27,249,560 inhabitants in 2020 (54.70% women and 45.30% men), derives most of its income (80%) from the agricultural sector. The rural population is estimated at 78% and only 5% of land is under cultivation each, with massive imports of nearly USD 600 million worth of agro-food products (2018). The PTASO will promote agricultural value chains (AVCs) such as rice, cape peas, maize, fishery products and small ruminants, through infrastructure development and the implementation of measures likely to attract the private sector to play its role in key areas of industrial processing and marketing. The main activities financed by the project are: (i) improvement of the regulatory framework to develop SAPZs and strengthen institutions; (ii) construction of basic infrastructure in Tuléar agro-industrial platform and agribusiness centres (Ankilililoake and Tandadave); (iii) improvement of agricultural production infrastructure (irrigated areas, aquaculture farms, etc.) and marketing (storage warehouses, rural roads, etc.); and (iv) capacity building for stakeholders in the agro-industrial sectors (Government services, farmer organisations, etc.). These activities will create wealth and employment, improve food security and reduce chronic malnutrition in this part of the country which, despite its potential, remains a pocket of famine. This operation, estimated at UA 24.27 million, will be implemented over five (5) years starting from 2021; it will be funded by TSF Pilar I (UA 20 million), and the Government of Madagascar (UA 4.27 million).

The project is consistent with the Agriculture, Livestock and Fisheries Sector Programme and the National Agricultural Investment Programme (PSAEP/PNIAEP 2016-2020), which is also aligned with the General Government Policy (PGE) and the Madagascar Emergence Plan (PEM) mainly focused on industrialisation, food self-sufficiency through modernisation of agriculture, the blue economy, decent employment for all, and sustainable management and conservation of natural resources.

The Bank's intervention will cover about 107,000 ha throughout the project area, and will have an impact on about 152,000 direct beneficiaries, who will be integrated into the project, and 460,000 indirect beneficiaries, about 54.70% of whom will be women. It will also provide a response to the potential post-COVID-19 food crisis.

Needs Assessment: This operation stems from the Government's urgent need to reverse the trend in agricultural sector underperformance in the production and processing of agricultural products, especially in the South-West region, whose development potential contrasts with the recurrent food insecurity in this part of the country. The project focuses on the processing of agricultural products, and thereby contributes to wealth creation through jobs generated in agro-industry, preserves economic and financial stability by reducing imports of agro-food products, and responds to post-COVID-19 impacts. In addition, the operation will also significantly improve the population's food and nutrition security.

Bank's Added Value: The PTASO adopts an innovative approach proposed in the flagship project of the Bank's "Feed Africa" Strategy 2016-2025, namely the establishment of "Special Agro-industrial Processing Zones (SAPZ)". The approach seeks to increase private investment

in the agricultural sector, and is based on the Government creating incentive conditions for the private sector to take the initiative. It is therefore an area in which the Bank has experience and expertise, following the implementation of similar operations in Togo, Ethiopia, DRC, Zambia, Tanzania, Guinea, Senegal and Mali. The conditions created by this project will eventually attract other partners to the initiative, as well as private sector financing to agricultural transformation (agripreneurs, industrialists, private banks, etc.).

Knowledge Building and Management: PTASO implementation will generate knowledge that can be replicated throughout the country. The knowledge will concern involvement of the private sector in sovereign operations, the multi-sector approach (transport, energy, water and sanitation, agro-industry, agriculture, NICTs, education, health and nutrition, employment and trade), the combination of two Bank Strategies ("Feed Africa" and Skills Development) and at least four (4) flagship programmes (SAPZs), TAAT, Agricultural Value Chains, Post-Harvest Loss Reduction, and Youth Employability - Enable Youth), product processing as a solution to major post-COVID development challenges, job creation through the project, and contribution to reducing massive imports of agro-food products into the continent and Madagascar, in particular. The knowledge will be shared through the SAPZ Multisector Committee, as well as through the project's quarterly and annual supervision, mid-term review, and completion reports.

Results-Based Logical Framework

REPUBLIC OF MADAGASCAR: AGRO-INDUSTRIAL PROCESSING ZONE DEVELOPMENT PROJECT IN THE SOUTH-WEST REGION OF MADAGASCAR (PTASO)
Project Goal: Promote inclusive agricultural transformation through development of basic infrastructure and establishment of an incentive framework for private investment in priority value chains in the South-West Region of Madagascar.

RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/ MITIGATION MEASURES
		Indicator (including CSI)	Baseline Situation	Target		
	LONG TERM		2018/2019	2025 <		
IMPACT	Impact 1: Help to reduce the volume of agro-food imports	Value of agro-food imports	USD 600 million	< USD 545 million	▪ Annual report on Madagascar's economic performance	
	Impact 2: Help to reduce poverty and improve food and nutrition security	Inequality-adjusted Human Development Index in the project area	0.379	0.512	▪ MICS/EDS survey; ▪ Periodic report on Madagascar's socio-economic performance	
		Prevalence rate of stunting in children ¹	42 %	20%		
	MEDIUM TERM		2021	2025		
OUTCOMES	Outcome 1: Local capacity to process agricultural products improved	Average processing rate of plant, animal and fishery products	< 5 %	≥ 40 %	▪ MAEP Agricultural statistics; ▪ MICA statistics ²	Risk: Low mobilisation of the private sector / Political risk that may influence the choice of options, with delays in implementation Mitigation Measure: The project is the outcome of discussions with the private sector to create conditions for SME involvement and ownership. The political risk is mitigated by permanent consultation with the Authorities and stakeholders to guide choices so as to mainstream this constraint in the planning of activities. Risk: Risk of silting of irrigation areas and recurrence of cyclones and drought Mitigation Measure: Compliance with legislation on the monitoring of anti-cyclone standards/ Government made aware of the establishment of a maintenance fund for water networks.
	Outcome 2: Private investment in agriculture increased	Number of small and medium-sized private agricultural enterprises created and operational (40% women)	0	35	▪ Monitoring Report by MAEP	
	Outcome 3: Productivity of priority value chains improved	Rice yield (t/ha)	3	7	▪ Project Monitoring-Evaluation Report ▪ MAEP Annual Report	
		Cape pea yield (t/ha)	0.8	1.8		
		Maize yield (t/ha)	2	4		
		Trend of average daily weight gain of small ruminants (%)	0%	20%		
Outcome 4: Youth and non-youth employability improved	Number of direct youth jobs (18-35 years) created (30% girls)	0	35,000	▪ National Job Profile Report		

¹ Children under 5 years of age in the Project Area.

² MICA : Ministry of Industry, Trade and Handicraft

		Number of direct non-youth jobs created (30% of women)	0	17,500	<ul style="list-style-type: none">▪ Project Monitoring-Evaluation Report▪ MAEP Annual Report	Mitigation Measure: Skills development and capacity building are included in the project design
	SHORT TERM		2021	≤ 2025		
OUTPUTS	Output 1: Good governance and incentive measures taken and regulatory framework improved	CABIZ regulatory instruments available	0	2	▪ Project monitoring and evaluation reports	Risks: Late buy-in by some stakeholders may delay project implementation Mitigation Measure: The project design is based on sensitisation and systematic consultation for gradual ownership by all stakeholders.
		Study report on CABIZ establishment available	0	1		
		Number of partner structures receiving institutional support	0	6		
		Study report on incentive measures for priority sub-sectors	0	1		
	Output 2: Agro-Industrial Park and Agro-Business Centres operational	AIP developed and equipped	0	1	▪ Monitoring and evaluation reports	
		CABIZ created and operational	0	4		
		Incubation centre for agro-food processing sub-projects	0	1		
	Output 3: Capacity of priority value chain stakeholders strengthened	Number of women/young people receiving support for food processing and nutrition education activities	0	450/450	<ul style="list-style-type: none">▪ Quarterly progress reports, monitoring and evaluation report, and annual activity report▪ Project mid-term review report▪ Project Completion Report	
		Number of young people/women benefitting from the Local Employment Promotion and Economic Empowerment Fund	0	500/500		
		Number of women /men famer organisations supported (including in organisation and management, and signing of contracts)	0/0	5/5		
		Number of technological themes disseminated on nutrition	0/0	7/7		
		Number of improved stoves distributed to women	0	5,000		
		Km of rural roads linking the CABIZ	0	50		
		Number of local small producers (M/F) who received support in securing their products against CC ³	0/0	200/200		

³ CC : Climate Change

ACTIVITIES		ESIA/ESMP and RAP prepared and implemented	0	5		
	Output 4: Project coordination, management and monitoring-evaluation ensured	Physical implementation rate of the project	0	≥ 95%	<ul style="list-style-type: none"> ▪ Quarterly progress reports, monitoring and evaluation reports, and annual activity report ▪ Mid-term review report of the project ▪ Project Completion Report 	
		Number of supervision missions	0	10		
		Mid-term report is approved	0	1		
		Completion report is approved	0	1		
		Environmental and social audit report	0	4		
		Number of audit reports	0	5		
	COMPONENT				INPUT (UA Million)	
	Component 1 : Support for Governance and Incentive Measures: UA 0.54 million Component 2 : Development of Agricultural Transformation Support Infrastructure: UA 18.74 million Component 3 : Capacity building for Stakeholders: UA 3.09 million Component 4 : Project Management and Coordination: UA 1.90 million				ADF Loan: 20.00 Government of Madagascar 4.27 TOTAL : 24.27	

Indicative Programme Implementation Schedule

No.	ACTIVITIES	2020			2021				2022				2023				2024				2025	
		Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
1	ADF Loan Negotiations																					
2	Consideration by the Board of Directors																					
3	Signing of the Loan Agreement																					
	Fulfilment of effectiveness conditions																					
4	Recruitment of PMU staff																					
5	Fulfilment of conditions precedent to first disbursement																					
6	Publication of the General Procurement Notice																					
7	PTASO launching workshop																					
8	Procurement of goods for PMU and Agencies (vehicles, IT, etc.)																					
9	Updating of the project baseline situation																					
10	Signing of agreements with partner structures																					
11	Preparation of the Annual Work Programme and Budget (AWPB)																					
12	Establishment of Tuléar Agro-Park Infrastructure																					
13	Establishment of CABIZ Infrastructure																					
14	Recruitment of Contractors to build the Infrastructure																					
15	Installation of the internal infrastructure of Tuléar Agro-Park: BDs																					
16	Installation of CABIZ infrastructure: BDs																					
17	Mobilisation of the Private Sector for AIP Development and Management																					
18	Recruitment of an International Agro-Industry Expert																					
19	Land Mapping and Fertilisation																					
20	Validation of Priority Value Chains																					
21	Selection of Technological Packages (TAAT)																					
22	Arrangements for private sector installation																					
23	Establishment of Production/Processing Mechanism																					
24	Production, Processing, Transportation and Marketing Activities																					
25	Monitoring-Evaluation																					
26	Annual External Audit																					
27	Completion Report																					

BANK GROUP MANAGEMENT REPORT AND RECOMMENDATION TO THE BOARD OF DIRECTORS ON AN AGRO-INDUSTRIAL PROCESSING ZONE DEVELOPMENT PROJECT IN THE SOUTH-WEST REGION OF MADAGASCAR (PTASO)

Management submits this report and its recommendation on a proposal for a **loan** from the Transition Support Facility (TSF) country allocation to the Government of the Republic of Madagascar of **UA 20 million** to finance the activities of the Agro-industrial Processing Zone Development Project in the South-West Region of Madagascar (PTASO).

I. STRATEGIC THRUST AND RATIONALE

1.1 Project Linkages with Country Strategy and Objectives

1.1.1 The project is consistent with the General Government Policy (PGE), whose sector framework is the Madagascar Emergence Plan (PEM). The PEM focuses mainly on: (i) accelerated, inclusive and sustainable growth, with two of its three (3) pillars being industrialisation and food self-sufficiency, promoted by PTASO through the processing of agricultural products with the establishment of an agro-industrial park (AIP) in Tuléar; (ii) the environment, in which Madagascar should remain a green island, with energy and water for all, as well as sustainable management and conservation of natural resources, which form part of PTASO's long-term investments; (iii) human capital development through decent jobs for all which the AIP will create with the establishment of agro-industries; and (iv) good governance through the autonomy and accountability of decentralised local authorities, which guarantees PTASO's success. It will establish a development pole in the South-West region, based on its agricultural potential which is one of Madagascar's major assets.

1.1.2 As regards the sectors, PTASO is consistent with the Agriculture, Livestock and Fisheries Sector Programme and the National Agricultural Investment Programme (PSAEP/PNIAEP 2016-2020). PTASO is therefore one of the operational dimensions of PSAEP/PNIAEP which seeks to guide efforts on the link between agriculture and industry to increase the agricultural sector's contribution to GDP from 16% to 25% in 2025 and obtain a 10% State budget allocation to the agricultural sector (Maputo Commitment). The project is indeed fully aligned with the country's strategic objectives.

1.2 Project Alignment with Bank Policy

1.2.1 This project is considered a priority by the Bank in the strategic choice for the transformation of Madagascar's agriculture, as reflected in Pillar II of CSP 2017-2021 on "Support for Agricultural Transformation and Industrial Development". It is also in line with Pillar II of the Bank's strategy: "Feed Africa: Strategy for Agricultural Transformation in Africa 2016-2025", and focuses on four of the Bank's High 5s, namely: (i) Feed Africa; (ii) Industrialise Africa; (iii) Integrate Africa; and (iv) Improve the quality of life for the people of Africa. Specifically, it is fully consistent with efforts to promote smart agriculture (sustainable agriculture), given that products will be developed throughout the priority value chains promoted under this operation.

1.3 Rationale for Bank Intervention

1.3.1 Like most RMCs, Madagascar in 2018 imported nearly USD 600 million worth of fresh food products, most of which can be produced locally, especially cereals. The country has significant agricultural potential, particularly land resources (8 million ha of arable land) and abundant water resources (rainfall of up to 3,000 mm/year and an annual average of 1,200-1,500 mm on the highlands). It also enjoys mild temperatures, which offer significant opportunities for developing a wide range of agro-sylvo-pastoral products and huge potential for developing the blue economy. Although rainfall in the project area averages 600 mm/year on the highlands, it can go up to 3,000 mm/year on the coasts. In this regard, the post-COVID period gives the Government no choice but to develop its agricultural potential to avoid a major food crisis. Consequently, the Bank has selected five (5) operational priorities, one of whose four objectives is to reduce imports and make Africa a net exporter. Furthermore, Madagascar has followed the Bank's lead with various strategies to address the situation by unlocking the country's agricultural potential through long-term infrastructure in the transport, energy, agricultural production, marketing and processing sectors, with the key involvement of the private sector.

1.3.2 The Bank's intervention, through the PTASO, seeks to accelerate the processing of agricultural products in the South-West which, if successful, could be extended throughout the country. The project will help to effectively boost economic development because it has adopted relevant Bank strategies in efforts to consolidate the role of the private sector and communities in rural development, thereby ensuring inclusiveness in Africa and in Madagascar, in particular. Moreover, its design is based on complementarities for synergies with Bank-financed operations that are ongoing and under appraisal (see Annex I), including: (i) PRIASO and the World Bank's PEP which have developed and/or rehabilitated about 23,000 ha of irrigation areas; (ii) the Road Network Improvement Project in the Road Infrastructure Development Project (PAIR) area; (iii) the Corridors Development and Trade Facilitation Project (PACFC), of which one of the two corridors in the South-West (the RN 9) crosses PTASO area from Tuléar to Manja; (iv) the current blue economy initiatives in Tuléar region, for capacity building in COVID-19, support for women fish traders, SME investments in fish processing, regional trade, and studies on blue ports and fishery products value chains; (v) industrial development initiatives; and (vi) the World Food Programme (WFP) project to accelerate women's economic empowerment in South Madagascar (USD 2.00 million. U). This operation will therefore seek to benefit from ongoing operations in the South-West Region so as ensure synergy between activities for greater effectiveness. In addition, the Bank has also gained a lot of experience from developing this type of operations in Togo, Ethiopia, DRC, Zambia, Tanzania, Guinea, Senegal and Mali, and therefore has great chances of success in this operation.

1.4 Aid Coordination

1.4.1 Development aid is coordinated by the Permanent Technical Secretariat for Aid Coordination (STPCA). Under PEM 2019-2023 preparation, the Government, in collaboration with development partners, have started reorganising the sector and thematic platforms to align them with PEM priorities. Consequently, 13 platforms have been defined in relation to the 13 PEM commitments. Sector dialogue is conducted in the Strategic Coordination Platform - Rural Development (PCS-DR), which brings together the Technical and Financial Partners of the rural development sector and is co-chaired by the EU and the GIZ with the Ministry of Agriculture, Livestock and Fisheries (MAEP). The challenges in coordination and strengthening of national leadership include the need to strengthen linkages between overall dialogue on PEM priorities and the sector and thematic dialogue.

1.4.2 The Bank, through COMG, is an active member of several coordination platforms (including that for rural development) and is the second partner for the infrastructure sector after the World Bank. It is also an active member of the PCS-DR, which it chaired on a rotating basis prior to the current EU mandate. Generally speaking, there is wide dispersal of partners in various sectors, despite the Government's efforts. Since May 2019, these efforts have resulted in MAEP co-chairing the Strategic Coordination Platform for Rural Development (PCS-RD) aimed at dialogue and aid coordination in the agricultural sector.

1.4.3 The project is also designed in phases and on the basis of complementarities with the operations in section 1.3.2. It could be gradually complemented by other technical and financial partners (TFPs).

SECTOR OR SUB-SECTOR	VOLUME		
	GDP	Exports	Labour
[Rural Sector]	[25.2%]	37% (2018)	80%
STAKEHOLDERS – ANNUAL PUBLIC EXPENDITURE (average PTIP 2010-2012 in UA million)			
Government	Donors		
Domestic own resources	<i>Description</i>	<i>Amount (USD million)</i>	
UA 14.21 for 2020	WFP	32.15	
UA 24.43 for 2019	WB/IDA	20.34	
	IFAD	15.87	
	ADF/TSF	15.75	
	European Union	13.74	
	GIZ	4.20	
	AFD	2.98	
	Spain	2.20	
	UNIDO	1.16	
	JICA	0.81	
	FAO	0.74	
	Others	0.67	
	Total	110.59	
Aid Coordination Level			
Existence of thematic working groups		Yes	
Existence of a comprehensive sector project		No	
AfDB's role in aid coordination		Reinforced with COMG	

II. PROJECT DESCRIPTION

2.1 Project Components

2.1.1 The Agro-Industrial Processing Zone Development Project in the South-West Region (PTASO) is the first project of its kind and, if successful, will be replicated throughout the country. Its overall goal is to reduce imports of agri-food products and improve Madagascar's food and nutritional security. Specifically, it seeks to promote inclusive agricultural transformation by developing basic infrastructure and establishing an incentive framework for private investment in priority value chains in the South-West Region of Madagascar. The crops have great potential and can be easily developed. The project will be implemented with the following four (4) components: (i) Support for Governance and Management Framework of Agro-industrial Zones; (ii) Development of Agricultural Transformation Support Infrastructure; (iii) Capacity Building for Value Chain Stakeholders; and (iv) Project Coordination and Management.

2.1.2 The project will be based on production activities, as well as the construction of access and marketing infrastructure that is currently underway. The operations include the South-West Agricultural Infrastructure Rehabilitation Project (PRIASO - UA 28.87 million), the Bas

Magoky II Project (PBM II - UA 44.6 million), the Road Infrastructure Development Project (PAIR - UA 46.27 million), and the Corridors Development and Trade Facilitation Project (PACFC). The objective of the last-mentioned project is to opening up and improve transport infrastructure in Madagascar, as well as promote trade from and to South Madagascar. Its cost is estimated at UA 107.82 million (USD 148.07 million) and is co-financed with other technical and financial partners (TFPs). In synergy and complementarity with the UA 10 million Industrialisation and Financial Sector Development Support Project (PAISF), which is currently under appraisal, the project will build on part of PAISF's activities, particularly as regards the regulatory and institutional framework for the development and management of industrial parks in Madagascar. The project will also build on the achievements of Tuléar Fisheries Project and is in synergy with current blue economy initiatives in Tuléar (page 47, Technical Annex B3). The project offers an opportunity to coordinate efforts across the Bank's various sectors and interventions in Madagascar. The key activities of the components are summarized in Table 2.1 below.

Table 2.1

SUMMARY OF PROJECT COMPONENTS

No.	COMPONENT	TOTAL COST ESTIMATE	DESCRIPTION OF COMPONENTS
A.	Support for Governance and Agro-industrial zones management framework.	UA 0.54 million (2.22%)	<p>A1. Improvement of the legal and institutional environment for the SAPZ establishment:</p> <ul style="list-style-type: none"> • support for structures in charge of agro-industry quality standards and norms, as well as micronutrient fortification of foods; • technical assistance for preparation of the marketing strategy and implementation of private investment promotion measures for agro-parks (instruments, incentives, forums for promotion of investments in SAPZs and promotion of domestic and local enterprises, etc.); • capacity building for key staff of the relevant Ministries (training and coaching in PPPs for industrial parks, study tours, etc.); and • support for the operation of the management structure and CABIZ, including training of local staff and adopting gender mainstreaming in the management teams.
B.	Development of agricultural transformation support infrastructure	UA 18.74 million (77.20%)	<p>Construction of infrastructure for development of the agro-industrial park (AIP) 4 km from Tuléar on RN 7 (120 ha):</p> <ul style="list-style-type: none"> • studies to update the preliminary design and preparation of the final design and bidding documents of the AIP and CABIZ infrastructure; • site development works and construction of roads and utility services (drinking water supply, electricity and public lighting, waste water, telecommunication network, secure fencing, etc.) ; • construction of buildings: (i) an administrative block (including a one-stop shop), (ii) a residential block (park manager and guest premises), (iii) a services block (training centre, conference centre, laboratory, industrial maintenance centre, incubation centre, etc.), and (iv) a socio-collective infrastructure block (schools, health centre, day-care centre, catering reception facilities, etc.); • construction of infrastructure for connectivity to existing networks (MV/LV electricity, solar energy, roads, drinking water and optic fibre); • assistance in establishing a business incubator (service provider); • digitalisation of information and transactions;

No.	COMPONENT	TOTAL COST ESTIMATE	DESCRIPTION OF COMPONENTS
			<ul style="list-style-type: none"> • coordination with the private sector for the establishment of a development corridor between Tuléar Port and the agro-industrial park; • studies on works implementation, control and monitoring; • establishment of a one-stop shop for businesses; • promotion of employment for young people and women through business incubators for young people (Youth Employability Project) and women (AFAWA). <p>Construction of infrastructure for development of Agri-Business Centre (CABIZ) in Tanandava (15 ha):</p> <ul style="list-style-type: none"> • site development works and construction of roads and utility services (drinking water, electricity, public lighting, wastewater, telecommunications network, secure fencing, etc.); • construction of buildings comprising an administrative block (including single government service centres and management structure) and residential block (manager and accommodation centre), a services block (training centre, meeting rooms, laboratory, etc.) and a socio-collective infrastructure block (nursery school, health post, etc.); • connectivity works to the road network, drinking water supply and telecommunication fibre and the future electric power generation plant (including clean energy); <p>Construction of infrastructure to facilitate access to agricultural inputs, services and products (upgrading of production support infrastructure):</p> <ul style="list-style-type: none"> • construction of six (6) stores with unit capacity of 100 tonnes for primary storage of agricultural products over a radius of about 50 km around each CABIZ; • preliminary and final designs/ bidding documents for rural roads, as well as works control and supervision (rural roads, stores, primary storage, etc.).
C.	Capacity building for stakeholders of priority value chains	UA 3.09 million (12.74%)	<p>Construction/ rehabilitation of agricultural production infrastructure (labour-intensive) :</p> <ul style="list-style-type: none"> • works to secure access to water for irrigation areas (Bas Mangoky, Behaza, etc.): excavation of sediments, construction of channels and suitable outlets, sand traps, protection works (threshold structures, longitudinal groynes, etc.); • construction of market gardens for women; • purchase and distribution of 5,000 improved stoves; • creation of cattle watering points (10) and construction of vaccination parks (5) and cattle markets (2) ; • technical studies (including ESIA and ESMP/RAP) and works supervision. <p>Capacity building for institutions in charge of management/ maintenance of infrastructure and irrigation areas:</p> <ul style="list-style-type: none"> • support for ongoing reforms (Basin Agency, maintenance fund, studies, etc.), procurement of specialised SWC equipment, capacity building, etc. for Ministries in charge of agriculture and water resources; and • light equipment, training, advisory and support services, etc. for farmer organisation federations.

No.	COMPONENT	TOTAL COST ESTIMATE	DESCRIPTION OF COMPONENTS
			Capacity building in improvement of farming practices: <ul style="list-style-type: none"> • promotion of smart agriculture (based on rational management of natural resources; and • support for extension services for technology packages on environmentally friendly and sustainable farming practices
D.	Project Management and Coordination	UA 1.90 million (7.84 %)	(i) Coordination of project activities; (ii) administrative, accounting and financial management; (iii) procurement of goods, works and services; (iv) adoption of a communication plan; and (v) monitoring-evaluation of project implementation.

2.2 Technical Solutions Adopted and Alternatives Considered

2.2.1 The industrial structure to be established in the project to attract private investment (PI) in growth sectors (rice, cape peas, small ruminants and fishery products) will comprise: (i) the Tuléar agro-industrial park (roads and utility services, electricity, sanitation, one-stop shop, etc.) to accommodate future industrial units and related services (logistics, services, etc.) financed by the private sector; (ii) the serviced Agri-business Centre (CABIZ) which will serve as a place for the approval, storage, secondary packaging and primary processing (pre-processing) of agricultural products before transfer to the AIP; and (iii) primary collection points for agricultural products (stores) to facilitate trade between stakeholders of the commodity chains and give producers easier access to services, inputs and markets; and (iv) support infrastructure for improving agricultural productivity in the main commodity chains. This platform will, with Government support, be equipped to ensure access by SMEs/SMIs/FOs to technologies (good quality plant material, inputs, etc.), knowledge (technical, organisational, management, etc.), as well as physical (access roads, stores, etc.) and soft infrastructure (ICT, digital platform, etc.). Important measures will be taken to establish an enabling political, regulatory and institutional framework for private financing in agro-industry, for access by SMEs/cooperatives (guarantee funds, disaster funds, etc.) to appropriate financing, and for optimal functioning of agricultural sectors. Finally, all expenditure for conduct of the Environmental and Social Impact Assessment (ESIA) and implementation of the Environmental and Social Management Plan (ESMP) will be borne by the project.

Table 2.2

ALTERNATIVE SOLUTIONS CONSIDERED AND REASONS FOR REJECTION

ALTERNATIVE SOLUTIONS	BRIEF DESCRIPTION	REASONS FOR REJECTION
Implement a conventional support project for improving agricultural production	Provide farmers with production, harvesting and post-harvest infrastructure and equipment	<ul style="list-style-type: none"> • The Government has neither the responsibility nor the means to invest sustainably in the agricultural sector • Despite the Government's efforts, food imports continue to rise
Facilitate the establishment of private businesses that can invest along the agricultural value chain (AVC)	Secure sufficient land to attract private investment throughout the AVC	<ul style="list-style-type: none"> • Thousands of families live off agriculture (rice, maize, etc.); it is not desirable for private individuals to completely replace them.

2.3 Project Type

The PTASO is a public investment operation that aims to create conditions required for increasing private investment in value addition sectors, particularly in the processing of agricultural products, the supply of agricultural inputs and services, and marketing.

2.4 Project Cost and Financing Arrangements

2.4.1 Project Cost: The project cost is estimated at UA 24.27 million (MGA 129.09 billion), exclusive of taxes and custom duties. The cost comprises UA 12.32 million (MGA 65.54 billion) in foreign exchange and UA 11.95 million (MGA 63.56 billion) in local currency. The cost also includes provisions for physical contingencies and price escalation, estimated at 1% and 2% respectively, on average. The provision for price escalation has been estimated on the basis of current and projected cost inflation rates of 6.7% and 1.8% per annum in local currency and foreign exchange respectively, on average. The provision for physical contingencies is estimated at between 0 and 10%. A summary of the project's cost estimate is presented in Tables 2.3, 2.4 and 2.5 below while the detailed costs are presented in Volume II of the Appraisal Report (Technical Annexes).

Table 2.3:
Summary Cost Estimates by Component

COMPONENT	MGA Billion			UA Million			% F.E.	% BC
	L.C.	F.E.	Total	L.C.	F.E.	Total		
A. GOVERNANCE AND INCENTIVE MEASURES	1.55	1.19	2.74	0.29	0.22	0.51	43	2
PPP for SAPZ development and management	1.55	1.19	2.74	0.29	0.22	0.51	43	2
B. DEV. OF TRANSF. & ACCESS INFRASTRUCTURE	40.81	55.53	96.34	7.67	10.44	18.11	58	76
Tuléar Agro-Park infrastructure	33.03	35.42	68.46	6.21	6.66	12.87	52	54
CABIZ infrastructure	5.30	13.74	19.04	1.00	2.58	3.58	72	15
Access facilitation infrastructure	2.48	6.37	8.85	0.47	1.20	1.66	72	7
C. CAPACITY BUILDING FOR KEY STAKEHOLDERS	12.54	3.50	16.04	2.36	0.66	3.02	22	13
Agricultural production infrastructure (LI)	2.06	1.94	4.00	0.39	0.37	0.75	49	3
Institution building	2.61	1.18	3.79	0.49	0.22	0.71	31	3
Capacity building in agric. policy	7.87	0.37	8.25	1.48	0.07	1.55	5	6
D. PROJECT MANAGEMENT AND COORDINATION	6.82	2.99	9.81	1.28	0.56	1.84	30	8
TOTAL BASE COST	61.73	63.21	124.93	11.60	11.88	23.49	51	100
Physical contingencies	0.41	0.77	1.18	0.08	0.14	0.22	65	1
Financial contingencies	1.42	1.56	2.98	0.27	0.29	0.56	52	2
TOTAL PROJECT COST	63.56	65.54	129.09	11.95	12.32	24.27	51	103

Table 2.4:
Summary Project Costs by Expenditure Category

EXPENDITURE CATEGORIES	MGA Billion			UA Million			% F.E.	% BC
	L.C.	F.E.	Total	L.C.	F.E.	Total		
I. INVESTMENT COSTS	57.06	63.86	120.92	10.73	12.01	22.73	53	95
A. WORKS	19.51	42.49	62.01	3.67	7.99	11.66	69	49
Infrastructure	3.01	7.03	10.04	0.57	1.32	1.89	70	8
Development	14.50	33.82	48.32	2.72	6.36	9.08	70	38
Construction & Rehabilitation	2.01	1.64	3.65	0.38	0.31	0.69	45	3
B. GOODS	2.34	4.56	6.90	0.44	0.86	1.30	66	5
Rolling stock	0.18	0.54	0.72	0.03	0.10	0.14	75	1
Equipment	2.16	4.02	6.18	0.41	0.76	1.16	65	5
C. SERVICES	8.93	15.22	24.14	1.68	2.86	4.54	63	19
Training	1.66	1.11	2.77	0.31	0.21	0.52	40	2
Technical Assistance	0.60	3.40	4.00	0.11	0.64	0.75	85	3
Studies	2.32	9.11	11.42	0.44	1.71	2.15	80	9
Contractual Services	4.18	1.39	5.58	0.79	0.26	1.05	25	4

EXPENDITURE CATEGORIES	MGA Billion			UA Million			% F.E.	% BC
	L.C.	F.E.	Total	L.C.	F.E.	Total		
Audit	0,17	0,21	0,38	0,03	0,04	0,07	55	-
II. RECURRENT COSTS	5.41	0.94	6.35	1.02	0.18	1.19	15	5
A. STAFF	2.98	-	2.98	0.56	-	0.56	-	2
B. TRAVEL ALLOWANCES	1.30	-	1.30	0.24	-	0.24	-	1
C. MAINTENANCE, OPER. & REPAIRS	0.42	0.70	1.12	0.08	0.13	0.21	63	1
Rolling stock	0.32	0.60	0.92	0.06	0.11	0.17	65	1
Equipment	0.08	0.10	0.19	0.02	0.02	0.04	55	-
Infrastructure	0.01	0.00	0.02	0.00	0.00	0.00	30	-
D. OVERHEAD EXPENSES	0.71	0.24	0.95	0.13	0.04	0.18	25	1
TOTAL BASE COST	61.73	63.21	124.93	11.60	11.88	23.49	51	100
Physical contingencies	0.41	0.77	1.18	0.08	0.14	0.22	65	1
Financial contingencies	1.42	1.56	2.98	0.27	0.29	0.56	52	2
COÛT TOTAUX PROJET	63.56	65.54	129.09	11.95	12.32	24.27	51	103

Table 2.5:
Expenditure Schedule by Component (in AU Million)

COMPONENTS	PROJECT YEARS					TOTAL
	2021	2022	2023	2024	2025	
A. GOVERNANCE AND INCENTIVE MEASURES	0.18	0.16	0.14	0.05	0.02	0.54
Establishment of PPP for SAPZ development and management	0.18	0.16	0.14	0.05	0.02	0.54
B. DEV. TRANSF. & ACCESS INFRASTRUCTURE	5.38	7.15	2.79	3.42	-	18.74
Construction of Tuléar Agro-Park infrastructure	4.42	4.56	1.89	2.41	-	13.28
Construction of CABIZ infrastructure /a	0.70	1.47	0.56	1.00	-	3.73
Construction of access infrastructure	0.26	1.12	0.35	-	-	1.72
C. CAPACITY BUILDING FOR KEY STAKEHOLDERS	1.89	0.34	0.66	0.11	0.09	3.09
Construction/rehabilitation of production infrastructure (LI)	0.20	0.18	0.42	-	-	0.79
Capacity building for inst. in charge of infrastructure and irrigation areas /c	0.14	0.17	0.25	0.11	0.09	0.75
Capacity building in agricultural policy	1.55	-	-	-	-	1.55
D. PROJECT MANAGEMENT AND COORDINATION	0.68	0.34	0.32	0.29	0.28	1.90
TOTAL PROJECT COST	8.12	8.00	3.91	3.86	0.38	24.27

2.4.2 Financing Arrangements: The operation will be financed by a TSF loan of UA 20.00 million (82.40%), and a Government counterpart contribution of about UA 4.27 million (MGA 22.70 billion) over a period of five (5) years. The Government counterpart contribution will finance the compensation for affected persons from the State budget, as well as part of the guarantee fund. The breakdown of funding by source of financing is summarised in Table 2.6 below.

Table 2.6
Project Financing Plan

SOURCES OF FINANCING	(MGA Billion)			(UA Million)			%
	L.C.	F.E.	Total	L.C.	F.E.	Total	
ADF Loan	40.85	65.54	106.39	7.68	12.32	20.00	80.9
Government of Madagascar	22.70	-0.00	22.70	4.27	-0.00	4.27	17.3
TOTAL	63.56	65.54	129.09	11.95	12.32	24.27	100.0

2.5 Project Area and Beneficiaries

2.5.1 The Agro-industrial Processing Zone Development Project in the South-West Region of Madagascar (PTASO) will help bridge the development gap in the South-West Region of Madagascar, which covers six (6) districts and eighty-one (81) municipalities. It covers an area of 45 000 km² and its population is estimated at 1 372 000 inhabitants (2017), 76% of whom live in rural areas, with a population density ranging from 10 inh/bts/km² in the districts to 60 around Tuléar. The arable land covers about 905,000,000 ha, and the agro-industrial park site

is located 4 km from Tuléar, the regional capital, on the RN 7. The irrigation areas already financed by the Bank in this region cover an area of about 23,000 ha. In addition to the areas that have been or are being developed, the project area will include an Agropark of about 120 ha in Tuléar, as well as surrounding areas which cover more than 70,000 ha. In addition, the population is young, with the average age being about 20 years.

2.5.2 The project will cover some 83,000 ha in the project area, and have an impact on some 152,000 direct beneficiaries and 460,000 indirect beneficiaries, of whom some 54.70% are women. The region has several small and medium-sized agro-food enterprises, in particular COPEFRUITO, SIMABIO, poultry and fishery SMEs, and the Agricultural Professionals Association of Madagascar (CPA-M). The region's economy is very dynamic, with the mining of precious and semi-precious stones by companies.

2.6 Participatory Approach to Project Identification, Design and Implementation

2.6.1 The participatory approach has been adopted in the project design. There were discussions and consultations with officials of the Ministries concerned (agriculture, industry, transport, energy, trade, etc.), public administrations, the private sector, the local authorities of Tuléar, farmer organisations, civil society, and TFPs (World Bank, IFAD, European Union, BADEA and the Emirati Fund). The participatory approach had the following stages: (i) preparation and proposal of the terms of reference for the feasibility study on the project by the Government; (ii) conduct of the feasibility study; (iii) broad consultation of stakeholders during the project preparation in Tuléar, particularly in the assessment of the environmental safeguard measures required for environmental categorisation and the publication of the summary strategic environmental and social assessment report; (iv) further consultations, during the appraisal mission in field visits to Ranozaza, Ankililaoka, Taheza and Bezaha, with all stakeholders and key actors (civil society, public administration, private sector, and technical and financial partners). With this approach, the regular consultation of grassroots actors and the private sector during the project design needs to continue during implementation to ensure success of the project.

2.6.2 This proposal is also a response to strong demand from grassroots communities, given that the limited agricultural development of the region does not match its huge potential. The participatory approach will be pursued during project implementation through: (i) a steering structure that will bring together representatives of all stakeholders; (ii) capacity building for institutions and communities within a participatory approach; (iii) grassroots community (farmers, young people, women, etc.) involvement in the implementation of activities; and (iv) implementation of a monitoring and evaluation system based on the project outcomes. In addition, the Bank's Country Office in Madagascar (COMG) will constantly ensure that consultations continue throughout the project implementation.

2.7 Bank Group Experience and Lessons Reflected in Project Design

2.7.1 The project formulation incorporates lessons learned from past and ongoing Bank operations in Madagascar and across regional member countries, with due regard for portfolio performance issues and the country's fragility. The lessons were also taken into account in the latest review in December 2019. The Bank's active portfolio in Madagascar comprises eighteen (18) operations with total commitments of about UA 354.9 million. Following the review, the performance of the Bank's national public portfolio in Madagascar was deemed generally satisfactory, with a rating of 3.6 on a scale of 1 to 4. However, the review also noted that efforts still need to be made for improvement, in particular: (i) the deadline for ratification of loan agreements; (ii) the deadline for establishing project teams; (iii) the opening of special accounts at the Central Bank; and (iv) the mobilisation of financial resources for the implementation of the ESMPs and RAPs.

2.7.2 The design of the Agro-industrial Processing Zone Development Project in the South-West Region of Madagascar (PTASO) also benefitted from the experience gained from the implementation of previous operations in the sector. The key lessons learned are: (i) give priority to innovative approaches in agriculture (growth poles); (ii) strengthen the Bank's positioning in agriculture and infrastructure; (iii) focus more on large, transformative and integrated projects; (iv) use innovative financing instruments; and (v) use the PPF to improve the quality of studies in efforts to improve quality at entry, speed up project implementation, and reduce the high number of contract amendments.

Table 2.7

BANK EXPERIENCE AND LESSONS REFLECTED IN THE PROJECT DESIGN	
Lessons Learned	Actions incorporated in the design
Need for innovation in Bank interventions	Give priority to innovative approaches in agriculture (growth poles)
Need to strengthen the Bank's positioning in growth-oriented projects	Strengthen the Bank's positioning in agriculture and infrastructure
Need to increase the size of projects for greater impact	Focus more on large, transformative and integrated projects
Need to mobilise more financial resources for the financing of operations	Use innovative financing instruments
The need to reduce risks associated with delays and processes in PTASO implementation and management	Use the PPF Fund to improve the quality of studies in efforts to improve quality at entry, speed up project implementation, and reduce the high number of contract amendments.

2.8 Key Performance Indicators

The indicators for measuring project performance are listed below.

Table 2.8

KEY INDICATORS FOR MEASURING PROJECT PERFORMANCE	
LIST OF INDICATORS	
Impact Indicators	
Value of agro-food imports	
Inequality-adjusted Human Development Index in the project area	
Prevalence rate of stunting of children under 5 years of age	
Outcome Indicators	
Average processing rate of crop, animal and fishery products	
Number of small and medium-sized private agricultural enterprises created and operational (40% women)	
Yield of rice, cape peas and maize (t/ha)	
Average daily weight gain of small ruminants (%)	
Number of direct youth (18-35 years) jobs created (30% girls)	
Number of other direct jobs created (30% women)	
Output Indicators	
AIP and CABIZ regulatory instruments available	
Study reports on the AIP and CABIZ management structure available	
Number of partner structures benefiting from institutional support	
Study report on incentives for priority sectors	
AIP serviced and equipped	
CABIZs established and operational	
Incubation Centre for Agro-Food Processing Sub-Projects	
Number of women/youth people receiving support for food processing and nutrition education activities	
Number of children covered by bio-fortified crop varieties	
Number of people trained on nutrition through extension services	
Number of young people/women benefiting from the Local Employment and Economic Empowerment Promotion Fund	
Number of women/men farmer organisations supported	
Number of technological themes on nutrition disseminated	
Number of improved stoves distributed to women	
Forest cover restored (ha)	
ESMP/RAP implemented	
Physical project implementation rate	
Number of supervision missions undertaken by the Bank	
Mid-term report is approved	

III. PROJECT FEASIBILITY

3.1 Economic and Financial Performance

3.1.1 The project is designed to essentially generate direct spin-offs in terms of processing the promoted and developed crops through private investment to establish agro-industries, i.e. around 50 units in Tuléar agro-industrial park. In addition to the spin-offs on the private companies established in the agro-industrial park, significant income will be earned by the beneficiaries of the farm sites also developed, from which the companies will be supplied with the crops (raw materials) already mentioned in section 2.2, namely: cape peas, rice, maize, small ruminants, and fishery products.

3.1.2 In addition to these benefits, the project is also designed to generate other benefits such as: (i) climate regulatory functions through the planting of 800 ha of forest cover, thereby creating conditions for smart, and therefore sustainable, agriculture; (ii) improvement of the population's well-being by preventing drought and famine, improving food security, reducing medical expenses, regulating climatic conditions, reducing the arduous work of families and particularly of women and vulnerable groups, improving the life expectancy of the population, and increasing incomes to allow for access to health care and education, etc. (iii) improvement of all animal and livestock production because of the quality and abundance of pastures and water; (iv) improvement of carbon sequestration effects (carbon credit); and (v) creation of temporary and permanent jobs as a result of project outcomes, estimated at 120 per processing unit (i.e. 6,000 for the units alone) and 20 times more in farms and CABIZs (i.e. about 120,000). In addition, food and nutrition security will be enhanced and the trade balance deficit reduced, with a significant reduction in food product imports, particularly rice.

3.1.3 **Financial Analysis:** Many of the above benefits are not commercial transactions, or are not even tangible, and therefore do not lend themselves to financial performance analysis based on existing markets. Consequently, it was not considered appropriate to include them in a quantitative analysis based on a production model or gainful activity approach. However, it was possible to carry out a benefit/cost analysis of the various agro-industrial and agricultural production business models (FARMOD).

3.1.4 With respect to agro-industrial businesses, an assumption has been proposed based on three (3) types of processing units, namely small, medium and large enterprises, with investments of USD 0.5 million, USD 1 million and USD 5 million each respectively, in line with the average investment profile for this type of model. Under these conditions, the annual turnover per business stands at USD 240,000, USD 0.6 million and USD 2.5 million, for small, medium and large units respectively, as from the 5th year and over an operating life of about 20 years.

3.1.5 As regards the crops on the operating sites of farmers who supply produce to the agro-industrial enterprises in the parks, FARMOD production models and the benefit/cost model (Input/Output, With and Without Project) over a 20-year operating life were used.

3.1.6 The results of the financial analysis were as follows: (i) a financial impact of more than USD 109 million per year as from the 5th year of operation over a 20-year operating life, with operations of the same type and depending on the duration of the investments. This implies that the financial impact of the project over the operating period exceeds the cost of the investments needed to finance it; (ii) a benefit/cost ratio of 2.27, which means that the benefits are higher than the cost of the investments; (iii) an internal rate of return of 23.60%, which is higher than the opportunity cost of capital (the cost of capitalising financial resources for investments under the project) estimated at 12%. On the basis of these results, it can be

concluded that the project has a profitability profile that financially justifies the cost of investments.

3.1.7 Economic Analysis: The economic analysis was carried out using the reference price method, i.e. prices under conditions of economic efficiency, in accordance with the "Pareto" optimum. It was also carried out on the basis of a comparison between the "without project" and "with project" situations of the production models presented in the financial analysis. In this model, tradable goods, i.e. goods that can undergo commercial transactions beyond the country (FOB in the port and CIF in Marseille Port) are considered. Under these conditions, the reference prices of the products (economic prices) are evaluated on the basis of the ex-ante equilibrium of these crops to obtain the export-parity prices at farm gate. Labour has been estimated at 65% of its financial value of USD 3 per day to take into account the inelasticity of labour demand in the country in general, and in the project area in particular.

3.1.8 Based on realistically defined assumptions, the economic rate of return (ERR) for the project has been estimated at 24.91%, with a C/B ratio of 2.38. Consequently, the overall rate of return of the project can be considered satisfactory in the light of these results.

IRR (baseline scenario):	23.60%	NPV amount:	USD 109.57 million
ERR (baseline scenario):	24.93%	NPV amount:	USD 123.43 million

3.1.9 Sensitivity Analysis: Sensitivity tests carried out on the basis of reduced output prices made it possible to measure the stability of financial and economic performance indicators. The tests showed that prices would need to be lowered to 37.17% (break-even point or "switching value") to offset the additional benefits generated at the financial and economic levels respectively, with the IRR and ERR equal to the opportunity cost of capital, i.e. 12%. The test also showed that the project's rate of return profile is robust, although it was not performed on all the endogenous values of the model. However, the price variable is the most important variable, the only one that is not controlled by the project and therefore beyond the control of the operation. The summary of the sensitivity analysis is presented in the Technical Annexes of Volume II of this report.

3.2 Environmental and Social Impact

3.2.1 Environment: The project is classified in Category 1 in accordance with Madagascar's legislation and AfDB's Integrated Safeguard System (ISS). All the environmental and social safeguard documents, particularly the Environmental and Social Management Framework (ESMF) and the Resettlement Framework (included in the ESMF in accordance with national regulations), have been prepared by the Republic of Madagascar (the Borrower), and reviewed and approved by the Bank and the National Environment Authority (ONE). The ESMF was published by the National Environment Authority (ONE) on its official website on 20 May 2020 on the link <https://www.pnae.mg/articles/2020-04-08-conformite-ptaso>, and by the Bank on 18 April 2020 in compliance with ISS requirements. Public consultations for the ESMF implementation were conducted in accordance with national regulations and the Bank's requirements. Between September 2019 and February 2020, several consultation sessions were organised at national, regional and local levels with the main project stakeholders (national and regional administration; local, regional and national technical services; members of the municipal councils of the PTASO municipalities; traditional authorities, local associations (FAs, CRA, NGOs, etc.), etc. Several of them participated in the public consultations.

3.2.2 The main environmental and social risks and impacts identified at this stage relate to: (i) habitat/vegetation losses over about 160 ha for component B; (ii) degradation of water

resource quality during construction (turbidity) and the cultivation of irrigation areas (fertilizers and pesticides); and (iii) safety and health of workers and local population during civil engineering works and operation of the infrastructure and equipment. The main infrastructure of the sub-projects will be subject to environmental and social assessment before construction. A total of nine (9) corresponding ESIA/ESMP reports and, if applicable, the Resettlement Action Plan (RAP) will be prepared, with: (i) 5 for Component B; (ii) 4 for Component C. The reports will be reviewed, validated and published in accordance with national regulations and Bank requirements. The cost of the environmental and social measures, including the conduct ofESIAs, implementation of ESMPs, capacity building and annual environmental and social audits, stands at EUR 1.630 million and is borne by the project. Details are provided in Annex B-8.

3.2.3 The Environmental and Social Manager of each company will be responsible for implementing the ESMP measures for the lot(s) concerning them, and will be the primary environmental and social monitoring official. The managers will be supported by their counterparts in the monitoring mission. A team of two specialists will monitor the ESMP implementation in the Ministry of Agriculture (see paragraph 4.1.1). Capacity-building activities will be organised for key stakeholders at the project launching and during project implementation. Reports will be prepared on environmental and social aspects of the project implementation and submitted to the Bank on a quarterly and annual basis. The format of the reports will be discussed during the negotiations. Lastly, performance audit reports will be prepared and submitted annually in accordance with the Bank's requirements.

3.2.4 The environmental and social conditions are summarised as follows: (i) the Borrower shall submit ESIAs with site-specific ESMPs prepared in accordance with the ESMF and the Bank's Safeguards Policies, to the Bank's satisfaction in substance and form; (ii) the Borrower's relevant national authority shall submit satisfactory evidence of approval and publication of the said ESIA/ESMP, as well as incorporate the environmental and social requirements in the bidding documents and contracts prior to works start-up on the relevant sections; (iii) For lots involving resettlement, in addition to the above condition, the Borrower shall, prior to works start-up, submit an RAP to the Bank's satisfaction in substance and form, as well as provide evidence of its validation/publication (by the Borrower's competent national authority) and evidence of compensation and, if applicable, resettlement of the affected persons. These conditions will be finalised during the negotiations and included in the legal instrument.

3.2.5 **Social Impact:** The project's positive social impacts mainly concern: reduction of rural exodus in the area, reduction of rural poverty, increase in farmer incomes, creation of rural jobs (nearly 52,500 direct and indirect jobs), enhancement of rural farmers' empowerment, and strengthening of the skills of the various agricultural sector stakeholders. In addition, the project will create permanent and temporary direct jobs during the development and operational phases. It will also support local producers to increase production and benefit from market opportunities offered by the agropole. The involvement of the project area's population, with priority given to unskilled labour for labour-intensive activities, will contribute to the fight against local unemployment and poverty. Furthermore, the project activities will improve the nutritional status of the population, particularly that of the most vulnerable groups.

3.2.6 As regards the major negative impacts, the construction sites could disrupt economic activities, e.g. the destruction of portions of pasture lands or the establishment of living bases on private land. The presence of non-native workers is a risk for the spread of STDs, including AIDS, especially among the rural population with little awareness of the issues. Social tensions could also arise between the local population and workers from other regions or outside the country (engineers). The conflicts could stem from different practices and cultures among the workers themselves, or between foreigners and residents.

3.2.7 **Climate Change:** The project has been classified as a Category II 2 climate risk (using the Bank's Climate Safeguards System), "potentially vulnerable to climate change and requiring the integration of climate risk reduction measures into the project design and operation". The risk variables include floods, droughts, cyclones and other disasters. The potential direct impacts include damage to processing/industrial infrastructure, and the indirect impacts include reduced productivity/income as processing industries suffer when upstream activities (primary production) on which they depend are adversely affected. The project needs to adopt existing resilient construction/infrastructure standards (e.g. construction and road infrastructure standards) developed by the Government for climate-proof project infrastructure. In addition, producer-driven capacity building activities should promote climate-smart agricultural practices (e.g. conservation agriculture, sustainable land and water management, and adapted varieties) to improve productivity and resilience. Support for extension activities should build capacity and create awareness to promote environmentally sound and climate-friendly agricultural practices (e.g. crop-livestock integrated systems, rice-fish integrated systems, and agroforestry and sylvo-pastoral systems, where appropriate) with key commodity suppliers and contributors.

3.2.8 In addition, the project needs to adopt the principles for maximising efficiency in the use of natural resources (e.g. water, energy consumption) and minimising waste and pollution (including GHG emissions) during the operational phase. Specific sustainability requirements should also be included as criteria in the bidding documents. The potential for energy waste, recycling and reuse activities should be promoted.

3.2.9 The project has the potential to access additional resources from the Global Environment Facility (GEF) and the Green Climate Fund (GCF) to support complementary activities that enhance project resilience and sustainability. The search for these resources will be pursued in consultation with the Government (GEF focal point, designated national authority for the GCF) in addition to the project's core funding.

3.2.10 **Gender:** Madagascar's economy is based on agriculture, fisheries and livestock, all of which are highly dependent on rainfall that is very unpredictable and insufficient. Nearly 75% to 80% of the population are involved in agriculture. In the agricultural sector, women are present throughout the agricultural chain. However, they rarely have the resources required for increasing their production and productivity, mainly because of lack of access to and control over resources and means of production. In Madagascar, women are mainly involved in food and market gardening for family subsistence. Although this role as producers is not highly valued, women's involvement in agriculture is essential because they constitute the majority of the workforce in the sector, which gives them a key role as economic pillars.

3.2.11 The Agro-industrial Processing Zone Project, which enables women to take an active part in it from the design stage so as to achieve sustainable gender mainstreaming throughout the value chain, is a panacea for the economic consolidation of households in the project area, which covers Ankililaoka, Bezaha, Morombé, Tanandava and Tuléar district. Mechanisation induced by the agropole concept will improve working conditions for women and men whose agricultural tasks are often repetitive and exhausting, as well as increase the quality and quantity of production and marketing. The Inclusive Agropole Project will also promote job creation and income opportunities, and thereby contribute to women's economic empowerment. By obtaining paid employment, women will be able to contribute to the economic prosperity of their households and this new source of income will have positive impacts on the entire community, particularly improving care for vulnerable people such as the elderly, children and young people.

3.2.12 To overcome these difficulties, the PTASO proposes the following actions to promote gender and empower women during its implementation: (i) entrepreneurship, job creation for women and young people, and access to markets through business incubators for youth (Youth Employability Project) and women (AFAWA); (ii) building agricultural production and market access capacities through the digitalisation of agriculture; (iii) regular and systematic consultations between the Government and private stakeholders; (iv) promotion of domestic and local businesses in agro-industrial parks; (v) support for SME financing through levies on the mining sector; and (vi) sensitisation for behavioural change in family planning and reproductive health, balanced nutrition, gender and prevention of gender-based violence, prevention of early marriages, HIV/AIDS, hygienic lifestyle and environmental sanitation.

3.2.13 **Nutrition:** The nutrition situation in Madagascar shows a high stunting rate of 42% (MICS, 2018), which is higher than the average for African countries (34%). The targeted project site, the South-West Region (Astimo-Andrefana), has a stunting rate of 38%, which is slightly below the national average but above the average for African countries. These high stunting rates in Madagascar may be due to the low rate of exclusive breastfeeding (41.9%), poor infant and young child feeding, and minimum dietary diversity that is less than 60% in Madagascar.

3.2.14 The PTASO can help reduce the high stunting rates through the following activities: (i) multi-sector action to promote nutrition education, sustainable food systems - building on existing local knowledge, attitudes and practices - with the aim of increasing demand for nutritious food, improving feeding practices and using income to improve diets, especially among women and young children; (ii) collaboration and coordination with other sectors (health surveys, transport, energy, agro-industry, agriculture, communication, environment, social protection, water and sanitation, and education) in promoting nutrition and contributing to the COVID-19 response by prioritising and targeting nutritionally at-risk groups.

3.3 Involuntary Resettlement

3.3.1 ***Operational safeguard 2 (OS 2) – Involuntary settlement: land acquisition, population displacement and compensation:*** A resettlement framework has been prepared and incorporated directly into the ESMF in accordance with the requirements of national regulations. As indicated above, the ESMF, including the resettlement framework, was reviewed and validated at national level and published by the Bank. The resettlement framework showed that most displacements will be economic, with very little physical displacement, particularly for AIP and CABIZ works. For sites that involve physical or economic displacement, a Resettlement Action Plan (RAP) will be prepared and submitted to the Bank for validation. The conditions relating thereto are set out in section 3.2. The cost of implementing the RAP is included in the cost of the ESMP, which is covered by Bank financing. The cost of implementing the RAPs will be fully borne by the Borrower. As such, the budget for the RAP implementation will be included in the Finance Law as from October 2020. The details are provided in Annex B-8.

IV. IMPLEMENTATION

4.1 Implementation Arrangements

4.1.1 The project will be managed by the Ministry of Industry, Trade and Handicraft (MICA), which will coordinate its activities, as well as the interventions of the other sector Ministries, particularly the Ministry of Agriculture, Livestock and Fisheries (MAEP), the Ministry of Energy and Hydrocarbons (MEH), the Ministry of Water Resources, Sanitation and Hygiene (MEAH), the Ministry of Territorial Development and Public Works (MATP), the Ministry of Transport, Tourism and Meteorology (MTTM), and the Ministry of Environment

and Sustainable Development (MEDD), as well as the Economic Development Board of Madagascar (EDBM). This institutional arrangement stems from the multi-sector nature of the project and the need for strong leadership to ensure coordination of all the project's stakeholders. MICA will be reinforced with a Project Management Unit (PMU) which will be the executing agency. The PMU will be primarily responsible for coordination, financial management, procurement and monitoring-evaluation of the project's activities. Based in Tuléar, it will mainly comprise the following staff: (i) a Coordinator; (ii) a Monitoring and Evaluation Specialist; (iii) a Procurement Specialist; (iv) an Infrastructure Specialist; (v) an Administrative and Financial Officer; (vi) an Environment Officer; (vii) a Agri-business Specialist; (viii) an Project Structuring and PPP Financing Expert; (ix) a Land Expert; (x) a Social Development Specialist; (xi) a Liaison Officer based in Tananarive; and (xii) an Accounting Officer. The PMU will have its headquarters in Tuléar, and will have a branch in the capital of the country, Tananarive. The above key positions in the PMU will be filled through a call for applications. In addition to this staff, the PMU will also have the following support staff: (i) a Project Assistant; (ii) two (2) secretaries, one of whom will be assigned to the Liaison Office in Tananarive; (iii) three (3) drivers; and (iv) a clerk.

4.1.2 The PMU will also benefit from technical assistance (international and national consultants) on an *ad hoc* basis.

4.1.3 A Project Steering Committee (PSC) will also be set up to orientate project activities. It will be chaired by the supervisory Ministry or its representative, and comprise a representative of the Ministry in charge of Finance and the Economy, and Ministries and representatives of all the stakeholders concerned by the Project, namely: (i) MAEP, MEAH, MEH, MATP, MTTM, MEDD and EDBM; (ii) two (2) representatives of the Private Sector; (iii) two (2) representatives of farmer associations, including a women farmers' association; (iv) the Chairperson of the Chamber of Agriculture; (v) a representative of civil society; (vi) a representative of the Chamber of Commerce and Industry; and (vii) a representative of NGOs active in the agricultural sector in the project area. The PSC will meet at least twice a year, once in ordinary session, to approve the annual work programme and budget, and the second time to validate the project's performance.

4.2. Procurement and Disbursement Arrangements

4.2.1 **Procurement Arrangements:** The procurement of goods (including non-consulting services), works and consulting services financed by the Bank under the project will be made in accordance with the Procurement Framework for Bank Group-Funded Operations, October 2015 and the Financing Agreement. Specifically, the procurement will be made in accordance with:

- **The Borrower's Procurement System (BPS):** The procurement methods and procedures in the Borrower's procurement system governed by Law No. 2016-055 on the Public Procurement Code (PPC) of 25 January 2017 will be applied, using National Standard Bidding Documents (NSBDs) or other bidding documents as approved during the project negotiations and generally for contracts for small works and standard low complexity and operational goods available on the national market.
- **Bank Procurement Methods and Procedures (BPM):** The Bank's standard procurement methods and procedures, based on the relevant Standard Bidding Documents (SBDs), will be used for larger and more complex or specialised works and goods contracts, as well as for consultancy contracts deemed to be most appropriate and where the use of the Borrower's procurement methods and procedures are not appropriate for a given activity or set of activities in view of

the high risks that could hamper effective implementation of project activities.

- **Procurement Risks and Capacity Assessment:** The risks at country, sector and project levels, as well as the procurement capacity of the Executing Agency (EA) have been assessed and the results used to guide the decision on which of the country's procurement systems will be used for part of the project's procurement. Appropriate risk mitigation measures will be included in the action plan indicated in the Technical Annexes of the project appraisal report.

4.2.2 Disbursement: Disbursements of the Bank's resources will be made in accordance with the provisions of the Bank's Disbursement Handbook: (i) the direct payment method for the payment of contracts for services, goods and works; (ii) the reimbursement method in case of Government's pre-financing of expenses chargeable to Bank resources and with the Bank's prior authorisation and approval; and (iii) the special account method for operating expenses and fees of individual consultants. To that end, and in compliance with current regulations in the country, a special account in local currency will be opened with the Central Bank of Madagascar. It should be noted that the management of special accounts is governed by Decree No. 2015-1457 of 27 October 2015. It describes the procedures and conditions for opening, managing and regularising operations for accounts of projects financed with external resources. In accordance with this Decree, special accounts for projects must now be opened with the Central Bank of Madagascar, which will receive disbursements from AfDB. Another account will be opened in a commercial bank. This second account will be funded from the first account at the Central Bank on the basis of a fortnightly budget and after justification of the previous advance.

4.3 Financial Management

4.3.1 Financial Management: In compliance with the Paris Declaration on Aid Effectiveness, the Bank, like most development assistance partners, has agreed to maximise, to the extent possible, the use of country systems for project and programme management, including financial management. However, in the current context of Madagascar's national public finance management (PFM) system, it will not be effective to use it for the project financial management. Consequently, the Bank and the Government of Madagascar have agreed that the project resources will be managed through a system that is autonomous from the PFM circuit. To that end, the project will be implemented by a Project Management Unit (PMU) based in the project area. The Accounting and Finance Service in the Project Management Unit (PMU) will be responsible for the financial management of the project.

4.3.2 The PMU will recruit an Administrative and Financial Officer and an Accounting Officer, with appropriate qualifications and professional experience, who will be responsible for the financial management of the project under the supervision of the Project Coordinator. In addition, the PMU will prepare an administrative, accounting and financial procedures manual for the project, and will procure an accounting software for operations processing and financial reporting.

4.3.3 Audit: The accounts of AfDB-financed projects for the Madagascar portfolio are audited by private audit firms. Within six (6) months following project effectiveness, the PMU, in collaboration with the Court of Auditors, will, on a competitive basis and in accordance with terms of reference approved by the Bank, recruit an external audit firm for the annual audit of the project's financial statements.

4.3.4 The Court of Auditors will be responsible for: (i) recruiting the audit firm, in consultation with the Ministry's Procurement Board; (ii) signing the auditor's contract; (iii)

monitoring the audit work; and (iv) submitting the audit report to the Bank within six (6) months following the end of each fiscal year.

4.4 Monitoring

The internal monitoring and evaluation of the project will be conducted by the Project Monitoring-Evaluation Unit, while the external monitoring and evaluation will be jointly conducted by the Ministry of the Economy and Finance (MEF), the Ministry of Agriculture, Livestock and Fisheries (MAEP), and the Ministry of Industry, Trade and Handicraft (MICA). The external monitoring and evaluation is intended to measure the effectiveness and efficiency of the project's outputs and their contribution to the achievement of development outcomes or impacts of the project. It will be conducted with the other stakeholders, in addition to the two annual supervision missions organised by the Bank. The internal monitoring and evaluation will produce quarterly and annual reports, as well as the report of the mid-term review conducted in Year 3. At project completion, the Bank and the Government will produce a completion report within six (6) months following completion of the physical activities. In addition to this monitoring arrangement, the Bank's Madagascar Office (COMG) will provide additional support in monitoring the portfolio performance, including the PTASO.

4.5 Governance

4.5.1 The Government's efforts towards good governance over the past five years have led to some positive developments, particularly in procurement. However, the results of these efforts are not yet perceptible, since Madagascar's corruption perception index is still estimated at an average of 24/100 in 2019, for a regional average of 34, with a ranking of 158th out of 180 countries, down one point from 2018. The political, economic and social governance indicators are therefore still mixed in Madagascar, despite the progress made in recent years. This is mainly due to poor performance in governance and the fight against corruption as a result of repeated political crises that have weakened State institutions responsible for regularly monitoring Madagascar's governance system.

4.5.2 In light of the foregoing, PTASO's design provides for support to build the capacity of stakeholders at institutional level and reduce governance risks in the project implementation. The support concerns the preparation and implementation of financial management and monitoring-evaluation tools, as well as the use of recognised transparency and competition methods in the recruitment of PMU staff and the establishment of a system to reduce delays in the procurement process, one of the main reasons for the shortcomings noted in development projects portfolio performance in Madagascar, despite alignment of the public procurement system with regional guidelines. Operational procurement arrangements will be put in place to address the shortcomings identified.

4.6 Sustainability

4.6.1 The Agro-industrial Processing Zone Development Project in the South-West Region of Madagascar (PTASO) was designed on the basis of a participatory approach initiated at the end of the dialogue mission on SAPZs in Madagascar and throughout the project formulation, i.e. the feasibility study, the preparation mission, and the appraisal mission for this proposal. The approach enabled the population and the Government to become aware of the economic importance of agricultural transformation through promotion of the processing of agricultural products (agro-industry) and dissemination of technological innovations to farmers. In this regard, the capacity of key stakeholders in growth value chains will be adequately strengthened to ensure regular supply of raw materials based on a system that would guarantee sustainability of their jobs and incomes. The system will ensure the autonomy of this development model in which agro-industrial businesses established in the parks operate with guarantee of supply of

raw materials and the Government is assured of revenue from corporate charges and dividends from the agro-industrial park management company.

4.6.2 The AIP management system will be formalised through a Management Company with a clear legal status, including land tenure. The Tuléar AIP will be created and serviced, and then placed under management in accordance with the current Investment Code and the special status of Special Agro-Industrial Processing Zones (SAPZ).

4.7 Risk Management

4.7.1 Achieving PTASO outcomes will face a number of risks for which mitigation solutions must be found to ensure success of the project. In addition to the risks already identified for the portfolio as a whole, some specific risks have been identified and mitigation measures proposed:

No.	POTENTIAL RISKS	MITIGATION MEASURES
01	Low mobilisation of the private sector /Political risk that could influence the choice of options, with delays in implementation	The project is the outcome of discussions with the private sector to create conditions for SME involvement and ownership. The political risk is mitigated by ongoing consultations with the Government and stakeholders to guide choices that include such risk in the planning of activities.
02	Risk of silting of irrigation areas, climate change and recurrence of cyclones and drought	Compliance with legislation on the monitoring of anti-cyclone and climate change standards/ Government sensitised on the establishment of a maintenance fund for water networks
03	Insufficient qualified human resources for established companies	Skills development and capacity building are incorporated in the project design.
04	Late buy-in by some stakeholders may lead to delays in project implementation	The project design is based on sensitisation and systematic consultation for its gradual ownership by all stakeholders.

4.8 Knowledge Building

4.8.1 The PTASO is modelled on the approach and principles of the flagship Special Agro-Industrial Processing Zones (SAPZ) project of the Bank's "Feed Africa" Strategy 2016-2022. The project postulates successful agricultural transformation through private sector involvement in the leadership role, while the Government creates conditions for its implementation and success. To ensure success of the PTASO, it has been designed to build knowledge on how to better include the private sector in SAPZ development and management. Private sector involvement, with public sector funding, is the primary knowledge to be generated by the PTASO.

4.8.2 Other knowledge to be generated concerns: (i) the multi-sector approach, involving the intervention of sectors such as transport, energy, water and sanitation, agro-industry, agriculture, communication (NICT), education, health and nutrition, employment and trade. The aim is therefore to generate a second type of knowledge which entails the pooling of efforts to rapidly achieve agricultural transformation outcomes; (ii) the combination of: (a) two Bank Strategies, namely "Feed Africa" and Skills Development, especially for young people, and (b) at least four (4) flagship projects, namely, Special Agro-Industrial Processing Zones (SAPZs), Technologies for African Agricultural Transformation (TAAT), Agricultural Value Chains (AVC), Post-Harvest Loss Reduction and Youth Employability (Enable Youth). The combination of strategies and projects is therefore the third level of knowledge offered by the PTASO; (iii) product processing, as a major development issue for which solutions will be sought in the project, is the fourth type of knowledge generated through this operation; (iv) employment in general and in the agricultural sector in particular, as a solution proposed in the project, is the fifth type of knowledge likely to be generated by this proposal; (v) contribution

towards reducing massive imports of agro-food products into the continent, and into Madagascar in particular, is the sixth type of knowledge generated by the project.

4.8.3 Lastly, the success of this project will provide a body of the above knowledge, which can be replicated throughout the country's agricultural development poles project, including that of the South-West Region.

V. LEGAL FRAMEWORK AND INSTRUMENT

5.1 The legal instrument will be a Loan Agreement between TSF and the Republic of Madagascar (the “Borrower” on one hand, and the African Development Bank and the African Development Fund (hereafter collectively designated “Fund”) acting as administrators of the Transition Support Facility (“TSF”) .

5.2 Conditions for Bank Intervention

5.2.1 Conditions Precedent to Effectiveness: Effectiveness of the Loan Agreement shall be subject to the Borrower fulfilling, to the satisfaction of the Fund, the conditions set forth in Section 12.01 of the *General Conditions Applicable to Loan and Guarantee Agreements of the African Development Fund (Sovereign Entities) of February 2009*.

5.2.2 Conditions Precedent to the First Disbursement of the Loan: In addition to effectiveness of the Loan Agreement, the first disbursement of the ADF Loan shall be subject to the Borrower fulfilling, to the satisfaction of the Fund, the following conditions:

- (i) provide the Bank with evidence of the establishment of the Project Management Unit (PMU);
- (ii) provide the Bank with evidence of the recruitment of the following key project staff: (i) A Project Coordinator; (ii) a Procurement Specialist; and (iii) an Administrative and Financial Officer. This staff shall be recruited through a call for applications; the qualifications and terms of reference of the said staff shall be submitted to the Fund for prior approval;
- (ii) Submission to the Fund of satisfactory evidence of the inclusion in the 2021 financial law of the counterpart financing from the Republic of Madagascar for the project in 2021.

5.2.3 Conditions precedent to resettlement works: The Fund's obligation to disburse loan resources for resettlement works shall be subject to the Borrower fulfilling, to the satisfaction of the Fund, the following additional conditions:

- (i) submission of a works and compensation schedule prepared in accordance with the Resettlement Plan and the Fund's Safeguard Policies in both form and substance to the Fund specifying: (a) each project works area; and (b) the compensation and/or resettlement time-frame for all project affected persons (PAPs) for each area;
- (ii) provide satisfactory evidence that all project affected persons (PAPs) in the works area have been compensated and/or resettled in accordance with the Environmental and Social Management Plan (ESMP), the Resettlement Plan (RP") and/or the works and compensation schedule, as agreed and in compliance with Fund's Safeguards Policies, prior to the works start-up and in any case prior to the resettlement and/or taking possession of PAP lands and/or related property; or

(iii) In lieu of paragraph (ii) above, provide satisfactory evidence that the resources allocated for PAP compensation and/or resettlement have been deposited in a dedicated account in a bank acceptable to the Fund, where the Borrower can prove, to the satisfaction of the Fund, that the PAP compensation and/or resettlement, in accordance with paragraph (ii) above, could not be fully or partially undertaken for the following reasons:

- (a) identification of the PAPs by the Borrower is not feasible or possible;
- (b) there are ongoing disputes involving the PAPs and/or affecting the compensation and/or resettlement exercise; or
- (c) any other reason beyond the Borrower's control, as discussed and agreed with the Fund.

5.2.4 Other Conditions: The Borrower commits:

- (i) to submit to the Fund, six (06) months following the first disbursement, evidence of the recruitment of the remaining following staff of the project management unit: (i) a Monitoring and Evaluation Specialist; (ii) an Infrastructure Specialist; (iii) an Environment Officer; (iv) a Agri-business Specialist; (v) an Project Structuring and PPP Financing Expert; (vi) a Land Expert; (vii) a Social Development Specialist; (viii) a Liaison Officer based in Tananarive; and (ix) an Accounting Officer.
- (ii) to establish, three (03) months following the first disbursement, the Project Steering Committee (PSC), whose composition and operational arrangements shall be submitted to the Bank for prior approval;
- (iii) to develop and adopt (while making sure that the project's management unit does the same), six (06) months following effectiveness of the Loan Agreement, an administrative, accounting and financial procedures manual for the project;
- (iv) to procure, six (06) months following effectiveness of the Loan Agreement, a computerized accounting and financial management system (SIGCF) for the processing of transactions and production of financial reports; and
- (v) to provide, six (06) months following the first disbursement, evidence of MOU's between the project and Government agencies, partner institutions, Ministries and technical agencies that will be involved in the project.

5.3 Compliance with Bank Policies

This project complies with all applicable Bank policies. It will be implemented under the Bank's intervention strategy with Madagascar as defined in CSP 2017-2021.

VI. RECOMMENDATION

Bank Management recommends that the Board of Directors of the Fund approve the proposal for an **TSF loan (Pillar I) of UA 20.00 million** from the country allocation to the Republic of Madagascar for the purpose and under the conditions set forth in this report.

ANNEXES

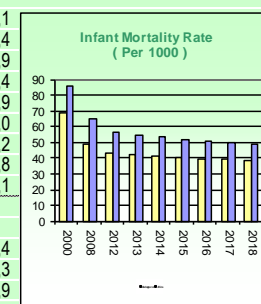
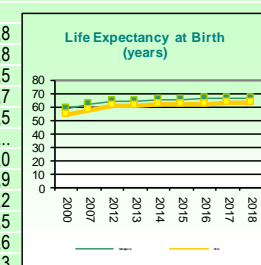
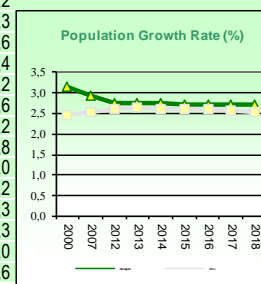
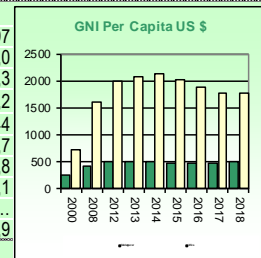
ANNEX I: MADAGASCAR

COMPARATIVE SOCIO-ECONOMIC INDICATORS

Madagascar

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Madagascar	Southern Africa	Africa	Developing Countries
Basic Indicators					
Area ('000 Km²)	2019	582	6 571	30 067	94 797
Total Population (millions)	2019	27,0	208,4	1 306,3	6 384,0
Urban Population (% of Total)	2019	37,9	49,5	43,3	50,3
Population Density (per Km²)	2019	46,4	32,1	44,5	69,2
GNI per Capita (US \$)	2018	510	2 804	1 783	4 844
Labor Force Participation * - Total (%)	2019	86,1	71,1	63,2	60,7
Labor Force Participation ** - Female (%)	2019	83,4	67,2	54,6	45,8
Sex Ratio (per 100 female)	2019	99,5	96,7	99,8	107,1
Human Develop. Index (Rank among 189 countries)	2018	162
Popul. Living Below \$ 1.90 a Day (% of Population)	2007-18	77,6	45,3	35,6	11,9
Demographic Indicators					
Population Growth Rate - Total (%)	2019	2,7	2,3	2,7	1,2
Population Growth Rate - Urban (%)	2019	4,5	3,3	3,6	2,3
Population < 15 years (%)	2019	40,4	39,1	40,6	27,6
Population 15-24 years (%)	2019	20,6	19,3	19,3	16,4
Population >= 65 years (%)	2019	3,0	3,5	3,5	7,2
Dependency Ratio (%)	2019	76,7	74,4	78,7	54,6
Female Population 15-49 years (% of total population)	2019	24,6	25,1	24,2	25,2
Life Expectancy at Birth - Total (years)	2019	67,0	63,4	63,5	70,8
Life Expectancy at Birth - Female (years)	2019	68,7	66,2	65,3	73,0
Crude Birth Rate (per 1,000)	2019	32,4	30,7	33,0	20,2
Crude Death Rate (per 1,000)	2019	5,9	7,9	8,0	7,3
Infant Mortality Rate (per 1,000)	2018	38,2	41,4	48,7	31,3
Child Mortality Rate (per 1,000)	2018	53,6	56,8	70,2	42,0
Total Fertility Rate (per woman)	2019	4,0	3,8	4,4	2,6
Maternal Mortality Rate (per 100,000)	2017	335,0	245,8	432,3	230,0
Women Using Contraception (%)	2019	47,1	49,9	39,1	61,7
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-18	18,1	48,0	33,4	121,8
Nurses and midwives (per 100,000 people)	2010-18	14,6	102,1	107,8	240,8
Births attended by Trained Health Personnel (%)	2010-17	44,3	68,4	61,7	78,5
Peop. Using at least basic drinking water services (% of Pop.)	2017	54,4	69,5	66,3	87,7
Peop. Using at least basic sanitation services (% of Populati)	2017	10,5	44,6	40,3	68,5
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2018	0,3	12,2	3,4	...
Incidence of Tuberculosis (per 100,000)	2018	233,0	389,2	202,3	154,0
Child Immunization Against Tuberculosis (%)	2018	70,0	84,4	81,4	84,9
Child Immunization Against Measles (%)	2018	62,0	73,6	76,1	85,2
Underweight Children (% of children under 5 years)	2010-17	...	11,7	17,5	14,5
Prevalence of stunting	2010-17	...	35,1	34,0	23,6
Prevalence of undernourishment (% of pop.)	2017	44,4	25,3	18,5	12,3
Current health expenditure (% of GDP)	2016	6,0	6,8	5,3	5,4
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-19	142,5	115,7	100,1	104,1
Primary School - Female	2010-19	143,1	113,5	98,0	104,4
Secondary School - Total	2010-19	36,5	62,5	52,6	71,9
Secondary School - Female	2010-19	37,1	61,5	50,4	71,4
Primary School Female Teaching Staff (% of Total)	2010-18	53,5	59,4	48,6	62,9
Adult literacy Rate - Total (%)	2010-18	74,8	77,5	66,9	84,0
Adult literacy Rate - Male (%)	2010-18	...	82,7	70,8	88,2
Adult literacy Rate - Female (%)	2010-18	72,4	73,2	60,0	79,8
Gouvernement expenditure on Education (% of GDP)	2010-17	2,8	5,4	4,3	4,1
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	6,0	6,1	8,0	11,4
Agricultural Land (as % of land area)	2016	71,2	55,7	38,2	38,3
Forest (As % of Land Area)	2016	21,4	30,9	13,2	31,9
Per Capita CO2 Emissions (metric tons)	2014	0,1	3,1	1,2	3,5



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update :

April 2020

UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

ANNEX II: TABLE OF BANK PORTFOLIO IN MADAGASCAR
(As at 1st August 2020)

Flashlight	Project Name	Approval Date	Completion Date	Fund	Approved Amount	Disbursement Rate	EER	Age
1	INTEGRATED AGRO-INDUSTRIAL GROWTH POLE PROJECT IN THE SOUTH	11/10/2017	12/31/2020	ADF	1,000,000.0	71.8	NPPP	2.8
2	YOUTH RURAL ENTERPRISES PROJECT IN THE MIDWEST (PROJERMO)	9/23/2015	12/31/2021	ADF	16,610,000.0	50.2	NPPP	4.9
				TSF	8,000,000.0	11.3	NPPP	4.9
3	PROGRAMME FOR YOUTH ENTREPRENEURSHIP PROMOTION IN AGRICULTURE AND AGRO-INDUSTRY (ENABLE YOUTH) P1	1/11/2018	12/31/2021	ADF	700,000.0	74.8	NPPP	2.6
				TSF	4,300,000.0	51.2	NPPP	2.6
4	BAS-MANGOKY REHABILITATION AND EXTENSION PROJECT - PHASE II (PEPBM)	11/26/2014	5/31/2021	ADF	16,140,000.0	60.4	NPPP	5.7
				TSF	24,000,000.0	62.3	NPPP	5.7
5	AGRICULTURAL INFRASTRUCTURE REHABILITATION PROJECT IN THE SOUTH-WEST (PRIASO)	6/19/2013	12/31/2020	ADF	18,300,000.0	84.7	NPPP	7.2
				NSF	6,500,000.0	84.6	NPPP	7.2
				GEF	4,454,766.9	68.4	NPPP	7.2
	Total Agriculture				100,004,766.9	58.0		4.8
6	PROTECTED AREAS AND ECOTOURISM DEVELOPMENT PROJECT STUDY	5/24/2018	12/30/2020	ADF	1,000,000.0	14.5	NPP/NPPP	2.0
	Total Environment				1,000,000.0	22.7		1.5
7	MADAGASCAR - AFRICA DISASTER RISKS FINANCING (ADRIFI) PROGRAM	5/30/2019	12/31/2023	TSF	1,500,000.0	28.2	N/A	1.0
	Total Finance				1,500,000.0	22.7		1.5
8	INVESTMENT PROMOTION SUPPORT PROJECT (PAPI)	7/9/2015	12/31/2020	ADF	4,000,000.0	31.3	NPPP	4.9
				TSF	3,000,000.0	32.4	NPPP	4.9
9	SUPPORT FOR CAPACITY BUILDING AND PROMOTION OF THE BLUE ECONOMY	3/25/2019	12/31/2021	TSF	1,000,000.0	7.0	N/A	1.2
10	SUPPORT FOR PUBLIC REVENUE MOBILISATION	4/12/2019	12/31/2021	TSF	1,000,000.0	6.0	N/A	1.1
11	MADAGASCAR SME BUSINESS LINKAGES PROGRAM	5/15/2020	12/31/2023	TSF	1,000,000.0	0.0	N/A	0.2
12	PROGRAMME MULTI-PAYS D'APPUI EN REPONSE A LA COVID-19	7/22/2020	6/30/2021	TSF	30,000,000.0	0.0	N/A	0.1
	Total Multi-Sector				40,000,000.0			3.0
15	SAHOFIKA HYDRO PROJECT-GOM EQUITY IN NEHO	5/13/2020	1/1/2028	ADF	3,213,000.0	0.0	N/A	0.3
				ADF	7,000.0	0.0	N/A	0.3
13	PPF- FEASIBILITY STUDY ON POWER TRANSMISSION NETWORKS REINFORCEMENT AND INTERCONNECTION PROJECT	11/21/2017	12/31/2020	ADF	1,000,000.0	53.5	NPP/NPPP	2.7
14	MADAGASCAR - PARTIAL RISK GUARANTEE FOR THE 192 MW SAHOFIKA HYDROPOWER DEVELOPMENT PROJECT	12/13/2019	12/31/2025	ADF	71,026,258.4	0.0	N/A	0.7
16	POWER TRANSMISSION NETWORKS REINFORCEMENT AND INTERCONNECTION PROJECT	12/16/2019	12/31/2024	ADF	9,650,000.0	0.0	N/A	0.7
				TSF	18,170,000.0	0.0	N/A	0.7
	Total Energy				103,066,258.4			
17	GRANT TO COMBAT THE MEASLES EPIDEMIC	4/4/2019	6/30/2020	SRF	355,131.3	100.0	N/A	1.4

Flashlight	Project Name	Approval Date	Completion Date	Fund	Approved Amount	Disbursement Rate	EER	Age
	Total Social				355,131.3			
18	ROAD INFRASTRUCTURE DEVELOPMENT PROJECT (RN9, POMAY AND BEFANRIANA BRIDGES)	10/18/2013	12/31/2020	ADF	29,092,700.0	100.0	NPP/NPPP	6.8
				ADF	77,889.1	100.0	NPP/NPPP	6.8
		12/14/2012	12/31/2020	OFID	12,784,726.5	0.0	NPP/NPPP	7.7
19	MADAGASCAR-INDIAN OCEAN: CORRIDORS DEVELOPMENT AND TRADE FACILITATION PROJECT	11/27/2018	12/31/2024	TSF	8,450,000.0	0.0	N/A	1.7
				ADF	22,680,000.0	0.0	N/A	1.7
				ADF	31,250,000.0	0.4	N/A	1.7
				EU-Africa Infrs.	32,773,179.5	0.0	N/A	1.7
	Total Transport				137,108,495.1			
20	SDAUM-URBAN SANITATION MASTER PLANS OF MADAGASCAR	12/24/2015	12/31/2021	AWF	1,507,817.1	62.4	NPP/NPPP	4.6
	Total Water and Sanitation				1,507,817.1			
	Grand Total				384,542,468.8	30.4		2.4

TABLE OF AGRICULTURAL SECTOR OPERATIONS BY THE OTHER TFPs IN MADAGASCAR
(As at 17 April 2020)

No.	PROJECT	DESCRIPTION	DONORS	SIGNATURE	DISBURSEMENT DEADLINE	TYPE	SECTOR	CURRENCY	AMOUNT	USD EQUIVALENT	REMARKS
1	AD2M	Menabe and Melaky Development Support Project -Phase 2	IFAD	21/10/2015	30/06/2023	Loan	Agriculture	SDR	24 500 000	400 000	
			IFAD/ASAP	21/10/2015	30/06/2023	Grant	Agriculture	SDR	4 200 000	6 000 000	Funding from the IFAD-administered Peasant Agriculture Adaptation Programme (ASAP)
2	DEFIS	Inclusive Agricultural Commodity Chains Development Project	IFAD	13/12/2017	30/09/2024	Grant	Agriculture	SDR	18 900 000	26 150 000	
			IFAD	13/12/2017	30/09/2024	Loan	Agriculture	SDR	18 900 000	26 150 000	
3	FORMAPROD		IFAD	03/08/2012	31/12/2023	Loan	Agriculture	SDR	21 000 000	32 995 000	

No.	PROJECT	DESCRIPTION	DONORS	SIGNATURE	DISBURSEMENT DEADLINE	TYPE	SECTOR	CURRENCY	AMOUNT	USD EQUIVALENT	REMARKS
4	PROSPERER	Vocational Training and Agricultural Productivity Improvement Project	IFAD/STF	03/08/2012	31/12/2023	Loan	Agriculture	EUR	14 290 000	18 830 000	IFAD-administered Spanish Trust Fund (STF)
			IFAD	03/08/2012	31/12/2023	Grant	Agriculture	SDR	1 280 000	2 008 000	
			IFAD	01/06/2018	31/12/2023	Grant	Agriculture	SDR	4 010 000	5 645 000	Additional Loan
			IFAD	01/06/2018	31/12/2023	Grant	Agriculture	SDR	4 010 000	5 645 000	Additional Grant
	PROSPERER	Rural Micro-Enterprise Poles and Regional Economies Support Project - Initial	IFAD	04/11/2008	31/12/2021	Loan	Agriculture	SDR	11 650 000	17 788 000	
			IFAD	30/04/2013	31/12/2021	Grant	Agriculture	SDR	190 000	210 000	
			IFAD	30/04/2013	31/12/2021	Loan	Agriculture	SDR	7 300 000	11 200 000	Additional Loan 1
			IFAD	21/10/2015	31/12/2021	Loan	Agriculture	SDR	12 100 000	19 000 000	Additional Loan 2

World Bank (IDA)

No.	PROJECT	DESCRIPTION	DONORS	SIGNATURE	DISBURSEMENT DEADLINE	TYPE	SECTOR	CURRENCY	AMOUNT	USD EQUIVALENT	REMARKS
1	CASEF	Agricultural Growth and Land Security Project	IDA	08/04/2016	30/06/2021	Loan	Agriculture	SDR	38 300 000	53 000 000	
			IDA	26/03/2019	30/06/2022	Loan	Agriculture	SDR	37 400 000	52 000 000	Additional Grant
2	PADAP	Landscape Approach Sustainable Agriculture Programme	IDA	20/04/2017	01/08/2022	Loan	Agriculture	SDR	48 400 000	65 000 000	
			IDA/GEF	20/04/2017	01/08/2022	Loan	Agriculture	USD	13 699 000	13 699 000	IDA-administered Global Environment Fund
3	SWIOfish2	South West Indian Ocean Fisheries Governance and Shared Growth Project	IDA/GEF	20/04/2017	29/09/2023	Grant	Fisheries	USD	6 400 000	6 400 000	IDA-administered Global Environment Fund

No.	PROJECT	DESCRIPTION	DONORS	SIGNATURE	DISBURSEMENT DEADLINE	TYPE	SECTOR	CURRENCY	AMOUNT	USD EQUIVALENT	REMARKS
			IDA/Japanese PHRD	20/04/2017	30/06/2020	Grant	Fisheries	USD	2 730 000	2 730 000	IDA-administered Japanese PHRD Fund
			IDA	20/04/2017	29/09/2023	Grant	Fisheries	SDR	47 900 000	65 000 000	

French Development Agency (AFD)

No.	PROJECT	DESCRIPTION	DONORS	SIGNATURE	DISBURSEMENT DEADLINE	TYPE	SECTOR	CURRENCY	AMOUNT	USD EQUIVALENT	REMARKS
1	PAPAM	Agricultural Productivity Improvement Project in Madagascar	AFD	07/01/2016	30/06/2020	Grant	Agriculture	EUR	7 000 000	7 555 456	
2	PADAP	Landscape Approach Sustainable Agriculture Project	AFD	08/06/2017	01/08/2022	Grant	Agriculture	EUR	25 000 000	26 354 607	Co-financing with IDA

European Union (EU)

N°	PROJET	DESCRIPTION	BAILLEURS	SIGNATURE	DATE LIMITE DECAISSEMENT	TYPE	SECTEUR	MONNAIE	MONTANT	EQUIVALENT USD	OBSERVATIONS
1	AFAFI NORD	Programme d'Appui au Financement de l'Agriculture et aux Filières Inclusives dans le Nord de Madagascar	UE	13/07/2017	/2023	Don	Agriculture	EURO	50 000 000	57 065 000	
2	AFAFI SUD	(Programme d'Appui au Financement de l'Agriculture et aux Filières Inclusives dans le Sud de Madagascar	UE	10/04/2018	/2024	Don	Agriculture	EURO	31 500 000	38 801 700	En cofinancement avec la Coopération Allemande à hauteur de 1.500 millions d'euros

A noter Conversion basée sur le taux de change de l'Union Européenne selon la date de signature de la convention de financement (AFAFI-NORD : 1€=1.1413\$ / AFAFI-SUD : 1€=1.2318\$)

GIZ

N°	PROJET	DESCRIPTION	BAILLEUR	SIGNATURE	DATE LIMITE DECAISSEMENT	TYP	SECTEUR	MONNAIE	MONTANT	EQUIVALENT USD	OBSERVATIONS
1	PrAda	Projet Adaptation des chaînes de valeur agricoles au changement Climatique	GIZ	01/03/2017	28/02/2022	Don	Agriculture	EURO	17 500 000	24 074 750,00	En cofinancement avec l'Union Européenne (UE) dans le cadre du Programme d'Appui au Financement de l'Agriculture et aux Filières Inclusives dans le Sud de Madagascar (AFAFI-Sud) dont 10 Millions EURO de BMZ et 7,5 Millions de l'UE

Exim Bank of India

No.	PROJECT	DESCRIPTION	DONORS	SIGNATURE	DISBURSEMENT DEADLINE	TYPE	SECTOR	CURRENCY	AMOUNT	USD EQUIVALENT	REMARKS
1	Fertilizer Factory	Fertilizer Factory Establishment Project	Exim Bank India	28/06/2017		Loan	Agriculture	USD	2 500 000	2 500 000	

OPEC Fund for International Development (OFID) – Co-financing with other Donors

No.	PROJECT	DESCRIPTION	DONORS	SIGNATURE	DISBURSEMENT DEADLINE	TYPE	SECTOR	CURRENCY	AMOUNT	USD EQUIVALENT	REMARKS
1	AD2M 2	Beboka Irrigation Area Development Project	OFID	16/06/2015	31/12/2020	Loan	Agriculture	USD	7 500 000	7 500 000	Co-financing with IFAD
2	DEFIS	Inclusive Agricultural Commodity Chains Development Project	OFID	22/04/2018	31/01/2023	Loan	Agriculture	USD	20 000 000	20 000 000	Co-financing with IFAD

ANNEX III: MAP OF PROJECT AREA



Cette carte a été fournie par le personnel de la Banque Africaine de Développement exclusivement à l'usage des lecteurs du rapport auquel elle est jointe. Les dénominations utilisées et les frontières figurant sur cette carte n'impliquent de la part du Groupe de la BAD et de ses membres aucun jugement concernant le statut légal d'un territoire ni aucune approbation ou acceptation de ses frontières.

ANNEX IV: COUNTRY FRAGILITY STATUS

REPUBLIC OF MADAGASCAR

AGRO-INDUSTRIAL PROCESSING ZONE DEVELOPMENT PROJECT IN THE SOUTH-WEST REGION OF MADAGASCAR (PTASO)

Matrix of Factors Associated with Fragility

FRAGILITY FACTORS IDENTIFIED BY THE FRAGILITY ASSESSMENT	SITUATION, CHALLENGES AND RESILIENCE MEASURES SUPPORTED BY THE GENERAL GOVERNMENT POLICY BACKED BY TECHNICAL AND FINANCIAL PARTNERS (TFP)	MEASURES SUPPORTED BY PTASO AND AfDB's INTERVENTION (2020-2025)
Political, institutional and security factors	<p>1. Legitimate policies and political governance (legitimacy, inclusiveness, State-building and confidence in State institutions)</p> <p>Legitimacy: Madagascar is currently in its Fourth Republic since independence in June 1960. On its path towards stable political governance, the country has experienced recurrent socio-political crises that have always undermined State and institutional legitimacy over the past two generations. In the difficult journey, the 2009 crisis was long and painful for the country as it took four years for a solution to be accepted by both parties in conflict under SADC supervision. The establishment of an electoral process that excluded the two main antagonists in the crisis helped to put Madagascar back on the path to political and institutional stability. The elections organised in November 2018 strengthened the resilience of the country's political governance with the acceptance of the results of the elections by the two main antagonists. This major political appeasement was reinforced by the peaceful election of members of parliament in May 2019 in which the President's party had an absolute majority of the parliamentary seats. Despite the progress observed since 2014, the root causes of political instability are still evident in the conception of the State by Madagascar's political class and the behaviour of the dominant coalitions (majority in power or opposition) towards the State. The political situation is marked by: (i) neo-patrimonial management of the State through corrupt vote-catching practices with an often negative record of the use of State power by the dominant coalition: the State is not put at the service of the Nation and the general interest and the principle of transparency and accountability is not respected; and (ii) failure to respect the legality and legitimacy of State power, conferred in an inclusive, consensual, free and transparent manner, to an actor or a coalition of political actors designated by their parties and elected by direct universal suffrage.</p>	<p>The Agro-industrial Processing Zone Development Project in the South-West Region of Madagascar (PTASO) will indirectly help to remove some of the obstacles to political and spatial inclusion and reduce the number of inter-community tensions generated by the feeling of exclusion. The project activities are in line with the Government's vision of consolidating its interventions throughout the country through development activities.</p>

FRAGILITY FACTORS IDENTIFIED BY THE FRAGILITY ASSESSMENT	SITUATION, CHALLENGES AND RESILIENCE MEASURES SUPPORTED BY THE GENERAL GOVERNMENT POLICY BACKED BY TECHNICAL AND FINANCIAL PARTNERS (TFP)	MEASURES SUPPORTED BY PTASO AND AfDB's INTERVENTION (2020-2025)
	<p>Governance: Despite major reform efforts made by successive Governments over the past decade, governance remains a major challenge for Madagascar's development. Although the 2002-2006 period was marked by major reforms, the ambitious objectives of the implementation of the Madagascar Action Plan 2007-2012 had no visible impact on good governance because the expected outcomes were achieved only in public finance management, while governance problems persisted. The governance problems are the cause and visible consequence of previous crises. The lack of effective balance between the various levels of government powers and mutual control between them, weak institutions, confusion between public and private interests, interference by politicians in the application of laws and a general sense of impunity among the public reduce the efficiency, transparency and accountability of public action. Furthermore, the governance problems weaken development effectiveness by reducing growth, hamper the development of a competitive private sector, and reduce the efficiency of public services. Far-reaching reforms have been initiated, but their implementation has been deficient, thereby undermining their overall effectiveness. In retrospect, it appears that the political economy's obstacles to governance reform have been underestimated, while the potential for improving governance has been overestimated.</p> <p>Transparency: Despite remarkable progress in implementing key measures to prevent and combat corruption, the perception of corruption remains high, according to Transparency International's Corruption Perception Index (152nd in 2018 compared to 155th out of 180 countries in 2017), and corruption is considered by the population as one of the most serious problems in the current society. Public-private partnership (PPP) suffers from lack of a formal consultation framework and is sometimes misused for private deals. Other challenges include lack of transparency in the management and concessioning of natural resources, land rights and, increasingly, the State's inability to combat illegal trade in rare woods and minerals, organised crime and corruption. The lack of transparency and good governance in the award of public contracts and in large-scale land use for agriculture, mining and forestry resources through abusive use of private permits shows that there are major unresolved problems and weaknesses in natural resource governance, as well as persistent inadequacies in the land tenure framework. These issues continue to pose significant challenges to peace and security in rural areas.</p>	<p>The Agro-industrial Processing Zone Development Project in the South-West Region of Madagascar (PTASO) will help improve the overall governance system and establish a legal and judicial framework for the management of Agro-industrial Processing Zones (APZ) which, at project completion, can serve as a model for consolidating the progress already made in the governance of public financial management.</p> <p>The Agro-industrial Processing Zone Project in the South-West Region (PTASO) will support activities that have a positive impact on attracting private investors after a corruption-free business environment is created for the sector.</p>

FRAGILITY FACTORS IDENTIFIED BY THE FRAGILITY ASSESSMENT	SITUATION, CHALLENGES AND RESILIENCE MEASURES SUPPORTED BY THE GENERAL GOVERNMENT POLICY BACKED BY TECHNICAL AND FINANCIAL PARTNERS (TFP)	MEASURES SUPPORTED BY PTASO AND AfDB's INTERVENTION (2020-2025)
	Security and violence issues, capacity and performance of the security sector	
	<p>Security: The security situation in Madagascar has greatly improved for the last years. However, there have been incidents from time to time and they still have the potential to destabilise the country, thereby justifying continued efforts for structural measures in the security sector. Given the major security challenges, the country continues to experience acts of insecurity in the form of crime and unprovoked violence on property and against innocent people in urban and rural areas and during festive periods. In addition, most of the south-west region of the country is experiencing organised armed robbery of livestock, known as "dahalos". The acts of these organised gangs are frequent and regularly raise issues about their motives, the origin of their weapons and their training, and other more specific issues about their networks, which can be a threat to State security. The marked insecurity reflects the prevailing poverty and growing inequalities due to the upsurge in violence, dubious competitive practices, and manipulation. These acts of violence are civil matters and involve only the political liability of the authorities.</p>	<p>The Agro-industrial Processing Zone Project in the South-West Region (PTASO) does not contribute directly to the security factor, but it provides solutions that mitigate risks that could worsen the security situation in the project area.</p>
	3. Justice sector (inclusive access to justice, rule of law and judicial independence, checks and balances, etc.)	
	<p>A weakened judicial system: Previous and recurrent crises in Madagascar have had a significant negative impact on the judiciary, and this has led to a legitimacy crisis since 2009 that threatens the rule of law. Already destructured by the various causes of fragility, the judicial system has been instrumentalised for political ends by all political actors, and seems to be undermined by lack of independence, problems of corruption, and inadequate technical and material resources. The national development plan for the sector highlights shortcomings in its administration, such as inadequate and dilapidated infrastructure, delays and dysfunction of the system, and prison overcrowding. In addition, shortcomings in the training of prison staff, magistrates and court registrars have consequences for the system as a whole. Part of the problem is also the small budget. Under its 2015-2019 sector programme, the Ministry of Justice has made efforts to improve the management of the sector, humanise the living conditions of detainees, and restore the bond of trust between citizens and the judiciary, while combating corruption.</p>	<p>The Agro-industrial Processing Zone Project in the South-West Region (PTASO) does not contribute directly to the justice system, but it addresses the problem of inclusion, a source of social injustice, by taking into account vulnerable groups, particularly women and young people.</p>

<p>Economic and financial factors</p>	<p>4. Strengthening of economic and community resilience (equitable access to infrastructure and benefits of natural resources)</p> <p>Natural resource management: The management of Madagascar's considerable natural resources is still a long way from achieving the desired objectives to improve the living conditions of its population. The people are poor, even if paradoxically the country is rich in natural resources. Madagascar is relatively not so wealthy, with a gross domestic product (GDP) of about USD 12.73 billion in 2018 for more than 27.06 million inhabitants. Illegal logging of precious woods in the National Parks of Sava region has reached unprecedented levels since the 2009 crisis. The upsurge in logging is threatening to wipe out the fruits of 20 years of conservation efforts. In the mining sector, two large-scale industrial mining projects, the QMM ilmenite mine at Fort Dauphin and Ambatovy cobalt and nickel mine, have just started or are about to start production and will change the country's economic landscape. The imminent increase in mining revenue will contribute to growth, but could exacerbate social inequalities in mining communities and result in what is known as the "natural resource curse". While mining has so far not been a major driver of the political economy, it has the potential to overshadow other factors, and Madagascar could join the club of resource-rich countries. The mining sector should therefore be at the core of a critical study for change in Madagascar. Until firm collaborative measures are taken to better manage natural resources, the country could fall into the natural resource curse. Furthermore, the resource-generated growth is marked by high income inequalities, isolationism and fragmentation.</p> <p>The Agro-industrial Processing Zone Project in the South-West Region (PTASO) also addresses the issue of natural resources, particularly water and land. The project has included measures to help renew and build the capacity of institutions involved in water management in efforts to improve water management in the project area.</p>
<p>Social factors: poverty and inequality</p>	<p>5. Increase resource mobilisation to create opportunities for jobs, income and inclusive access to basic social services, focusing on the crucial role of the State, enhancement of financial governance, and appropriate refocusing of Government's role</p> <p>Inequalities: There are clear regional disparities, and rural areas are the most affected by poverty. Demographic pressure, driven by a high birth rate, is putting additional strain on the country's already strained situation. Rapid and rampant urbanisation is another form of social pressure on the urban population and, by extrapolation, empties rural areas of the workforce needed to exploit agricultural wealth. Urbanisation also accelerates the deterioration of dilapidated and sometimes inadequate infrastructure in urban areas. Lastly, a majority of the population, especially women and young people, are socially marginalised and lack economic and political opportunities. A return to social cohesion and inclusive growth is required to guarantee stability and prosperity for all the people. There is also need for food security which depends on abundant rainfall for the success of the farming season, as well as access to basic social services, the availability of workers for harvests, political stability and the absence of disasters such as natural calamities or epidemics. The thorny issue of the competing need for fertile land for agriculture and land for mining fuels the feeling of insecurity among the local populations confronted</p> <p>The Agro-industrial Processing Zone Project in the South-West Region (PTASO) provides some solutions to correct the spatial inequalities accumulated over several years and creates fresh impetus for balanced territorial development. In addition, the project aims to enable local authorities to initiate transformative projects and</p>

	<p>with illegal occupation and appropriation of their land. Thus, despite the law, control of land remains a source of community and intergenerational tensions. This time bomb needs to be urgently diffused politically, legally and culturally to prevent it from becoming a source of conflict in the country.</p>	<p>thereby increase employment opportunities.</p>
	<p><u>Sources of revenue:</u> Despite its significant potential resources, Madagascar's economy is very fragile and dependent on services and agriculture. Services constitute Madagascar's main economic resource, providing 56.9% of the gross domestic product. Services and agriculture contribute 83.4% of GDP. Agriculture alone is important for the survival of about 80% of Madagascar's working population. The sector employs more than three-quarters of the country's working population, with a high proportion of women, and is one of the main drivers of economic growth.</p>	<p>The Agro-industrial Processing Zone Project in the South-West Region (PTASO) falls within efforts to diversify and industrialise Madagascar's economy. The high-potential agro-industrial sectors selected by the project will be drivers of growth, with the processing of raw materials that will help to reduce the economy's dependence on the services and mining sectors.</p>
	<p><u>Regulatory framework (Government's role in the provision of services):</u> Madagascar unfortunately has the disadvantage of not having good quality infrastructure since its independence. Investment in the development of priority infrastructure to improve the quality of Government services to the population is at the core of the development project in all sectors of activity that bring about a change in the population's standard of living and provide economic opportunities. Although progress has been made in the transport sector despite the significant regional disparities, public utility sectors (water, waste, ICT and transport) are struggling to get off the ground for lack of rapid and effective action and delays in funding. The unbalanced distribution of public services between the regions and groups of the population could, in the long term, undermine the restored peace and social cohesion if corrective action is not taken to reverse the trend.</p>	<p>The Agro-industrial Processing Zone Project in the South-West Region (PTASO) falls within a multisector approach whose activities, once implemented, will increase socio-economic infrastructure in the project area and improve the number of people or households with access to public easements for drinking water, electricity, transport, education, health and markets.</p>

ANNEX V: LIST OF GOODS AND SERVICES

EXPENDITURE CATEGORIES	UA Million								
	ADF LOAN			GOVERNMENT			TOTAL		
	L.C.	F.E.	Total	L.C.	F.E.	Total	L.C.	F.E.	Total
A. WORKS	3.66	7.99	11.65	0.01	-	0.01	3.67	7.99	11.66
Construction & Rehabilitation	0.57	1.32	1.89	-	-	-	0.57	1.32	1.89
Infrastructure	2.72	6.36	9.07	0.01	-	0.01	2.72	6.36	9.08
Land works	0.38	0.31	0.69	-	-	-	0.38	0.31	0.69
B. GOODS	0.44	0.86	1.30	-	-	-	0.44	0.86	1.30
Vehicles	0.03	0.10	0.14	-	-	-	0.03	0.10	0.14
Equipment	0.41	0.76	1.16	-	-	-	0.41	0.76	1.16
C. SERVICES	1.68	2.86	4.54	-	-	0.00	1.82	3.16	4.98
1. Training	0.31	0.21	0.52	-	-	-	0.37	0.25	0.62
2. Technical Assistance	0.11	0.64	0.76	-	-	-	0.15	0.87	1.02
3. Studies	0.44	1.71	2.15	-	-	-	0.46	1.74	2.20
4. Contractual Services	0.79	0.26	1.05	-	-	-	0.81	0.27	1.08
5. Audit	0.03	0.04	0.07	-	-	-	0.03	0.04	0.07
D. MISCELLANEOUS	0.54	-	0.54	4.26	-	4.26	4.80	-	4.80
E. STAFF	0.56	-	0.56	-	-	-	0.56	-	0.56
F. OPERATING COSTS	0.46	0.18	0.63	-	-	-	0.46	0.18	0.63
Not Allocated	0.34	0.44	0.78	-	-	-	0.35	0.44	0.79
TOTAL	7.68	12.32	20.00	4.27	-	4.27	11.95	12.32	24.27