

AFRICAN DEVELOPMENT BANK GROUP



PROJECT APPRAISAL REPORT ADDITIONAL FINANCING FOR THE AFRICAN DISASTER RISK FINANCING PROGRAMME (ADRIFI) IN MADAGASCAR

MADAGASCAR

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MADAGASCAR

ADDITIONAL FINANCING FOR THE AFRICAN DISASTER RISK FINANCING PROGRAMME (ADRIFI)

AHVP/RDVP/AHFR/COMG/PGCL DEPARTMENTS

December 2022

Translated Document

CURRENCY EQUIVALENTS

Actual Exchange Rate: September 2022

Currency Unit	Equivalent
UA 1	USD 1.30
UA 1	MGA 5 350.68
USD 1	MGA 4 111.67

FISCAL YEAR

01-01– 31-12

WEIGHTS AND MEASURES

1 metric tonne	2 204.62 pounds (lbs)
1 kilogramme (kg)	2.20462 lbs
1 metre (m)	3.28 feet (ft)
1 millimetre (mm)	0.03937 inch (“)
1 kilometre (km)	0.62 mile
1 hectare (ha)	2.471 acres

ABBREVIATIONS AND ACRONYMS

ACUM	Multi-purpose Community Shelter
ADRFi	Africa Disaster Risks Financing Programme
AfDB	African Development Bank
AFM	Administrative and Financial Management
ARC	African Risk Capacity (Pan-African risk management insurance company)
ARV	African Risk View (ARC software for its anti-drought product)
BNGRC	National Disaster Risk Management Office
CPGU	Prevention and Emergency Management Unit
CRFA	Country Resilience and Fragility Assessment
CSP	Country Strategy Paper
CSS	Climate Safeguards System of the Bank
DGM	General Directorate of Meteorology
DRM	Disaster Risk Management
ESCN	Environmental and Social Compliance Note
ESIA	Environmental and Social Impact Assessment
FD	Final Design
GHG	Greenhouse Gas
GMS	Gender Marker System
HCT	Humanitarian Coordination Team
HHSP	Hygiene, Health, and Security Plan
IFR	Interim Financial Report
INSTAT	National Institute of Statistics
LC	Local Currency
MDTF	Multi-Donor Trust Fund
NDC	Nationally Determined Contribution
OCHA	UN Office for the Coordination of Humanitarian Affairs
PAR	Project Appraisal Report
PCN	Project Concept Note
PCR	Project Completion Report
PNGRC	National Disaster Risk Management Policy
PP	Procurement Plan
QAR	Quarterly Activity Report
RFP	Request For Proposals
SDG	Sustainable Development Goal
SNGRC	National Disaster Risk Management Strategy
TCE	Tropical Cyclone Explorer
TSF	Transition Support Facility
UA	Unit of Account
UNICEF	United Nations Children's Fund
USD	United States Dollar
WFP	World Food Programme

PROJECT INFORMATION SHEET

CLIENT INFORMATION

Project Name	Additional Financing for the African Disaster Risk Financing Programme (ADRFi) in Madagascar
Sector(s)	Agriculture
Grant Borrower/ Recipient	Madagascar
Project Instrument(s)	Loan and Grant
Executing Agency	Emergency Prevention and Management Unit (CPGU)

COUNTRY AND STRATEGIC CONTEXT

Period covered by Country Strategy Paper	2022 – 2026
Priorities of Country Strategy Paper supported by the project	Priority 2: Support for agricultural transformation and development of the manufacturing industry
Government Programme (PRSP, NDP or equivalent)	Madagascar Emergence Plan (2019-2023) National Post-cyclone Recovery Plan (2022-2023)
Project Classification	Feed Africa: Number of people suffering from hunger, malnutrition Improve the quality of life for the people of Africa Poverty reduction (SDG 1), famine reduction (SDG 2), reduction of gender discrimination (SDG 5) and combating climate change (SDG 13) Mitigating the impact of extreme weather events through access to climate insurance and reducing the vulnerability of populations to climate hazards
Country performance and institutional assessment	3
Projects at risk in the country portfolio	0%

PROJECT CATEGORISATION

Categorisation of environmental and social risks	Category 2 As a safeguard document for the project, a Health, Safety and Security Plan (HSSP) to be adapted to each type of infrastructure will be required. A clause will be included in the Request for Proposals (RFP) for each type of infrastructure, requiring that the firms concerned prepare and submit more specific HSSPs for approval by the client and the Bank before works start-up.
Does the project involve involuntary resettlement?	There will be no involuntary resettlement. The lands for infrastructure construction will be selected from State-owned lands. The proof of property rights for the infrastructure sites will be submitted to the Bank prior to construction.
Categorisation of climate protection measures	Category 2
Fragility and resilience lens assessment	Yes
Gender marker system categorisation	Category 2

KEY INFORMATION ON THE TSF FINANCING

Interest rate	0%
Service charges	0.75%
Commitment fee	0.5%
Tenor:	40 years
Grace Period	10 years

Source	Amount (Million)		Financing Instrument
	UA	USD	
Transition Support Facility (TSF)	5.47	7.12	Loan
Transition Support Facility (TSF)	4.53	5.88	Grant
Multi-Donor Trust Fund ADRiFi	3.61	4.70	Grant
Government's counterpart contribution	1.19	1.55	National contribution
Total project cost	14.80	19.26	

DEVELOPMENT OBJECTIVE AND COMPONENTS

Project development objective	Promote resilience and response to climate shocks in Madagascar through improved disaster risk management and climate change adaptation
Project components	Development of climate risk management solutions – USD 1 510 000
	Rehabilitation and post-disaster reconstruction activities – USD 5 100 000
	Management and coordination and implementation of the Gender Action Plan – USD 500 000
	Promoting access to disaster risk transfer solutions – USD 9 540 000
	Emergency support and post-cyclone recovery – USD 2 600 000

PROJECT PROCESSING SCHEDULE FOR BOARD APPROVAL

PCN Approval	N/A
Appraisal Mission	14-21 March 2022; 13-17 June 2022
Presentation to the Board of Directors	25 November 2022
Effectiveness	December 2022
Project Implementation Period	December 2022 – March 2026
Mid-term Review	November 2024
Project Closing Date	31 March 2026

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1 STRATEGIC CONTEXT

A. Context, Strategy, and Objectives

1. This additional financing for the ADRiFi Programme in Madagascar is an emergency Bank support to the Government of Madagascar following the tropical storms and cyclones that harshly hit the country during the first quarter of 2022, and caused damage in almost all sectors (housing, education, health, infrastructure (administrative, road, railway, irrigation, energy) etc.). The additional financing (AF) is intended to safeguard investments and development efforts in areas impacted by climatic hazards (tropical cyclones and drought), namely the Great South and South-East, and thereby build the country's resilience to climate change.

2. The additional financing is in response to the request for solidarity and financial support for the country and its people, launched by the Government of Madagascar through a National Post-Cyclone Recovery Plan (PNR) 2022-2023. In doing so, the additional financing is in line with the General State Policy and the Madagascar Emergence Plan (2020-2023), which underscore the importance of Disaster Risk Management/Reduction (DRM/DRR) through Strategic Pillar 5 "Enhancing natural capital and building resilience to disaster risks". In addition, the additional financing is fully in line with Madagascar's National Disaster Risk Management Policy (PNGRC) adopted in 2016 to strengthen the people's capacity to cope with the effects of climate risks and disasters. Furthermore, the additional financing is aligned with the Sustainable Development Goals (SDGs) in Madagascar, particularly poverty reduction (SDG 1), famine reduction (SDG 2), reduction of gender-based discrimination (SDG 5), and the fight against climate change (SDG 13).

3. The additional Financing is also consistent with the Bank's Country Strategy Paper (CSP) for Madagascar (2022-2026) for which climate change is a cross-cutting risk that could negatively impact the achievement of the CSP objectives. As it is under the Framework of the Africa Disaster Risk Financing (ADRFi) Programme, the additional financing is in line with the Bank's Ten-Year Strategy (2013-2022) in that it contributes to building the resilience of Madagascar, a regional member country of the Bank, to climate shocks. The ADRiFi additional financing in Madagascar is also in line with two of the Bank's "High 5s", namely: "Feed Africa" by strengthening food security and "Improve the quality of life for the people of Africa" by building the resilience of vulnerable populations to climatic hazards.

4. In this regard, the additional financing also contributes to the implementation of the Bank Group's Strategy for Addressing Fragility and Building Resilience in Africa (2022-2026), given that climatic hazards constitute a major fragility factor in Madagascar. Finally, in accordance with the Bank's project selectivity framework for Madagascar, the additional financing falls within the Bank's strategic vision of supporting Madagascar to become an emerging and climate-resilient economy by 2030. Furthermore, the additional financing is aligned with the Bank's Strategy for Addressing Fragility and Building Resilience in Africa (2022-2026). More specifically, it is aligned with the strategy's priority of building institutional capacity in transition states through training and data collection activities aimed at predicting future shocks; as well as capacity-building activities in gender-sensitive statistical analysis, for example. It is also aligned with the priority of the strategy which aims to build resilient societies through, for example, activities that include strengthening the meteorological observation network; rehabilitation and construction of basic infrastructure resilient to climate hazards; and supporting access to disaster risk transfer solutions. Finally, in accordance with the selectivity framework for Bank financing projects in Madagascar, the additional financing is in line with the Bank's strategic vision to support Madagascar in becoming an emerging economy that is resilient to climate hazards by 2030.

B. Sector and Institutional Context

5. Madagascar's geographical position makes it highly vulnerable to climatic shocks. During the recent 2021-2022 cyclone season, Madagascar was heavily hit by six tropical storms and cyclones within one month.¹ These extreme events demonstrate Madagascar's high vulnerability to the negative impacts of climate change, as it is now the scene of recurrent extreme weather events. Consequently, the country has made disaster risk management (DRM) one of the main pillars of the General State Policy and has established institutional arrangements to ensure better mainstreaming of climate risk management, particularly through Law No. 2015-031 of 12 February 2016 on the National Disaster Risk Management Policy (PNGRC), the National Disaster Risk Management Strategy (SNGRC), and the implementing decree of the aforementioned law.

6. It is within this context that the Bank has been providing DRM support to the country since 2019 through the Africa Disaster Risk Financing Programme in Madagascar, which is helping to promote the adoption of early disaster risk management mechanisms with positive impacts. Through ADRiFi, the country has been able to build resilience to climatic hazards by transferring its drought-related disaster risk in the South and its tropical cyclone risk to the Pan-African risk pool of the African Risk Capacity (ARC). Madagascar has therefore benefited from payouts triggered by three (3) ARC sovereign insurance contracts. In 2020, the country received approximately USD 2 million following the severe droughts that affected the South during the 2019-2020 agricultural season². In March 2022, the country received a disbursement of about USD 10 million following the damage caused by Cyclone Batsirai, which had a severe impact on the south-eastern regions of the country³. Recently in July 2022, the country received an additional disbursement of USD 797,049 in response to lack of rainfall in the South during the 2021/2022 agricultural season⁴. These ARC insurance disbursements reinforce Government and donor efforts in responding to climatic hazards in Madagascar. The ADRiFi additional financing falls within this same context, since it complements Government and donor efforts to cope with the magnitude of post-disaster recovery needs in Madagascar.

C. Rationale for Bank Intervention

Rationale for additional financing to the ADRiFi programme in Madagascar

7. The Bank Group Directives on additional financing provide that an additional financing as an emergency operation may be associate to an ongoing Bank project hit by natural disasters (such as floods or cyclones) that can have a negative impact on ongoing Bank projects, to the extent that urgent measures must be taken to protect or preserve these investments. The ADRiFi additional financing is perfectly aligned with this provision. In fact, the unprecedented damage caused by the recent 2021-2022 tropical cyclone season has worsened an already degraded socio-economic situation in Madagascar, and particularly in the South, where more than 85% of the population lives below the poverty line, according to the latest World Bank report⁵, and where the Bank is actively invested in food security, disaster risk

¹ (i) Tropical Storm ANA that hit the northeast coast of Madagascar near Toamasina on 22 January; (ii) Intense Tropical Cyclone Batsirai that made landfall between Manakara and Mananjary on 5 February; (iii) Moderate Tropical Storm Dumako that hit the island of Sainte-Marie in the north of Madagascar on 15 February 2022; (iv) Tropical Cyclone Emnati which made landfall in Manakara District on the night of 22-23 February; (v) Tropical Storm Gombe which brought heavy rainfall to northern Madagascar on 7-8 March; and (vi) Tropical Storm Jasmine which made landfall in Saint Augustin Municipality of Toliara II District on 26 April 2022 at around 5 p.m. and went crossed the southern part of Madagascar from west to east.

² <https://reliefweb.int/report/madagascar/madagascar-receives-usd-213-million-african-risk-capacity-insurance-company>

³ <https://www.arc.int/news/madagascar-receives-pay-out-arc-ltd-following-tropical-cyclone-batsirai>

⁴ <https://businessafricaonline.com/madagascar-receives-us797049-million-drought-recovery-insurance-payout/>

⁵ <https://la1ere.francetvinfo.fr/reunion/madagascar-81-de-la-population-vit-sous-le-seuil-de-pauvrete-1288848.html>

management and socio-economic development, notably through the ADRiFi programme. Additionally, Articles 14 and 15 of the Additional Financing Policy provide for the eligibility criteria relating to additional financing, with which the ADRiFi additional financing is fully in line, as summarized in the table below.

Table 1: Additional Financing Eligibility Criteria

Eligibility Criteria	Additional Financing
Satisfactory assessment that providing additional financing is a better option than starting a new project (in terms of preparation, appraisal and implementation activities)	The additional financing reinforces the achievements of the initial ADRiFi project and in doing so is the best option because it will rely on the institutional arrangements of the initial program for effective, efficient and above all rapid implementation
Alignment of the entire project with relevant Bank Group institutional, national, regional and sector strategies, priorities and policies, and the enabling environment is conducive to its success.	The additional financing is fully in line with the Bank's national and sector strategies, priorities and policies as elaborated in paragraphs 3 and 4.
Consistency of the overall project with the development objectives of the initial project.	The additional financing reinforces the achievements of the initial project and is therefore in perfect harmony with the initial ADRiFi programme.
Satisfactory assessment of the technical feasibility of the entire project	The technical feasibility of the project is satisfactory (see project feasibility chapter)
Satisfactory institutional, fiduciary, environmental and social safeguard arrangements for the entire project	<ul style="list-style-type: none"> - The additional financing is classified in category 2 of the Bank's environmental and social safeguard system, with appropriate safeguard measures proposed - The additional financing is classified as category 2 according to the Gender Marker System (GMS), indicating that gender and the empowerment of women are main objectives of the project - Moderate overall fiduciary risk.
Satisfactory mitigation measures of the risks identified within the the overall project	The risk matrix in Annex 4-2 identifies the appropriate mitigation measures for the identified risks
Satisfactory assessment of readiness review of the project	Satisfactory readiness review

Initial ADRiFi Program Implementation Status

Table 2: General information on the initial ADRiFi project

Project Name	Africa Disaster Risk Financing Programme (ADRFi) in Madagascar
Executing Agency	Cellule de prevention et gestion des urgences (CPGU)
SAP Code	P-MG-HZ0-001
Grant Number	5900 1550 15451 signed on 13 June 2019
TSF Grant Amount	UA 1 500 000
Other funding sources	
- In kind Contribution of ARC	UA 880 245
- Government Contribution	UA 912 500
Date of Approval by the Bank	30 May 2019
Date of Effectiveness	13 June 2019
Date of Closing	31 December 2023
Date of Project Launch	10 October 2019
Project Duration	5 years

8. At the time of the appraisal mission, the team noted a satisfactory performance in the implementation of the initial ADRiFi project, which achieved a disbursement rate of 63.91%. The project achieved its objectives in terms of contributing to Madagascar's resilience in the face of climate hazards, facilitated by the disbursement generated by ARC sovereign insurance policies, which made it possible to increase the financial resilience of the State and thus provide rapid assistance to vulnerable populations in the South. Around 188,500 vulnerable households received rapid assistance following the 2019 and 2021 droughts in the South. About 349,000 households are benefiting from assistance following the payouts triggered by of the tropical cyclone insurance policy in the aftermath of cyclone Batsirai

(assistance received in terms of distribution of Vatsy Tsinjo, protection ration, agricultural recovery). Finally, around 9,000 households will benefit from the payout of the insurance policy following the drought recorded during the 2021/2022 agricultural season.

9. Furthermore, the initial ADRiFi program also demonstrated satisfactory performance from the fiduciary point of view. The project submitted audit reports which were validated by the Bank, and the mission did not note any major irregularities in relation to procurement. Remarkable progress has also been made in taking gender into account at the level of the executing agency and in the implementation of the initial ADRiFi programme.

D. Donor Coordination

10. Additional financing from the ADRiFi Programme will supplement the efforts of development partners that support Madagascar in risk and disaster management. The DRM coordination arrangements provide for a platform for the various development partners, the Humanitarian Coordination Team (HCT), of which the Bank is already a member. The platform facilitated the exchange of information and coordination of emergency response activities in the aftermath of the various cyclones and tropical storms in Madagascar. It also enabled the Bank to assess the need to respond to the Government's request for support in the implementation of the National Post-cyclone Recovery Plan, in synergy with the development partners. During the appraisal mission, the proposed activities of the additional financing were extensively discussed with key partners of the coordination platform, particularly the World Food Programme (WFP), the United Nations Children's Fund (UNICEF), the World Bank, as well as the Swiss and British bilateral cooperation agencies, as their respective countries are donors to the ADRiFi Multi-Donor Trust Fund, from which resources are also being mobilised for this additional financing to the ADRiFi Programme.

2 PROJECT DESCRIPTION

A. Project Development Objective

11. The main objective of this additional financing to the ADRiFi programme is to build resilience and response to climate shocks by improving disaster risk management and climate change adaptation in Madagascar. The development objective is based on two pillars: (i) building the financial resilience of the Government of Madagascar to climatic hazards through the adoption of risk transfer mechanisms capable of mobilising financial resources for rapid assistance to vulnerable populations in the event of a disaster; and (ii) strengthening the food security and social resilience of vulnerable populations impacted by climatic hazards in the South and South-East. In accordance with the "do no harm" principle, the project will not have any negative outcomes or secondary outputs for the vulnerable beneficiary populations.

B. Theory of Change

12. Ranked fourth in the world according to the Global Climate Risk Index, Madagascar remains highly vulnerable to climatic hazards. However, the country is unfortunately not adequately prepared to deal with the adverse effects of climatic disasters in view of the damage and loss of human life recorded at the end of the recent 2021-2022 hurricane season. To this end, the theory of change of the additional financing is based on two essential assumptions: on the one hand, insurance contracts are able to trigger adequate payouts in the event of a disaster and the Government is able to utilize these financial resources for a rapid assistance to people impacted, and on the other hand the climate-resilient infrastructures are built in time and the vulnerable populations are made aware of their use. It is expected that the related

investments (strengthening of early warning through quality agro-climatic data; construction of climate-resilient basic infrastructure (Multipurpose Community Shelters (ACUM) and storage warehouses); food support and nutrition generate, on the one hand, a financial resilience of the Malagasy Government allowing it to mobilize financial resources to provide a rapid response and deal with climatic disasters at the national and local levels, and on the other hand strengthen social resilience by promoting food security of vulnerable populations and reducing the loss of human life in the event of climatic hazards. The detailed theory of change is presented in Annex 2-1.

C. Project Components

13. In accordance with the Bank Group's guidelines for processing additional financing, the Bank's financial support to post-cyclone recovery will be provided through additional financing of UA 10 million for the ADRiFi Programme in Madagascar for the second phase of the programme from December 2023 to March 2026. The funding will be a hybrid loan and grant from Pillar 1 of the Transition Support Facility (TSF). The additional financing will consolidate the achievements of the first phase of the ADRiFi Programme in Madagascar and safeguard the Bank's investments in areas affected by tropical storms and cyclones. Given the instruments for the additional financing, the project components and activities have been split between the loan and the grant instruments.

14. The TSF loan will be invested in three (3) core components: (i) Development of climate risk management solutions; (ii) Rehabilitation and post-disaster reconstruction activities; and (iii) Programme management, coordination, and implementation of the Gender Action Plan. The TSF grant will be invested in two (2) components: (iv) Support for access to risk transfer mechanisms; and (v) Emergency activities and post-cyclone recovery. Co-financing in the form of a grant mobilised through the ADRiFi Multi-Donor Trust Fund (ADRiFi MDTF), as well as national contribution to the premium payment are also envisaged for financing Component 4. Table 3 below describes the components and detailed information is included in Annex 2-2: Detailed Project Components. Table 3 below describes the components and detailed information is included in Annex 2-2: Detailed Project Components.

Table 3: Overview of Additional Financing Components and Activities

Component	Objective and activities
Development of climate risk management solutions	<p>Costs and instrument(s): USD 1,510,000 – TSF Loan</p> <p>Objective: capacity building for an effective integrated early warning system able to estimate the related cost of climate hazards for the national budget</p> <p>Activities</p> <ul style="list-style-type: none"> - Survey to collect data on household vulnerability to drought, conducted in collaboration with the National Institute of Statistics (INSTAT) - Survey for the collection of necessary additional data relating to tropical cyclones in collaboration with the Directorate for Meteorological services - Training in statistical analysis and modeling of data collected for members of the ARC technical working group in collaboration with INSTAT - Purchase and installation of 05 agrometeorological stations in the districts of Amboasary Ambovombe, Ampanihy Beloha and Tsihombe.
Rehabilitation and post-disaster reconstruction activities	<p>Cost and instrument(s): 5,100,000 USD – TSF loan</p> <p>Objective: Rehabilitation of damaged basic infrastructure and construction of climate-smart social infrastructure.</p> <p>Activities</p> <ul style="list-style-type: none"> - Rehabilitation of around 100 classrooms in 50 establishments in 4 regions (Atsinanana, Atsimo Atsinanana, Vatovavy and Fitovinany) and 10 districts (Farafangana, Vaingaindrano, Vondrozo, Mahanoro, Vohipeno, Ifanadiana, Mananjary and Nosy Varika). - Construction of 3 multi-purpose community shelters (ACUM) in the municipalities of Antananarivo, Taomasina and Fenerive-Est, with a view to securing people and agricultural production in the event of a disaster.

	<ul style="list-style-type: none">- Construction of 02 storage warehouses in the South (Bekily and Ambosoary districts), which will serve as a community granary for the benefit of the local population, and will thus make it possible to store the seeds, in order to facilitate their availability in case of need.																														
Programme management, coordination, and implementation of the Gender Action Plan	<p>Coût et instrument(s) : 500 000 USD – Prêt FAT</p> <p>Objectif : assurer la coordination générale des activités avec le soutien et le suivi nécessaires fournis par la Banque pour faciliter une mise en œuvre efficace du financement additionnel. Le plan d'action genre détaillé se trouve à l'Annexe 3-3 : Promotion de l'égalité des sexes et de l'autonomisation des femmes.</p>																														
Support for access to risk transfer mechanisms	Coût et instrument(s) : 9 540 000 USD – Don FAT, Don ADRIFi MDTF, Contribution nationale Objectif : renforcer la résilience financière de l'Etat Malagasy en renforçant ses capacités à financer la gestion des risques de catastrophe par le biais de l'assurance souveraine contre les risques de catastrophe Activités																														
	<ul style="list-style-type: none">• Payment of the ARC sovereign insurance premium against drought risks																														
	<table><tr><td>Financing source</td><td>2023</td><td>2024</td><td>2025</td><td>Total</td></tr><tr><td>TSF Grant (in USD)</td><td>250 000 (50%)</td><td>250 000 (50%)</td><td>250 000 (50%)</td><td>750 000</td></tr><tr><td>Government Contribution (en USD)</td><td>250 000 (50%)</td><td>250 000 (50%)</td><td>250 000 (50%)</td><td>750 000</td></tr><tr><td>Total in USD</td><td>500 000</td><td>500 000</td><td>500 000</td><td>1 500 000</td></tr></table>	Financing source	2023	2024	2025	Total	TSF Grant (in USD)	250 000 (50%)	250 000 (50%)	250 000 (50%)	750 000	Government Contribution (en USD)	250 000 (50%)	250 000 (50%)	250 000 (50%)	750 000	Total in USD	500 000	500 000	500 000	1 500 000										
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	Total in USD	500 000	500 000	500 000	1 500 000																										
	<ul style="list-style-type: none">• Payment of the ARC sovereign insurance premium against tropical cyclone risks																														
	<table><tr><td>Financing source</td><td>2022</td><td>2023</td><td>2024</td><td>2025</td><td>Total</td></tr><tr><td>TSF Grant (in USD)</td><td>500 000 (25%)</td><td>500 000 (25%)</td><td>500 000 (25%)</td><td>1 000 000 (50%)</td><td>2 500 000</td></tr><tr><td>ADRIFi MDTF Grant (in USD)</td><td>1 500 000 (75%)</td><td>1 300 000 (65%)</td><td>1 300 000 (65%)</td><td>600 000 (30%)</td><td>4 700 000</td></tr><tr><td>Government Contribution (in USD)</td><td></td><td>200 000 (10%)</td><td>200 000 (10%)</td><td>400 000 (20%)</td><td>800 000</td></tr><tr><td>Total</td><td>2 000 000</td><td>2 000 000</td><td>2 000 000</td><td>2 000 000</td><td>8 000 000</td></tr></table>	Financing source	2022	2023	2024	2025	Total	TSF Grant (in USD)	500 000 (25%)	500 000 (25%)	500 000 (25%)	1 000 000 (50%)	2 500 000	ADRIFi MDTF Grant (in USD)	1 500 000 (75%)	1 300 000 (65%)	1 300 000 (65%)	600 000 (30%)	4 700 000	Government Contribution (in USD)		200 000 (10%)	200 000 (10%)	400 000 (20%)	800 000	Total	2 000 000	2 000 000	2 000 000	2 000 000	8 000 000
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Total	2 000 000	2 000 000	2 000 000	2 000 000	8 000 000																										
<ul style="list-style-type: none">• Review of ARC insurance products in order to enlighten the country in the choice of its risk transfer parameters																															
Emergency activities and post-cyclone recovery	<p>Cost and instrument(s): USD 2,600,000 – TAF grant</p> <p>Objective: ensure food security for vulnerable people during the 2023 lean season</p> <p>Activities</p> <ul style="list-style-type: none">- Purchase and distribution of food for vulnerable populations (Vatsy Tsinjo): food packs (25kg of rice, 3kg of legumes, 1kg of koba aina, 2 cans of sardines, 1 can of condensed milk, 1 liter of oil , 2 bars of soap, 1 sachet of salt) will be distributed per vulnerable household, for a total of 64,000 households (270,000 vulnerable people, 50% of whom are women).- Distribution of protection rations for children under 5 and pregnant and lactating women in order to (i) rehabilitate the nutritional situation of localities at risk and (ii) improve the food and nutritional situation of 14,000 households with children under less than 5 years old.																														

D. Project Cost and Financing Arrangements

15. In accordance with Bank Policy on Additional Financing, the Bank is mobilizing 10 million Units of Account (or approximately USD 13.32 million at July 2022 exchange rates)⁶ from the unallocated resources of pillar 1 of the Transition Support Facility (TSF). The amount of funding mobilized was function of the magnitude of damage caused by the tropical cyclones and storms, as well as the needs expressed by the Government of Madagascar through the National post-cyclone Recovery Plan. The funding will be a hybrid of a loan and a grant, with the following breakdown:

Table 4: Breakdown of TSF Additional Financing

	Loan	Grant	Total
% loan and grant	54.76%	45.24%	100%
ADRIFI Madagascar (in UA Million)	UA 5.476	UA 4.524	10.0

⁶ UA 1= USD 1.32 (Bank exchange rate for July 2022)

16. AfDB will also mobilise USD 4.7 million from the ADRiFi Trust Fund,⁷ to help finance the sovereign insurance premium against droughts and tropical cyclones. The resources mobilised will be provided in the form of a grant. It should be noted that ADRiFi MDTF co-financed 95% of the ARC tropical cyclone insurance premium from which the Government received a disbursement in the aftermath of tropical cyclone Batsirai.

17. The TSF loan, TSF grant and ADRiFi MDTF grant agreements will be signed between the Government of Madagascar and the Bank, in its capacity as administrator of the two respective funds. The Government of Madagascar has committed to contribute to the payment of the premium. The additional financing is exempted from taxes and duties.

Table 5: Project Cost Estimate by Component

<i>Components</i>	<i>(USD Million)</i>			<i>% du coût total du projet</i>
	<i>LC</i>	<i>Foreign</i>	<i>Total</i>	
<i>Development of Climate Risk Management Solutions</i>	<i>0.50</i>	<i>0.90</i>	<i>1.40</i>	<i>8</i>
<i>Rehabilitation and Post-disaster Reconstruction Activities</i>	<i>1.57</i>	<i>3.13</i>	<i>4.7</i>	<i>25</i>
<i>Programme Management, Coordination, and Implementation of the Gender Action Plan</i>	<i>0.32</i>	<i>0.15</i>	<i>0.47</i>	<i>3</i>
<i>Support for Access to Risk Transfer Mechanisms</i>	<i>2.05</i>	<i>7.45</i>	<i>9.50</i>	<i>51</i>
<i>Emergency Activities and Post-cyclone Recovery</i>	<i>2.60</i>	<i>-</i>	<i>2.60</i>	<i>14</i>
Total Base Costs	7.06	11.62	18.75	
<i>Physical contingencies</i>	<i>0.30</i>	<i>0.07</i>	<i>0.37</i>	<i>2</i>
<i>Price contingencies</i>	<i>0.11</i>	<i>0.09</i>	<i>0.20</i>	<i>1</i>
Total Project Costs	7.25	12.00	19.25	100

Table 6: Project Sources of Financing

Sources of Financing	Foreign (USD millions)	Local (USD millions)	Total	% of total project cost
TSF Loan	4.54	2.57	7.11	37.0
TSF Grant	5.86	0.03	5.89	30.6
MDTF	4.70	-	4.70	24.4
Government of Madagascar	-	1.55	1.55	8.0
Total Project Cost	15.1	4.15	19.25	100.0

⁷ The ADRiFi Multi-Donor Trust Fund (ADRiFi MDTF) was established in January 2021 by the Bank with contributions from the United Kingdom and Switzerland Governments, to finance the implementation of the ADRiFi Programme.

Table 7: Project Cost by Expenditure Category

Categories	(USD Million)			% Total Base Cost	% total project costs
	F.E	Local	Total		
Investment Costs	12.17	6.21	18.38		
Works	2.96	1.27	4.22	23	23
Goods	0.95	0.32	1.27	7	7
Services	0.31	0.48	0.79		
Premium	7.95	1.55	9.50	49	49
Miscellaneous	-	2.60	2.60	13	13
II. Operating Costs	0	0.30	0.30		
Total Base Costs	12.17	6.51	18.68		
Physical Contingencies	0.27	0.10	0.37	2	2
Price Contingencies	0.09	0.11	0.20	1	1
Total Project Costs	4.57	14.68	19.25	100	100

Table 8: Project Expenditure Schedule

Components	(USD Million) including contingencies				
	2023	2024	2025	2026	Total
Development of Climate Risk Management Solutions	0.56	0.60	0.35		1.51
Rehabilitation and Post-disaster Reconstruction Activities	2.45	2.55	-		5.10
Programme Management, Coordination, and Implementation of the Gender Action Plan	0.12	0.15	0.14	0.09	0.50
Support for Access to Risk Transfer Mechanisms	2.53	2.50	2.56	1.95	9.54
Emergency Activities and Post-cyclone Recovery	2.60	-	-	-	2.60
Total Project Costs	8.17	6.04	3.00	2.04	19.25

E. Project area, beneficiaries, and other stakeholders

18. In general, the additional financing will cover the project areas of the ADRIFI Programme in the South, namely Anosy, Androy and Atsimo Andrefana regions, as well as areas heavily impacted by cyclones in the East, such as Analanjirofo and Atsinanana, and in the Great South-East, such as Vatovavy, Fitovinany and Atsimo Atsinanana. The total number of direct beneficiaries of the proposed activities is estimated at 360,000, comprising 180,000 men, 180,000 women, 2,000 elderly people and 23,000 young people. About 730,000 people could also benefit indirectly from the project through the insurance coverage. In addition, the Government of Madagascar will benefit from support in paying its insurance premium, while Government departments and agencies involved in disaster risk management will benefit from capacity building in climate data collection and analysis.

19. In respect to key participatory approaches adopted during the project identification, preparation, and implementation to ensure the active participation of beneficiaries, the private sector, civil society, etc., in the project, it should be noted that the CPGU, being an entity responsible for disaster risk reduction and resilience building at the strategic level, plays a supportive and cross-sector coordination role. The activities were therefore selected based on the needs expressed by the sectors after the disasters and confirmed by the stakeholders and resource persons consulted in focus groups during the field visits, as well as by vulnerable staff in the field. In addition, the appraisal mission organised consultation meetings with all stakeholders at central level. The names and institutions represented by the participants are appended to the aide-mémoire of the mission signed between the Bank and the Government of Madagascar. The targeting of beneficiaries is also based on a gender-sensitive participatory process intended to leave no one behind and to pay special attention to the most disadvantaged groups such as

children, the elderly, the disabled and the chronically ill. Local authorities, elected officials, and traditional authorities were also involved in the process.

F. Bank Group experience and lessons reflected in project design

20. The additional financing of the ADRiFi program is fundamentally based on the achievements of the initial program which is an innovative program for the Bank in the area of disaster risk management in Madagascar. Consequently, its implementation will be based on the experience in the implementation of the first phase of the ADRiFi program but also on the experience of the Bank in Madagascar in general, and the experience of the Bank in the implementing emergency operations and agriculture and resilience projects in southern Madagascar, including: (i) the Agro-Industrial Transformation Zone Project in the South-West Region of Madagascar (PTASO); the Integrated Agro-industrial Growth Pole Project in the South (PICAS).

21. Furthermore, the design of the additional financing draws on lessons learned in the implementation of Bank emergency operations in Madagascar. This is justified by the choice to entrust the purchase and distribution of food to vulnerable populations to the WFP, in order to guarantee rapid execution of this activity during the lean season. Furthermore, the additional financing takes into account lessons learned from the Bank's portfolio in Madagascar, which identifies the following main challenges as having an impact on portfolio performance, namely: (i) the long ratification period (for loans), (ii) poor quality of bid evaluations; and (iii) the lengthy contract signing process. The commitment of the national party and the consultations undertaken during the design of the additional financing and the urgency it takes on will facilitate its ratification in a relatively short time. With regard to the poor quality of bids and the procurement process, the careful selection of the executing agency with established expertise allowed this lesson to be incorporated. Indeed, the selected executing agency has demonstrated good performance in managing procurement processes during the first phase of the ADRiFi program and is therefore prepared to best manage the procurement envisaged. In addition, fiduciary training and clinics are planned to strengthen the CPGU's capacities in the implementation of the Additional Financing. In addition, with regard to the long contract signing process, the preparation of draft terms of reference for contracts to be filled during the appraisal missions will make it possible to save time. In addition, the agreement with the WFP will also make it possible to reduce the number of contracts to be awarded, given the urgency of assistance to vulnerable populations.

3 PROJECT FEASIBILITY

A. Financial and economic analysis

22. Details of the economic and financial analysis of the ADRiFi framework are included in the Technical Annexes. The economic and financial feasibility of national ADRiFi projects is not based on net present value (NPV) analysis, as they do not generate direct income for financial return. However, their viability is determined by a cost-effectiveness analysis of ARC insurance.⁸ Investing in the purchase of the ARC insurance policy generates many economic benefits for the country such as the reduction of its financial vulnerability to drought episodes, due to the quick and immediate availability of funds to assist affected people, and the relatively low ARC insurance premium resulting from the country's participation in risk pooling.

⁸ <https://ebrary.ifpri.org/utils/getfile/collection/p15738coll2/id/127813/filename/128024.pdf>

23. For an annual insurance premium of USD 3.0 million, the country is guaranteed insurance coverage of up to USD 30 million for insured extreme drought, with a probability of occurrence of once every 4 years, resulting in a ratio of almost 20%. Furthermore, in the long term, given that every USD 1 invested in paying the ARC insurance premium generates savings of USD 4.4 in assisting affected people, it is expected that reducing the costs of climate-related disasters will generate stable GDP growth through reallocation of funds to key sectors such as infrastructure, education, and health.

24. Furthermore, investment in the purchase of the ARC insurance policy generates many economic benefits for the country such as the reduction of the country's financial vulnerability to drought events (due to the quick and immediate availability of funds to assist those affected), as well as the relatively low cost of the ARC insurance premium for the country due to its participation in the ARC insurance pool (low premium cost compared to the scenario where the country would have to acquire coverage individually).

25. In addition, the construction of climate-smart basic infrastructure such as ACUMs will, in the event of a disaster, preserve human lives while respecting human dignity. In normal circumstances, the ACUMs could be used as recreational centres, thereby contributing to the well-being of the beneficiary populations. In the long term, the ACUMs will help preserve public infrastructure, which is often left in an advanced state of disrepair when used as shelter in the event of a disaster. Furthermore, the storage warehouses will not only secure the harvests of small-scale producers from climatic hazards, but also guarantee the availability of seeds in the aftermath of climatic hazards such as tropical cyclones.

26. Alternative options to the payment of the insurance premium such as the establishment of a contingency fund or the reallocation of the budget in the event of a disaster have been explored. The establishment of a contingency fund requires delays between establishment and operationalization that would go well beyond the period of implementation of the additional financing. Moreover, in a context of strong budgetary tensions, the viability and sustainability of such a fund would be called into question because of the opportunity costs of the resources mobilized through this fund. In addition, the disaster budget reallocation option would also not guarantee the timeliness of the emergency as the country faces many competing priorities. Finally, the option of not building the ACUMs and mobilizing the public buildings in the event of a disaster has an even higher cost because on the one hand the buildings used are left in a state of extreme disrepair, which generates long-term costs important for the redevelopment, and on the other hand buildings do not respect the dignity of the people assisted because they are not adequate.

Additional positive impacts

27. The additional financing has contributed to improved mobilisation of Government resources for disaster risk management. This will ensure that disaster risk management remains high on the Government's agenda during the additional financing and well beyond. In addition, the TSF resources were used to leverage funding from the ADRiFi multi-donor trust fund, thereby ensuring sustainability of the risk transfer mechanism as a climate change adaptation solution in Madagascar.

B. Environmental and social safeguards

Environmental

28. According to national legislation (the MECIE Decree), the construction of buildings for ACUMs, storage warehouses with a capacity of 200 tonnes, and the rehabilitation of classrooms do not require any Environmental Impact Assessment (EIA) or Environmental Commitment Programme (ECP) because they are not listed in Annex 1 or Annex 2 of the Decree. Since the project will finance the

construction of buildings for ACUMs and storage warehouses and the rehabilitation of classrooms, this additional financing will be classified in Category 2. Category 3 of the initial funding will be adjusted to match the category of the additional financing; an ESIA is not required in this case. However, a Hygiene, Health, and Environmental Safety Plan (HHESP) tailored to each type of infrastructure will be required. A complaints management mechanism document will also be required. The CPGU will ensure that these environmental and social safeguard documents (HHESP, CMM) are prepared and included in the bidding documents for construction and rehabilitation works. The final design of ACUMs already contains the site conditions, land use, development plan and various standards. The costs of preparing the HHESP and CMM are included in the costs of the post-disaster rehabilitation and construction component.

Involuntary Resettlement

29. No resettlement is expected because the lands for the structures will belong to the municipalities and/or be State-owned.

Climate Change and Green Growth

30. *Climate vulnerability and resilience:* In accordance with the Bank's Climate Safeguard System (CSS), the project is classified in Category 2. While data collection and capacity building in climate risk analysis, supporting access to disaster risk transfer solutions, and emergency support and recovery are not directly exposed to physical climate risks, they will build the resilience of people's livelihoods to drought and cyclone risks. Consequently, data collection for configuration of the ARV software and capacity building will contain biophysical and socio-economic data on key household livelihood factors, including natural capital to strengthen household adaptive capacity. For this exercise, the inclusion of natural capital data in the collection of household drought and cyclone vulnerability data will help to assess the impact of climate risks on natural capital and estimate natural infrastructure needs for sustainable climate and disaster risk management. Similarly, training in modelling will build national capacity in mainstreaming drought and cyclone risks in national social accounting and insurance product design. In addition, resilience and post-disaster rehabilitation activities will be moderately exposed to cyclonic events, flooding, and soil erosion. The rehabilitation of basic social structures such as schools and storage facilities will be climate-smart in design and promote nature-based solutions. Details of the climate resilience activities are presented in the Climate Resilience Plan in Technical Annex 3-4: Climate Change and Green Growth.

31. *Carbon footprint and mitigation:* Potential sources of greenhouse gas (GHG) emissions are generated by materials and fuel consumption from construction and rehabilitation activities and land use change. By supplying solar panels, promoting local materials, selectively felling trees, and focusing on circular economy in waste management, the project will reduce GHG emissions. These measures, as well as an estimate of the GHG mitigation potential, will be included in ACUM final designs.

32. *Climate alignment and financing:* By strengthening Madagascar's capacity to establish an integrated early warning system including climate risk management tools and by improving national capacity to estimate and include the associated cost of drought and cyclone risks in the State budget, the additional financing aligns with Madagascar's National Climate Change Adaptation Policy (MEED, 2021), the Revised National Climate Change Policy (2021), and Madagascar's Nationally Determined Contribution (NDC, 2016). Furthermore, by promoting an institutional climate risk management environment and access to climate risk financing, the project aligns with the Bank's Climate Policy and Strategy Framework (2021-2030). The project fully contributes to climate finance in Madagascar.

C. Other Cross-cutting Priorities

Opportunities for building resilience

33. According to the 2021 Country Resilience and Fragility Assessment of Madagascar, the main drivers of fragility include a high level of poverty and economic and social inequalities. On the other hand, the country faces institutional governance issues with high levels of corruption. Indeed, Madagascar is ranked 147th out of 180 countries according to Transparency International's global corruption perception index. Added to this is significant insecurity and a lack of access to justice. In addition to these factors, one of the main sources of fragility in Madagascar is the island's great vulnerability to natural disasters. Losses and damages related to these extreme events are estimated at 20% of GDP on average per year. This figure is an indication of the severity of the impact of climate change-related phenomena that particularly affect the agricultural sector, thus aggravating the problems of food insecurity and malnutrition.

34. In view of the costs entailed by natural disasters linked to climate change, the fight against insecurity, poverty and inequalities, or the improvement of institutional governance can only be achieved if Madagascar manages to foresee, be reactive before the occurrence of these shocks and to adapt. Without this, development efforts risk being annihilated with the risk that Madagascar remains in a poverty trap. The additional funds that Madagascar will receive from ADRIFI will therefore contribute to strengthening the country's resilience by improving the livelihoods of the targeted rural populations, particularly in southern Madagascar, increasing their agricultural production capacity and reducing the risk of food crisis. The funding will also help develop the capacities of Malagasy communities to strengthen their early warning mechanisms so that they can anticipate and better prepare for future climate disasters and their consequences on their daily lives. Finally, tackling the effects of climate change in Madagascar will also help to preserve the country's exceptional biodiversity, which remains a considerable asset for development.

Promotion of gender equality and women's empowerment

35. The ADRIFI Madagascar Programme is classified in Category 2 under the Gender Marker System (GMS), indicating that gender and women's empowerment are key objectives of the project. Indeed, two of the project's outcomes concern gender equality in climate risk management and women's empowerment. The Programme helps to reduce gender inequalities through access to social services, economic and financial resources, and project opportunities.

36. Ranked 9th out of 54 countries on the Bank's Africa Gender Equality Index, Madagascar is making progress in promoting equality between girls and boys, women and men. However, although the country has a very satisfactory index on the social dimension (1.089) and is making progress on the economic dimension (0.795), it scores relatively low on the empowerment and representation dimension (0.289), showing increased socio-economic disparities. Gender disparities therefore imply that women and men are differently impacted by climate and environmental vulnerabilities and that women are the most affected with little consideration of their specific challenges in climate risk management policies, strategies, projects, and programmes. The communities in the project area are mainly patriarchal, with women having little or no decision-making power. They are therefore marginalised from decision-making that impacts on community life, indicating that decision-making is largely disadvantageous to them, particularly in relation to natural disaster management.

37. Furthermore, due to the sexual division of labour, women are the ones who ensure access to water as well as household sanitation, and they are indeed on the front line when it comes to climate

change (drought, floods). It is therefore essential that the gender issue be considered across the board, otherwise there is a risk of reinforcing gender disparities in the implementation of the ADRiFi Programme, instead of bringing about a profound social transformation in the management of climate risks. To reduce gender disparities, the project will carry out the following activities: capacity building of the CPGU in gender following conduct of its gender audit, capacity building in gender-sensitive statistical analysis and systematic gender analysis of concept notes for beneficiary targeting activities, support for the preparation of a gender-sensitive risk profile (collection of vulnerability data taking into account women/girls and female-headed households in relation to climate risks - in collaboration with ARC). Support for women's leadership and empowerment in a resilience approach to climate shocks will be provided. A budget of USD 2,443,000, or 18.45% of the total budget (13,236,000), will be dedicated to direct support for activities to promote gender equality and women's empowerment

38. The project's results framework presents two (2) outcome indicators aimed at reducing gender inequalities. Indeed, at programme completion, Madagascar's capacity to systematically adopt a gender-sensitive methodological approach in climate risk management will be improved for all climate risk and natural disaster management operations, while women's socio-economic empowerment will be improved for about 1,000 women. A Gender and Household Vulnerability Survey will be conducted. The project will support the formalisation of 20 women's cooperatives, as well as the social and technical training of 40 women's organisations, while supporting the economic activities of about 200 women. The PMU will include a Gender Specialist and will ensure gender capacity building for implementing stakeholders.

4 IMPLEMENTATION

A. Institutional Arrangements and Implementation

39. The Emergency Management Prevention and Support Unit (CPGU) will continue to be the executing agency for the additional Financing of the ADRiFi Programme in Madagascar. Since the performance of the executing agency has been deemed satisfactory, it is proposed that the staff of the existing Programme Management Unit, who were appointed from among the staff of the executing agency, be reappointed. These include the Coordinator, the Deputy Coordinator, the Programme Technical Officer, the Procurement Officer, the Accounting Officer, and the Consultant/ Gender Expert. In addition, given the volume of funding and proposed activities, it is proposed that the Programme Management Unit be reinforced with external consultants who will not only assist the PMU, but also ensure knowledge transfer that will be beneficial to the PMU in the long term. The following staff will therefore be recruited: an Administrative and Financial Manager and a Monitoring and Evaluation Officer. The CPGU will support these experts with assistants identified within the Unit to facilitate knowledge transfer. There are also plans to strengthen the procurement officer by appointing a procurement assistant from CPGU staff. For the implementation of some specific activities, agreements will be signed with national entities, particularly INSTAT for the conduct of climate and vulnerability data collection surveys and the DGM for the purchase and installation of agro-meteorological stations. A tripartite agreement will be signed with the World Food Programme to support implementation of the "Vatsy Tsinjo", as well as the provision of protective rations to breastfeeding women and malnourished children.

40. The CPGU will be supported by the ARC Technical Working Group (TWG) in Madagascar, already operational during the initial phase of the project, in the strategic and operational orientations throughout the implementation of the additional financing. It should be recalled that this TWG is made up of technicians from the various ministries and key sectors, and that they were consulted during the project appraisal.

41. The CPGU already has a final design for the construction of ACUMs, and a firm will be recruited to update the final design and subsequently supervise construction works. The CPGU will ensure the coordination and acceptance of the works once they are completed. The firm will be responsible for preparing the health and environment plans required for works start-up. The same approach will be used for the construction of storage warehouses.

B. Procurement

42. Goods (including non-consulting services), works and consulting services, financed by the Bank under the Additional Financing, will be procured in accordance with the "Procurement Policy and Methodology for Bank Group Financed Operations" (October 2015) and the Financing Agreements. More specifically, procurements will be made in accordance with:

- **The Borrower's Procurement System (BPS):** The procurement methods and procedures defined in the Borrower's Procurement System (BPS) governed by Law No. 2016-055 of 25 January 2017 on the Public Procurement Code will be applied, using the National Standard Bidding Documents (NSBDs) or other bidding documents as approved during project negotiations, and generally for standard and low-complexity goods and works contracts under the Project and 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 procurements that are either: (i) above the thresholds indicated in the Procurement Plan, or (ii) in the event that the BPS is not used for a given activity or set of activities; and (iii) in the event that the BPMs are deemed to be the most suitable for a given activity or set of activities.

43. **Procurement Plan (PP):** The Executing Agency (EA) will prepare and submit to the Bank, for approval, a Procurement Plan acceptable to the Bank before initiating any procurement activity. The plan will specify each contract to be financed by the additional financing, the various procurement methods, the cost estimates, the due diligence requirements, and the timeline. The EA will update the procurement plan annually or as required throughout project implementation. The EA will implement procurement plan as approved by the Bank.

44. **Procurement Risk and Capacity Assessment (PRCA):** The Emergency Management Prevention and Support Unit (CPGU) will be the management unit for the ADRiFi additional financing in Madagascar. The composition and performance of the management unit has been deemed satisfactory for continuation with the additional financing. The country, sector, and project risks, as well as the procurement capacity of the Executing Agency (EA), were assessed for the additional financing and the results used to guide the decision on the selection of the procurement system (Borrower or Bank) for given activities or set of similar activities under the project. Appropriate risk mitigation measures have been included in the PERCA Action Plan in Annex 4-5.

C. Financial management, disbursement, and audit

45. Given the current context of Madagascar's national public financial management system, it will not be efficient to use it for the financial management of the project. Consequently, the Bank and the Government of Madagascar have agreed that the resources provided under ADRiFi Madagascar will be managed through a system independent of the PFM circuit. To that end, the programme will be implemented by the Emergency Prevention and Management Unit (CPGU). Financial management will be the responsibility of CPGU's accounting and finance section. Since the position of Administrative and

Financial Manager is currently vacant, CPGU will recruit an Administrative and Financial Manager as soon as possible.

46. The Administrative and Financial Manager will be responsible for all financial and accounting management aspects under the supervision of the National Coordinator. The existing administrative and financial procedures manual will be used for this project. CPGU has experience in implementing donor-funded projects and the overall fiduciary risk is deemed moderate. The project will also use the existing accounting software for processing transactions and producing financial reports.

47. The World Food Programme (WFP) will be responsible for implementing specific components of the project based on a tripartite agreement between AfDB, the Republic of Madagascar and WFP. The financial arrangements for the components to be implemented by WFP will be in accordance with the provisions of the fiduciary agreement signed between the African Development Bank (AfDB), the African Development Fund (ADF), and the World Food Programme (WFP).

48. Bank resources will be disbursed in accordance with the Bank's Disbursement Handbook through: (i) the direct payment method for the payment of service, goods and works contracts; (ii) the reimbursement method in the event of pre-financing by the national counterpart of expenditures chargeable to Bank resources and previously authorized and approved by the Bank; and (iii) the special account method for operating expenses.

49. In this regard, and in accordance with the regulations in force in the country, a special account in local currency will be opened with the Central Bank of Madagascar. Another account will be opened in a commercial bank. This second account will be funded from the first account at the Central Bank based on a bi-monthly budget and after justification of the previous advance.

50. Disbursement to WFP will be made in accordance with the Fiduciary Principles Agreement (FPA) between the Bank and WFP. Disbursements will be based on the following two conditions: (i) signature of a tripartite agreement between WFP, the Republic of Madagascar, and the Bank; and (ii) indication of the bank account into which the funds will be deposited.

51. CPGU will prepare interim financial reports (IFR) as part of the quarterly progress reports required by the Bank, within 45 days following the end of each quarter. The project accounts will be audited annually by independent external auditors, recruited on a competitive basis and in accordance with the terms of reference agreed with the Bank. The audit reports must be submitted to the Bank by 30 June of the year following the year audited. CPGU will ensure that the audit recommendations are implemented to improve project management.

52. As regards the WFP, it will submit a semi-annual financial report to the Bank. WFP will also provide the Bank with audited financial statements (covering all global operations) for the year in which the funds are used. The audit reports will be made available to the Bank within 30 days of their submission to the WFP Executive Board.

D. Monitoring and Evaluation

53. The PMU will be primarily responsible for monitoring and evaluation, and will submit quarterly reports on its efforts. It will present the results of the monitoring and evaluation process through the following reports:

- An inception report to be prepared by the executing agency, comprising baseline data, a work plan, and a detailed budget;

- Semi-annual implementation reports to which all implementing partners will contribute;
- A "mid-term" report which will cover the implementation progress of planned activities and present the "way forward" for improving the programme implementation; and
- A programme completion report, including lessons learned, and an external monitoring and evaluation.

54. Since the Executing Agency does not have a Monitoring and Evaluation Specialist and given the planned activities, the additional financing will recruit a Consultant/Monitoring and Evaluation Expert, who will be responsible for implementing the Monitoring Plan presented in Annex 4-1. As regards the implementation of specific activities such as the construction of ACUMs and storage warehouses, the consulting firm that will be recruited to update the final designs will monitor the works.

E. Governance

55. As regards disaster risk management, Government activities are governed by the National Risk and Disaster Management Strategy (SNGRC) (2016-2030), which has as its vision a shock-resilient nation, protected from all damage, in its social, cultural, economic, and environmental dimensions for sustainable development. The SNGRC, which seeks to improve the resilience of people's livelihoods to threats or in crisis situations, is structured around four (4) strategic areas⁹. Its Strategic Area 2 recognises that improved governance in DRR/CRM refers to the establishment of policy and institutional frameworks that provide guidelines and conduct for DRR/CRM, and that allow for clear differentiation of the roles and responsibilities of each actor, for monitoring, surveillance, follow-up and evaluation of both risks and disasters and their impacts, and for decision-making and action with certainty.

56. However, there are still red tape, corruption, and procurement irregularities in disaster risk management, especially in crisis situations where rapid assistance to vulnerable populations is crucial. Despite some progress, the level of perception of corruption has not yet improved, mainly due to the limited resources allocated to the institutions in charge of fighting corruption (BIANCO, SAMFIN, etc.). According to Transparency International's Corruption Perceptions Index (CPI), Madagascar has improved slightly by 2 points with a score of 26/100 in 2021 (compared to 24/100 in 2020), which still means that the level of corruption remains endemic. In the 2021 Mo Ibrahim Index, Madagascar ranked 35th out of 54 countries with a score of 44.4/100 points.

57. The ADRiFi additional financing will address fiduciary risk, including the mitigation of governance risks in the project implementation. Consequently, the governance structures, financial management arrangements, procurement procedures, and monitoring systems built around project implementation will take into account the specific context of the sector and help address governance challenges in the project implementation. The PMU will be required to produce periodic project progress reports and financial statements audited by external auditors. The Bank will monitor governance issues through annual budgets, progress reports, supervision missions, procurement plans, and audit reports.

F. Sustainability

58. The Government's commitment and ownership of the programme is clearly demonstrated by its strong involvement in the programme design. The Government's commitment to implementing risk

⁹ (1) Strategic Area 1: Increased political commitment to DRR/CRM taking into account the various specificities of the assets and issues involved, to improve resilience; (2) Strategic Area 2: Improved governance of DRR/CRM at all levels; (3) Strategic Area 3: Enhanced DRR/CRM stakeholder capacity and coordination; (4) Strategic Area 4: Knowledge management practice to benefit DRR/CRM. <https://www.preventionweb.net/publication/madagascar-national-disaster-risk-management-strategy-2016-2030>

transfer solutions has been adopted at high levels of government. In addition, the Government's commitment to gradually allocate its national budget to finance insurance premiums demonstrates a strong political will for the country's participation in the sovereign risk transfer mechanisms offered by the ARC. The use of risk transfer solutions is expected to remove contingent liabilities from the country's balance sheet and allow for more rapid response to extreme weather events. By choosing to adopt risk transfer solutions, the country is willing to commit a significant amount of funds to finance the planning, preparation, and implementation of a coordinated default disaster response, as outlined in the response and recovery plan. The Government is also committed to a pre-established and coordinated plan with a clear and defined set of actions and responsibilities for the tasks involved in reducing the negative impact of the disaster.

59. Furthermore, investments in the construction of basic infrastructure such as the ACUMs will, in the long term, limit the loss of life in the event of sudden-onset weather events, while preserving the dignity of the people rescued. The storage warehouses will address the problem of farmers losing their crops due to the dilapidated state or lack of adequate storage facilities in the Great South. This will strengthen food security and ensure regular availability of grain and seed.

G. Risk Management

60. The risks identified for the implementation of ADRiFi additional financing may include, but are not limited to, the following:

- Political crisis: The 2023 presidential elections will take place in November 2023. Incumbent President Andry Rajoelina is eligible for a second term. Based on previous experience, the risk of pre- and post-election unrest could hamper the implementation of activities.
- Global currency fluctuations and inflation which could impact on the costs of the proposed works.
- Possible resurgence of COVID-19, insecurity in certain areas, and difficulties of access to areas affected by cyclones;
- Delays in project implementation because of delays in ratification of the loan by Parliament; and
- Delays in project implementation related to environmental and social aspects.

H. Knowledge Building

61. The knowledge generated during the programme implementation will be used for the country's overall economic development programme. Agro-meteorological information collection and analysis activities will provide accurate information on key disaster risks and their potential impact on the economy which, in turn, will inform decision-making processes on resource mobilisation and allocation for climate risk management. Knowledge and lessons from the programme's innovations will be shared at the annual joint sector review meetings and other regional sector seminars, including those organised by the Bank and other continental or global disaster risk financing initiatives. The knowledge will also be made available to the public on the websites of the Executing Agency and the Bank.

5 LEGAL INSTRUMENTS AND AUTHORITY

A. Legal Instrument

62. The financing instruments selected are: (i) a TSF loan agreement; (ii) a TSF grant agreement; and (iii) an ADRiFi MDTF grant agreement between the Republic of Madagascar on the one hand, and the African Development Bank and African Development Fund (collectively referred to as the "Bank") on the other hand.

B. Conditions for Bank Intervention

63. The granting of the TSF Loan and the TSF and MDTF Grants shall be subject to the following conditions:

Conditions precedent to effectiveness:

64. Effectiveness of the TSF Loan Agreement shall be subject to the Republic of Madagascar fulfilling, to the satisfaction of the Bank, the conditions set out in Section 12.01 of the General Conditions Applicable to the Bank's Loan Agreements and Guarantee Agreements (Sovereign Entities).

65. The TSF and ADRiFi MDTF grant agreements enter into force on the date of their respective signatures by the Bank and the Recipient.

Conditions precedent to the first disbursement of the TSF and ADRiFi MDTF Grants:

66. In addition to effectiveness of the loan and grant agreements, the first disbursement of the TSF and MDTF grants shall be subject to the Republic of Madagascar fulfilling, to the satisfaction of the Bank, the following conditions:

- Submission of the duly signed tripartite agreement between the Bank, WFP, and the Republic of Madagascar; and
- Submission of evidence of reappointment of existing PMU staff from among the executing agency staff, particularly the Coordinator, Deputy Coordinator, Technical Officer, Procurement Officer, Accounting Officer, and Gender Consultant/Expert.

Conditions precedent to the first disbursement of the TSF Loan:

67. In addition to effectiveness of the Loan Agreement, the first disbursement of the TSF loan shall be subject to the Republic of Madagascar fulfilling, to the satisfaction of the Fund, the following condition, in addition to the conditions set out in paragraph 66 above:

- Submission of evidence of recruitment of the Administrative and Financial Manager and the Monitoring and Evaluation Specialist.

Conditions precedent to the disbursement for Civil Works :

68. The Fund's obligation to disburse the loan resources for the construction of the Multi-purpose Community Shelters and storage facilities shall be subject to the Borrower fulfilling, to the satisfaction of the Fund, the following additional conditions:

- Provide satisfactory evidence of the legitimacy of taking possession of the lands for the works and that the lands have been handed over to the project in accordance with the work schedule; and

- Provide evidence, to the satisfaction of the Fund, of the preparation of environmental and social safeguards documents, i.e. a Hygiene, Health, Safety and Environment Plan (HHSEP) for the Project to be tailored to each type of infrastructure.

Other conditions:

69. The Republic of Madagascar shall provide, no later than six (6) months following the first disbursement of TSF and ADRiFi MDTF grants, evidence satisfactory to the Fund of updating of the Tompro software.

C. Compliance with Bank Policies

- ☒ This project complies with all applicable Bank policies and does not involve any exemptions to Bank policies.
- ☐ There are waivers to Bank policies.

Independent Review Mechanism of the African Development Bank Group

70. Communities and individuals who believe they have been harmed by an African Development Bank (AfDB) Group-supported project can lodge complaints with existing grievance mechanisms at project-level or with AfDB's Independent Review Mechanism (IRM). The IRM ensures that communities and individuals affected by the project can submit their complaints to AfDB's Independent Review Mechanism, which determines whether harm has occurred or may occur as a result of AfDB's failure to comply with its policies and procedures.¹⁰

6 RECOMMENDATION

71. Management recommends that the Board of Directors approve: (i) the proposed TSF loan of UA 5.47million; (ii) the TSF grant of UA 4.53 million and ADRiFi Trust Fund grant of USD 4.7 million to the Republic of Madagascar for the purposes and subject to the conditions set forth in this report.

¹⁰ To submit a complaint or request for more information, please contact IRM@afdb.org or visit the IRM website www.irm.afdb.org. Complaints can be lodged at any time after concerns have been brought directly to AfDB's attention, and Bank Management has had the opportunity to respond before contacting the IRM.

7. RESULTS FRAMEWORK

RESULTS FRAMEWORK					
A		PROJECT INFORMATION			
PROJECT NAME AND SAP CODE: Additional Financing for the Africa Disaster Risk Financing Programme in Madagascar			COUNTRY/REGION : Madagascar / RDGS		
PROJECT DEVELOPMENT OBJECTIVE: Promote resilience and response to climate shocks in Madagascar through improved disaster risk management and climate change adaptation.					
ALIGNMENT INDICATOR(S): Number of people suffering from hunger/malnutrition (million)					
B		RESULTS MATRIX			
RESULTS CHAIN AND DESCRIPTION OF INDICATORS	RMF/ADOA INDICATOR	UNIT OF MEASURE	BASELINE (2022)	TARGET AT COMPLETION (2026)	MEANS OF VERIFICATION
OUTCOME INDICATOR 1: THE FINANCIAL RESILIENCE OF MADAGASCAR TO CLIMATIC HAZARDS IS IMPROVED					
Amount of budget allocated to response and resilience activities through the insurance fund	□	MGA	2 000 000 000	4 000 000 000	Finance Law
Maximum coverage in case of climatic hazards	□	USD million	2.4 (drought) 11 (cyclone)	9.6 (drought) 44 (cyclone)	Insurance policies
Time for providing first assistance to the most vulnerable	□	Months	6	3	PMU Reports
OUTCOME INDICATOR 2: PHYSICAL AND FOOD SECURITY OF VULNERABLE PEOPLE IS IMPROVED					
Additional households benefiting from improved food security	□	- Number	0	78 000	PMU Reports
People safe from danger	□	- Number	0	4 000	PMU Reports
COMPONENT 1: DEVELOPMENT OF DISASTER RISK MANAGEMENT SOLUTIONS					
OUTPUT INDICATOR A.1: AGRO-CLIMATIC DATA COLLECTED					
Household Vulnerability Survey	□	Number	0	1	Survey Results Reports
Study on the impact of cyclones	□	Number	0	1	Study Report
OUTPUT INDICATOR A.2: CLIMATE ANALYSIS AND MODELING CAPACITY ENHANCED					
Beneficiaries of training in statistical analysis of agro-climatic data	□	Number	0	150 including 75 women	Training Report
Beneficiaries of training in climate impact modelling	□	Number	0	150 including 75 women	Training Report
OUTPUT INDICATOR A.3: Weather observation network strengthened					



Number of agro-meteorological stations installed	<input type="checkbox"/>	Number	0	5	Acceptance Report
COMPONENT B: POST-DISASTER REHABILITATION AND CONSTRUCTION					
I OUTPUT INDICATOR B.1: BASIC INFRASTRUCTURE REHABILITATED					
<i>Classroom rehabilitated</i>	<input type="checkbox"/>	<i>Number</i>	0	100	Acceptance Report
I OUTPUT INDICATOR B.1: CLIMATE-RESILIENT BASIC INFRASTRUCTURE					
Community multi-purpose shelters (ACUM) built	<input type="checkbox"/>	Number	0	3	Acceptance Report
Storage warehouses with a capacity of 200 tonnes built	<input type="checkbox"/>	Number	0	1	Acceptance Report
COMPONENT C: MANAGEMENT AND COORDINATION AND IMPLEMENTATION OF THE GENDER ACTION PLAN					
I OUTPUT INDICATOR C.1: PROMOTION OF WOMEN'S LEADERSHIP IN THE SOUTH					
Training of local authorities in gender and local governance	<input type="checkbox"/>	Number	0	10	PMU Report Workshop Reports
Mass sensitisation campaigns on gender, DRM and women's rights conducted	<input type="checkbox"/>	Number	0	10	PMU Report Season Reports
Business plan of women's associations presented	<input type="checkbox"/>	Number	0	10	PMU Report Business Plan
COMPONENT D: SUPPORT FOR ACCESS TO DISASTER RISK TRANSFER SOLUTIONS					
I OUTPUT INDICATOR D.1: SUPPORT FOR ACCESS TO DISASTER RISK TRANSFER SOLUTIONS					
Drought insurance policies	<input type="checkbox"/>	Number	4	8	Bank Transfer Orders
Tropical cyclone insurance policies	<input type="checkbox"/>	Number	1	5	Bank Transfer Orders
Strategic analysis on insurance contracts	<input type="checkbox"/>	Number	0	1	PMU Report
COMPONENT E: POST-CYCLONE EMERGENCY SUPPORT					
I OUTPUT INDICATOR E.1: FOOD AND NUTRITION SUPPORT PROVIDED DURING THE LEAN SEASON					
Vulnerable people benefiting from food distribution (Vatsy Tsinjo)	<input type="checkbox"/>	Number	0	270 000	PMU Report
People with protective rations for children under 5 and pregnant and lactating women	<input type="checkbox"/>	Number	0	58 800	PMU Report

8. ENVIRONMENTAL AND SOCIAL COMPLIANCE NOTE (ESCON)

A. Basic Information¹¹	
Project Title: African Disaster Risk Management Financing Programme (ADRF) - AF	Project "SAP code": P-MG-A00-014
Country: Madagascar	Lending Instrument¹²: DI <input checked="" type="checkbox"/> FI <input type="checkbox"/> CL <input type="checkbox"/> BS <input type="checkbox"/> GU <input type="checkbox"/> RPA <input type="checkbox"/> EF <input type="checkbox"/> RBF <input type="checkbox"/>
Project Sector: Agriculture	Task Team Leader: Donald SINGUE
Appraisal date: 13 -17 June 2022	Estimated Approval Date: 11/15/2022
Environmental Safeguards Officer: Kinane Modeste LAWAKILEA/ Jean Chrysostome RAKOTOARY	
Social Safeguards Officer: xxxx	
Environmental and Social Category: 2	Date of categorization: 18/09/2022
Operation type: SO <input checked="" type="checkbox"/> NSO <input type="checkbox"/> PBO <input type="checkbox"/>	
Is this project processed under rapid responses to crises and emergencies?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Is this project processed under a waiver to the Integrated Safeguards System?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
B. Disclosure and Compliance Monitoring	
B.1 Mandatory disclosure	
Environmental Assessment/Audit/System/Others (specify: NA.	
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]
Date of receipt, by the Bank, of the authorization to disclose	[Date]
Date of disclosure by the Bank	[Date]
Resettlement Action Plan/Framework/Others (specify: NA.	
Was/Were the document (s) disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]
Date of receipt, by the Bank, of the authorization to disclose	[Date]
Date of disclosure by the Bank	[Date]
Vulnerable Peoples Plan/Framework/Others (specify: NA.	
Was the document disclosed <i>prior to appraisal</i> ?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Date of "in-country" disclosure by the borrower/client	[Date]
Date of receipt, by the Bank, of the authorization to disclose	[Date]
Date of disclosure by the Bank	[Date]
If in-country disclosure of any of the above documents is not expected, as per the country's legislation, please explain why: <i>The E&S instruments of the parent project remain relevant. If an activity were to require E&S due diligence, the instrument will be prepared before the investment activity concerned.</i>	
B.2. Compliance monitoring indicators	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Have costs related to environmental and social measures, including for the running of the grievance redress mechanism, been included in the project cost?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Is the total amount for the full implementation for the Resettlement of affected people, as integrated in the project costs, effectively mobilized and secured?	Yes <input type="checkbox"/> No <input type="checkbox"/> NA <input checked="" type="checkbox"/>
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA <input type="checkbox"/>
C. Clearance	
Is the project compliant to the Bank's environmental and social safeguards requirements, and to be submitted to the Board?	
Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	

¹¹ Note: This ESCON shall be appended to project appraisal reports/documents before Senior Management and/or Board approvals.

¹² DI=Direct Investment; FI=Financial Intermediary; CL=Corporate Loan; BS=Budget Support; GU=Guarantee; RPA=Risk Participation Agreement; EF=Equity Financing; RBF=Results Based Financing.

<i>Prepared by:</i>	<i>Name</i>	<i>Signature</i>	<i>Date</i>
Environmental Safeguards Officer:	Kinane Modeste LAWAKILEA/ Jean Chrysostome RAKOTOARY		09/18/2022
Social Safeguards Officer:	xxxxxx		
Task Team Leader:	Donald SINGUE		09/18/2022
<i>Submitted by:</i>			
Sector Director:	Atsuko TODA		09/27/2022
<i>Cleared by:</i>			
Director SNSC:	Maman-Sani ISSA		10/03/2022