

AFRICAN DEVELOPMENT BANK GROUP



**PROGRAMME : PROGRAM FOR PROMOTING YOUTH
ENTREPRENEURSHIP IN AGRICULTURE AND AGRO-
INDUSTRY (PEJAA) –PROJECT 1**

COUNTRY : MADAGASCAR

APPRAISAL REPORT

RDGS/AHAI/PGCL

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Translated Document

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Currency Equivalents

UA1 = MGA 4173

UA1 = USD 1.41

USD 1 = MGA 2952.34

Fiscal Year

January- December

Weights and Measures

1 tonne	=	2204 pounds
1 kilogramme (kg)	=	2.200 pounds
1 meter (m)	=	3.28 feet
1 millimeter (mm)	=	0.03937 inch
1 kilometer (Km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

ADF:	African Development Fund
COS:	Steering and Monitoring Committee
CSP:	Country Strategy Paper
DGAPB:	Director General of Administration, Programming and Budget
PEJAA:	Empowering Novel Agri-Business-Led Employment
IITA:	International Institute for Tropical Agriculture
LPAEP:	Agriculture, Livestock and Fisheries Policy Letter
MPAE:	Ministry at the Presidency in charge of Agriculture and Livestock
OCSIF:	Investments and Financing Coordination and Monitoring Body
PANAGED:	National Gender and Development Action Plan
PARGED:	Regional Action Plans
PND:	National Development Programme
PNPF:	National Women's Advancement Policy
PPF:	Projects Preparation Facility
PRIASO:	Project to Rehabilitate Infrastructures in the South-West
PROJER:	Young Rural Enterprises Project
PROJERMO:	Young Rural Enterprises Project in the Mid-West
PSAEP:	Agriculture, Livestock and Fisheries Sector Programme
TSF:	Transition Support Facility
UGPM:	General Procurement Unit

Project Information

Client Information

BORROWER : Republic of Madagascar

EXECUTING AGENCY : Ministry Delegate at the Presidency in of Agriculture and Livestock

Financing Plan

Source	Amount (UA)	Instrument
ADF	0.7 million	Loan
TSF	4.3 million	Grant
Government	0.556 million	
TOTAL COST	5.556 million	

Key ADF and TSF Financial Information

	ADF	TSF
Loan /Grant Currency	UA	UA
Type of interest *	NA	NA
Interest rate margin*	NA	NA
Commitment fee*	0.5% (5 basis point)	0.5% on undisbursed commitments
Other charges*	0.75% (service fee)	0.75% (service fee)
Maturity	40 years	NA
Grace period	10 years	NA
NPV (baseline scenario)	MGA 2.135 billion	
ERR (baseline scenario) :	25%	

If applicable

Timeframe – Milestones (Expected)

Concept Note Approval	26 September 2017
Project Approval	6 December 2017
Effectiveness	1 January 2018
Last Disbursement	6 May 2021
Completion	6 December 2020
Last Repayment (ADF)	December 2067

Project Summary

Project Overview

ENABLE YOUTH is one of the flagship initiatives in the implementation of the Bank's **Strategy for Agricultural Transformation in Africa for the 2016-2025 period**. The project aims to reduce youth unemployment through the transformation and modernization of Malagasy agriculture, and thereby enhance food and nutrition security. More specifically, it is about promoting the creation of gainful employment, as well as income generation for youths in Agriculture and Agro-Industry, notably by: (i) creating an enabling environment for the emergence and growth of successful youth-led agribusiness and agri-food enterprises, and (ii) financing young agripreneur enterprises along the agricultural value chain.

Higher education graduates will constitute the main target population. Over a 3-year period, the project will train 370 young agripreneurs of whom 50% will be women; and it is estimated that at least 350 youth trained will set up as entrepreneurs. The project will generate at least 1750 direct jobs. Other beneficiaries include the vendors along selected value chains.

Needs Assessment

Madagascar has a huge and diversified agricultural potential. However, this sector's contribution to the national economy remains below expectations owing to its low productivity. As a result, the country is permanently in a situation of food insecurity, showing an alarming hunger level with a hunger index of 21.9. Moreover, according to ILO statistics, 70% of the registered unemployed are youth; six out of 10 unemployed are women and 80% of workers are underemployed, filling jobs not matching their qualifications (training and employment mismatch), and with major gender disparities.

The project also factors in the key drivers of fragility in Madagascar, particularly those related to food insecurity, youth unemployment, land tenure insecurity, lack of jobs and mismatch between qualifications and jobs, access to finance, vulnerability to natural disasters (droughts, floods and cyclones), persistence of traditional farming methods and lack of economic opportunities. The project is in line with the Bank's new strategy on fragility and resilience building. It will generate jobs, and promote entrepreneurship and food security, thus contributing to the resilience of the populace.

Bank's Value-Added

The project will focus on training and installation of start-ups in branches of activity and trades along the agricultural value chain. It will contribute towards enhancing food security, reducing youth job insecurity in Madagascar and strengthening women's inclusion while taking into account the key drivers of fragility at the national and local levels

Knowledge Management

The lessons learned from this project will be catalogued and disseminated by the Project's Executing Agency, as well as through the reports of the Bank's various supervision missions. Furthermore, a mid-term review will be conducted during the second year of project implementation and a completion report prepared at the end of the project. The project is supported by a project preparation fund providing for a pilot phase whose results will generate a knowledge base on this new approach.

Results-Based Logical Framework

Country and Project Name: Madagascar- Program for Promoting Youth Entrepreneurship in Agriculture and Agro-Industry (PEJAA) -Project 1

Project Goal: Create favorable conditions and opportunities for decent employment for the youth along the priority agricultural value chains

Results chain		Performance Indicators			Means of verification	Risks / Mitigation measures			
		Indicator	Baseline value (2017)	Target value (2020)					
I	m	1. Youth unemployment reduced	2. % of unemployed aged 15-35 years	<u>2017</u> 72%	<u>2025</u> 71%	National statistics, various surveys, activity, supervision, mid-term review and project completion reports. Reports from NGOs and other stakeholders	Risk: Youth disinterest in agriculture Mitigation: Awareness campaigns on agriculture as a profitable economic activity Risk : Difficulty of access to financing limiting agricultural investment Mitigation: Establishment of a facility to finance start-ups. Risk : Discriminatory access of youth and young women to economic factors and opportunities Mitigation: 50% des young agripreneurs will be girls 50% and 50% of assisted enterprises will be led by young girls.		
Outcomes	1. Youth employment in agriculture and agro-industry improved 2. Youth entrepreneurship in agriculture and agro-industry enhanced	1. Number of additional jobs created 2. Number of additional enterprises created	0 0	1.750 including 50% for women 350 including 50% for women					
	Outputs	Component 1 : Creation of an enabling environment 1.1. Perception of agriculture as a profitable economic activity improved 1.2. Incubation Centres upgraded 1.3. Laws and regulations reviewed Component 2 : Development of youth entrepreneurship 2.1 Young agripreneurs trained in management agriculture and agro-industry trades 2.2. Advisory support services provided to young agripreneurs 2.3 : Business plans of young agripreneurs prepared Component 3 : Financing and installation of young agripreneurs 3.1 : Financing provided to young agripreneurs 3.2. Network of Agripreneurs and other young enterprises developed Component 4 : Project Management PIU operationalized and monitoring of activities	1.1.1 Sensitization Strategy Paper prepared 1.1.2 Number of youth sensitized; 1.2 Number of centres rehabilitated 1.3.1: Number of instruments signed 1.3.2 : Number of land titles issued to youth 2.1 : Number of young agripreneurs trained 2.2 : Number of youth trained by mentors 2.3 : Number of business plans prepared 3.1. Number of agripreneurs financed 3.2. Network developed 4.1 Technical reports produced on a regular basis	1.1.1 : 0 1.1.2 : 0 1.2 : 0 1.3.1: 0 1.3.2 : 0 2.1:0 2.2 : 0 2.3 : 0 3.1:0 3.2 : 0 4.1:0	1.1.1: 1 1.1.2 : 10000 including 50% for women 1.2 :3 1.3.1: At least 1 1.3.2 : 84 2.1 : 370 including 50% for women 2.2 : 370 2.3 : 350 including 50% for young women 3.1 : At least 350 including 50% in favour of women 3.2 : 1 4.1 : 9				
ACTIVITIES		Component 1 : Creating an enabling environment for youth self-employment in agribusiness Component 2 : Agribusiness entrepreneurship development Component 3 : Financing and installation of young agripreneurs Component 4 : Project Management			ADF Grant : UA 4.3 million ADF Loan: UA 0.7 million Government:UA 0.56 million				

Project implementation schedule

Stages	2017	2,018				2,019				2,020			
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Board Approval													
Loan Signature													
Fulfilment of Conditions of Effectiveness and First Disbursement													
Project launching													
Project implementation													
Component 1 : Creation of an environment conducive to the development of youth entrepreneurship in Agriculture and Agro-Industry													
Raising public awareness of the perception of agriculture as a profitable economic activity													
Upgrading of youths agro-business incubation centres													
Improvement of institutional, policy and regulatory framework													
Component 2:Initiation of youths to entrepreneurship in Agriculture and Agro-Business													
Selection and Training of Agripreneurs													
Mentoring and coaching for the preparation of Business Plans													
Creation of enterprises managed by the youths													
Component 3: Financing and Installation of young Agripreneurs													
Finance enterprise creation projects for youths													
Putting in place accompanying arrangements for Agripreneurs after installation													
Networking of young agripreneurs													
Component 4: Programme Management and Coordination													
Establishment of Project Coordination													
Mid-Term Review													
Completion Report													
Qi = Quarter~													

BANK GROUP MANAGEMENT'S REPORT AND RECOMMENDATION TO THE BOARDS OF DIRECTORS ON A PROGRAM FOR PROMOTING YOUTH ENTREPRENEURSHIP IN AGRICULTURE AND AGRO-INDUSTRY (PEJAA) - PROJECT 1

I. Context

1.1 General Context

1.1.1 Over the last 10 years, Africa's economy has recorded a steady growth rate averaging more than 5%. However, this relatively good economic performance has not yielded any significant improvement in the living conditions of its populations, with around 40% of them still living in extreme poverty. The youth are particularly affected. Despite great strides in the field of education, the mismatch between training and employment maintains young graduates in a state of disguised unemployment if not simply unemployment. Today, youth employment and opportunities consistently feature high on the development agendas of most countries of the continent. Agriculture can and must become an economic opportunity for Sub-Saharan Africa's youth. The rising food demand is an indication that supply can make the most of a growing market. Accordingly, to meet this challenge, the African Development Bank, as part of its Strategy for the Transformation of Agriculture in Africa for 2016-2025, launched the PEJAA initiative to increase youth employment and enhance their agribusiness skills. It is based on the IITA's youth-in-agribusiness incubation model 'Agripreneur'. This project falls within the framework of the implementation of the said initiative.

1.2 Country Context

1.2.1 From the economic and social perspective, the agricultural sector ranks first in Madagascar. It is the leading source of employment, mobilizing around 80% of the economically active population and generating about 26% of GDP. The country is richly endowed with potential for transforming its agriculture. Its arable land spans an estimated 35 million hectares, of which merely 2 million hectares are under cultivation, a varied and diversified ecosystem and an extremely dense hydrographic network offering unlimited irrigation opportunities. Despite this potential, the sector's productivity has remained below expectations due particularly to persistent traditional farming methods, weak and inadequate infrastructures, difficult access to factors of production and the country's exposure and vulnerability to natural disasters (droughts, floods and cyclones) and climate change. As a result, the country is permanently experiencing food shortages, recording a food insecurity rate of 83%, and the population, composed mostly of rural youth, who remain permanently impoverished owing mainly to the lack of formal job market opportunities.

1.2.2 Indeed, regarding jobs, the country is characterized by relatively low unemployment, very high underemployment and disguised unemployment, which affects 20% of the working population, while the proportion of inadequate employment is 80%. More alarmingly, the proportion of unprotected jobs is 90% according to recent official figures. The overall unemployment rate estimated at 3.8% seems relatively low. However, it reflects more a situation of underemployment. According to ILO statistics, 70% of registered unemployed in Madagascar are the youth. Additionally, major gender disparities exist. Unemployment affects women and youth more than men: six out of ten unemployed are women, and half of unemployed women are youth. On the other hand, people with university level education have a higher unemployment rate (5%) than those without a degree. The informal sector is the largest job provider for sexes, with (i)

more than nine out of ten (93%) jobs, (ii) 94.5% of female jobs and 92% of male jobs. The youth employment situation is all the more worrisome as every year, according to official figures from the statistical services (Instat), between 400,000 and 500,000 young graduates join the labour market. Their professional integration remains a real challenge. It was in an effort to meet this challenge that the Malagasy Government submitted to the Bank on 4 December 2014, a request to finance the feasibility study of a program to promote youth entrepreneurship in agriculture and agribusiness. A further request followed on 24 September 2017 for program funding.

1.3 Operational Approach and Intervention Principles

PEJAA was included in the CSP 2017-2021 for UA 25 million, including UA 5 million under the Transition Support Facility (TSF), USD 10 million from the Nigeria Trust Fund and UA 10 million from other trust funds. Faced with this insufficiency of resources, the programmatic approach was adopted to redesign the project. The program will be rolled out into PEJAA projects 1, 2, 3, etc., over the years and as resources are mobilized to cover the entire territory. In view of the foregoing, the Malagasy Government submitted to the Bank a request for the financing of the PEJAA 1 Project, from TSF resources amounting to UA 4.3 million and UA 0.7 million from the ADF to cover the advance under the PPF. To sustain the program, the incubation of youth will be essentially iterative (Rolling Cadre Approach). Young agripreneurs identified in the pilot group, but also in the next two batches will be able to replicate new incubation programs.

II. Strategic Thrust and Rationale

2.1 Project Linkages with Country Strategy and Objectives

2.1.1 Madagascar has designed and operationalized the National Development Program (NDP) and its Implementation Plan since early 2015. The departments in charge of agriculture, livestock and fisheries have conceived the Agriculture, Livestock and Fisheries Policy Letter (LPAEP). For the implementation of the LPAEP, Madagascar has developed an Agriculture, Livestock and Fisheries sector program or PSAEP for the 2025 horizon. Its objective is to promote the extension and modernization of intensive and export-oriented farming to enhance food security and the agriculture sector's role in the country's economy as well. This change requires youth involvement in all activities along the agricultural value chain. PEJAA will foster this momentum by offering young men and women, mainly higher education graduates, training/apprenticeships and opportunities for the creation of innovative enterprises in the agriculture and agri-food sector. The project is also consistent with the National Employment Policy developed in 2015 and the "National Policy on Women's Advancement (PNPF)" for the period 2000-2015, updated in 2015, and supported by the National Gender and Development Action Plan (PANAGED) and Regional Action Plans (PARGED). Overall, the various national policies and programs focus on gender mainstreaming in all developmental interventions and on "Creating an enabling environment for women's participation in development" to ensure their empowerment.

2.1.2 PEJAA forms part of the implementation of the Bank's **Strategy for Agricultural Transformation in Africa 2016-2025**, which is one of the flagship initiatives. It is consistent with the Bank's Ten-Year Strategy (2013-2022), notably the 'inclusive growth' goal, which aims to broaden economic opportunities for the youth and lift the constraints on youth participation in the economy. It is in line with the Jobs for Youth in Africa Strategy (2016-2025), which aims to promote youth employment and entrepreneurship.

2.1.3 The project also takes into account the key fragility drivers in Madagascar, particularly those related to food insecurity, youth unemployment, land tenure insecurity, the lack of jobs and

the mismatch between qualifications and jobs, access to financing, vulnerability to natural disasters (droughts, floods and cyclones) and climate change, inadequate rural infrastructure, persistence of traditional farming methods and lack of economic opportunities. The project is in line with the Bank's new strategy on fragility and resilience building. Support for skills development, job creation and entrepreneurship development by and for the youth should enable the emergence of microenterprises in agribusiness, generating value-added, decent jobs, enhancing food security and more economic opportunities for the community, especially for young men and women.

2.1.4 The project is notably aligned with Pillar 2 of AfDB Gender Strategy (2014-2018), namely “Promoting Women’s Economic Empowerment”. The project is part of the implementation of the Bank's High 5 priorities, particularly "Feed Africa" and "Improve the quality of life for the people of Africa”. It is consistent with Pillar 2 of CSP 2017-2021, geared towards supporting the transformation of agriculture and industrial development, and also includes gender disparity issues and the gender strategy under Pillar 2 on empowering women. The project is also aligned with the Bank's Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019), which identifies youth as one of the major demographic components whose concerns and issues are key to promoting resilient societies and fostering inclusive and equitable economic development.

2.2 *Rationale for the Bank’s Involvement*

The Bank's intervention is based on the observation that the Republic of Madagascar, like other African States, is greatly concerned about youth unemployment and its social corollaries. Furthermore, agriculture in Madagascar is increasingly practiced by the older generation owing to rural-urban exodus and its unattractiveness to the youth, thus compromising the growth and development prospects of this vital sector for the Malagasy economy. These issues constitute the core challenges that the Bank intends to take up through the ENABLE YOUTH initiative. This initiative is currently being implemented by the Bank in several countries. It complements other ongoing or past Bank operations for rural youth entrepreneurship not specifically targeting higher education graduates or seeking the development of value chains, notably PROJER and PROJERMO.

2.3 *Aid Coordination*

With the adoption of the PND, the government set up 18 sector and thematic platforms of dialogue, which cover the five strategic thrusts of the PND. However, only the rural development and health platforms work relatively well. Owing to the persistent overlap between ministries and institutions which makes it difficult to coordinate government action and division of labour among partners, the government in 2016 set up the Investments and Financing Coordination and Monitoring body (OCSIF). Concerning development partners, the AfDB coordinates the agricultural sector platform.

	Sector or sub-sector					
		GDP		Export	Workforce	
	Stakeholders – Annual public spending (in UA million)					
	Government	Donors				
	UA 53 million					
			Amount	Period	Project Name	
		ADF	3.34	2016-2020	Project to Support Land Reform and Land Tenure Security around Antananarivo	
		ADF	0.84	2014-2018	Artisanal Fish Farming Development Support Project - Phase 2	
		WB	37.5	2016-2021	Agricultural Growth and Land Tenure Security	
		WB	46	2014-2018	Emergency Project for Food Security and Social Protection	
		AfDB	32.086	2014-2018	South West Region Agricultural Infrastructure Rehabilitation Project (PRIASO)	
		AfDB	44.6	2015-2019	Lower Mangoky Irrigation Area Extension Project (PEPBM)	
		AfDB	27.6	2016-2021	Mid-West Nascent Rural Businesses Project (PROJERMO)	
		IFAD	32.69	2008-2022	Support Program for Rural Microenterprise Poles and Regional Economies of Madagascar	
		IFAD	141.5	2018-2028	Inclusive Agricultural Sector Development Program (DEFIS)	
	Aid Coordination Level					
	Existence of thematic working groups				Yes	
	Existence of a general sector programme				Yes	
	Role of AfDB in aid coordination				Group member	

III. Project Description

3.1 Project Components

Table 3.1
Project Components

Components	Description	Cost (UA Thousand)
Component 1 : Create an enabling environment for youth-led agribusiness and agro-industrial development	<p>This component aims to create an enabling environment for youth-led agribusiness and agro-industrial development, through awareness raising, capacity building of partner structures and the formulation of appropriate policies including access to land and land tenure security. It comprises 3 sub-components:</p> <p>Sub-component 1: Raising general public awareness of the perception of agriculture as a profitable economic activity. This sub-component aims to use modern means of communication to make agriculture more attractive to the younger generations. A communication and awareness strategy will be devised and implemented to promote programs and opportunities in modern agriculture, with special focus on attracting young women. Two major activities will be carried out under this sub-component:</p>	1000

Components	Description	Cost (UA Thousand)
	<ul style="list-style-type: none"> Conducting gender-sensitive information and awareness campaigns for target populations. A communications expert will be engaged to devise and implement the communication strategy. The Youth (at least 50% of whom will be women) will be recruited on the basis of criteria established during the pilot phase, with much-needed improvements. Beneficiaries will be selected by a consulting firm. A selection committee comprising various stakeholders, including civil society, will be set up to validate the youth selection. <p>Sub-component 2: Upgrading Youth Agribusiness Incubation Centres. The main activity is assessing the capacity building needs of selected incubation centres, which will be operationalized to support the program, and upgraded to render them capable of delivering satisfactory services to young agripreneurs. Besides upgrading physical infrastructure, staff skills will be enhanced in the management of incubation centres and youth incubation mechanisms and processes. Upgrading physical infrastructure will need to take into account the specific needs of young women, such as nurseries. An agreement will be signed between the program coordination and each incubation centre, specifying the stakeholders' roles and responsibilities.</p> <p>Sub-component 3: Improving Institutional, Policy and Regulatory Framework. This sub-component aims at promoting a legal and regulatory framework conducive to the development of youth entrepreneurship. The activities will concern implementing the recommendations of the current study on policy guidelines and regulatory frameworks in force in order to propose necessary reforms to promote youth entrepreneurship in agriculture and agro-industry with a special focus on equitable access to all resources for young women. Regarding access to financing, the issue of young agripreneurs is taken into account in the ongoing study on innovative financing mechanisms for the agricultural sector as a whole, under the Malagasy Agriculture Transformation Program feasibility study. The program will endorse the recommendations of the study and the agripreneurs will be incorporated into the financing mechanism to be put in place.</p>	
Component 2 : Development of youth entrepreneurship in agribusiness	<p>This component aims to develop the skills of youth in the selected sectors, namely beekeeping, poultry farming, aquaculture, rice, wheat, corn, milk and fruit processing. The activities will concern the following: (i) recruitment and training in modern agriculture and agricultural entrepreneurship of 370 young mainly higher education graduates (including the 50 of the pilot phase), of whom at least 50% are women, (ii) mentoring and coaching on the preparation of business plans and financing documents in collaboration with the private sector; and (iii) creation of youth-run enterprises, of which at least 50% by women.</p> <p>Each incubation centre will conduct the following activities:</p> <ul style="list-style-type: none"> Incubation preparation, including tool development, timing and approach, youth coordinator training based on the fluid implementation framework model that will ensure continued recruitment of youth by youth, incubator staff exposure to the 	1.486

Components	Description	Cost (UA Thousand)
	<p>concept of incubation and youth mentoring and coaching trainers.</p> <ul style="list-style-type: none"> • Incubation of youth (training in modern agriculture, entrepreneurship and leadership, including leadership for young women). • Preparation of business plans and funding documents through the development of partnership with the private sector, the Agricultural Development Fund as a funding agency and other agripreneur coaching and mentoring service providers (including women entrepreneurs). • Support and assistance for the creation of start-ups (50% women). <p>This component will obtain technical assistance from IITA to support the centres technically and methodologically in developing and implementing the incubation program. The duration of such assistance, which should not exceed 2 years, will be defined by agreement between the Government and the Bank following the evaluation of the pilot phase.</p>	
Component 3 : Financing and installation of young agripreneurs	<p>This consists in financially supporting the youth trained for the creation of their agri-business enterprises and to support them after installation. Activities will consist in:</p> <ul style="list-style-type: none"> • Funding youth entrepreneurship projects. There are plans to finance about 350 enterprises, at least 50% of which are driven by young women. The financing will be in the form of a 5-year, interest-free loan with a 5-year grace period, for an average amount of USD 10 thousand. The loan will cover up to 90% of the total project cost. 10% of the total project cost will constitute the contribution of the beneficiary. The repayments will constitute a revolving fund. Funding will be through the Agricultural Development Fund (FDA). The FDA is a Public Administrative Establishment that mobilizes funding and allocates financial support to agricultural sector actors. It manages financing set up by other development partners, including IFAD, the European Union, AFD and Swiss Cooperation, to promote access to financing and agricultural entrepreneurship. To date, the FDA has financed agricultural projects for EUR 11.5 million. A select committee chaired by the MPAE and including the incubation centre representatives, FDA, Chamber of Agriculture and the employers select the financing beneficiaries. • Establish a support system for agripreneurs after their installation in order to offer start-up services, advice and support they need to attain a certain level of maturity that will enable them increase their profitability. • Network agripreneurs to increase their visibility and foster the development of business-to-business relationships, linking them to markets and economic partners. 	2,540
Component 4 : Management	<p>The main activities planned are: (i) preparation of annual work plans and budgets and quarterly and annual progress reports; (ii) monitoring and evaluation of outputs, including effects of environmental safeguards and gender equality; and (iii)</p>	521

Components	Description	Cost (UA Thousand)
	administrative, accounting and financial management of the program.	

A more detailed description of the activities is given in Annex C1 of Volume II of the Technical Annexes

3.2 *Technical Solutions Adopted and Alternatives Explored*

3.2.1 The technical solutions adopted are based on the job creation and sustainable economic opportunities in the identified value chains. They enable the creation of an enabling environment for youth training in agriculture and their integration into the economic and professional fabric, and also provide a sustainable mechanism for financing their projects. These technical solutions are based on the agripreneur model developed by the International Institute of Tropical Agriculture. They reflect lessons and experiences from ongoing ENABLE-Youth projects and other ongoing or completed youth entrepreneurship projects.

3.2.2 This approach, while reducing the well-known and excessive risks of agricultural sector financing, underscores the importance of selecting motivated youth with entrepreneurial skills, empowering and mentoring them before they are granted funding. The youths will be assisted in the preparation and submission of their business plans and funding documents under the control of the incubator. This process requires a rigorous selection of youth-led projects and strong sector-specialized private sector involvement.

Table 3.2
Alternative solutions explored and reasons for rejection

Alternative solution	Brief description	Reasons for rejection
Selection of graduates and their integration	Selecting graduates and installing them without going through the incubation process	Inadequate capacities to develop SMEs
Installation of agripreneurs without post-installation support mechanisms	Making funding available to beneficiaries and helping them to stand on their own	Experiences from similar projects show that coaching young entrepreneurs after their installation is essential to help them overcome the various obstacles until they mature
Establishment of the incubation process in the youth training system before graduation	Introducing into the normal training curriculum the stage of incubation from the university	Requires a profound change in the education system. Regulatory and legislative constraints do not favour the operationalization of such an option in the short and medium term, and will take longer to see the light of day

3.3 *Project Type*

PEJAA is an autonomous investment project funded by an ADF loan and a TSF grant to promote youth entrepreneurship in agriculture and agro-industry.

3.4 Project Cost and Financing Arrangements

The total project cost is estimated at UA 5.560 million. The Bank's contribution amounts to UA 5.00 million of which a TSF grant of UA 4.3 million and an ADF loan of UA 0.7 million. The contribution of the Government and the beneficiaries is UA 0.56 million, mainly in kind and in the form of space for the offices, water and electricity consumption and salaries of personnel seconded to the project. The breakdown of project costs by component is as follows:

*Table 3.3
Estimated cost by component [in UA thousand]*

Components	Cost in Foreign Currency	Cost in Local Currency	Total	% of Base Cost
Component 1 : Creation of a Conducive Environment	666	284	950	18
Component 2 : Development of Youth Entrepreneurship	848	566	1,414	27
Component 3 : Financing and Installation of Young Agripreneurs	1,690	728	2,418	46
Component 4 : Programme Management and Coordination	210	298	508	10
Basic Total Cost	3,414	1,876	5,290	100
Contingencies	166	104	270	
Total Project Cost	3,580	1,980	5,560	

NB: The exchange rates used are those indicated in the introduction to the report

*Table 3.4
Sources of financing [amounts in UA thousand]*

Financing Sources	Cost in Foreign Currency	Cost in Local Currency	Total Cost	% Total
TAF	2,880	1,420	4,300	77
ADF	700		700	13
Government		560	560	10
Total	3,580	1,980	5,560	100

*Table 3.5
Project cost by expenditure category [amounts in UA thousand]*

Expenditure Category	Cost in Foreign Currency	Cost in Local	Total Cost	% Currency
<u>Works</u>		157	157	0
<u>Goods</u>	114	49	163	70
<u>Services</u>	3,273	1,020	4,293	72
<u>Operation</u>	193	754	947	40
Total Base Cost	3,580	1,980	5,560	64

Table 3.6
Expenditure schedule by component [amounts in UA thousand]

Components	Y1	Y2	Y3
Component 1 : Creation of an enabling environment	490	234	226
Component 2 : Development of youth entrepreneurship	475	475	465
Component 3 : Financing and installation of young agripreneurs	776	811	831
Component 4 : Programme Management and Coordination	245	146	117
Total base cost	1,985	1,666	1,638
Contingencies	133	63	74
Total Project Cost	2,118	1,729	1,712

3.5 *Project Target Area and Beneficiaries*

3.5.1 The program is national in scope. However, it will start with 3 incubation centres: FIFAMANOR in the Vakinankaratra region, EFTA Analamalotra in the Atsinana region, and SEFAFI Fihaonana in the Vatovavy Fitovinany region. It will be expanded to other centres as funding is mobilized.

3.5.2 The program's direct beneficiaries will be mainly higher education graduates. The project will train 370 young agripreneurs, 50% of whom will be women over a 3-year period, and it is estimated that at least 350 youth, 50% of whom are women, will set up as entrepreneurs, generating 1750 direct decent jobs. The training system and the financing mechanism put in place, based on revolving funds, will make it possible from the fifth year to train and install on average 100 agripreneurs per year. The project will generate at least per year from the fifth year. Other beneficiaries include vendors along selected value chains.

3.6 *Participatory Approach to Project Identification, Design and Implementation*

The project was supported by PPF for its preparation. In the course of execution, meetings would be held with sector stakeholders, and in particular with potential stakeholders, to seek their opinions on the relevance of the proposed solutions for the youth problem, the training and installation approach, the choice of different project options and activities. These participatory consultations with various stakeholders continued during the preparation and appraisal missions with future beneficiaries (men and women), administrative and local authorities, the private sector (including women entrepreneurs) and civil society (including organizations promoting gender issues). Consultations were also held with local financial institutions to explore possibilities of financing future agripreneur projects. The participatory approach thus adopted will be in place during the implementation of the project, through the Steering Committee extended to the populations and civil society organizations (mainly organizations working in the domain of gender and/or women's advancement). The participation of private sector and civil society actors in the project as mentors will reinforce this approach.

3.7 *Bank Group Experience and Lessons Learned Reflected in Project Design*

3.7.1 The project development was largely based on the model developed by the International Institute of Tropical Agriculture, which is being implemented in several African countries. However, this model has been contextualized to take into account the specificities of Madagascar. The project also took into account lessons learned from (i) the Independent Development Evaluation (IDEV), on Bank Group Assistance to Madagascar in the period 2002 to 2012, (ii) the

completion reports of various Bank-financed projects (PROJER, PRPIM, Lower Mangoky, PACPT, etc.) and other development partners (iii) iCSP Completion Report 2014-16 and (iv) the 2016 Portfolio Review.

Lessons Learned	Actions Incorporated in Designing PEJAA
The need to strengthen Borrower ownership and involvement in project implementation	The project was prepared by a team composed of representatives of the technical ministries concerned, with technical support from the Bank. Additionally, the project will be implemented through the existing operational structures of the Ministry at the Presidency, in charge of Agriculture and Livestock
The use of innovative financing instruments as a catalyst in resource mobilization	The financing mechanism for agripreneurs will eventually develop to include the agricultural sector financing mechanism to be implemented under the Malagasy Agriculture Transformation Program, and which will be based on the establishment of a sharing facility to attract financing to the agriculture sector.
The importance of focusing on improving project quality at entry, focusing on the use of the Project Preparation Fund	The project preparation was PPF-supported to include a pilot phase to enable key stakeholders to take ownership of the model.
Prioritize innovative approaches in agriculture, focusing on the development of agricultural growth hubs and agro-industrial platforms	The youth trained in the incubation centres and after their installation will move towards a market-oriented agriculture and the development of value chains with special focus on the processing of agricultural products and thus develop agribusiness.
Prioritize the programmatic approach as a mechanism for sustainability	The (PEJAA) project design has adopted a programmatic approach allowing an extension of the project/activities as funding becomes available. The establishment of revolving funding should enhance sustainability.
Need to provide post-installation support to beneficiaries to enhance their businesses and maturity	The lack of a youth post-installation support system under PROJER led to multiple youth drop-outs. To remedy this situation in the context of PEJAA, a mechanism based on mentoring and coaching will be set up to support agripreneurs after their installation. It will be strengthened by an innovative financing mechanism to enable agripreneurs to expand their businesses.
The need for increased gender mainstreaming and inclusion of women in projects	Specific measures have been defined to ensure equal representation of men and women and participant retention, such as selection criteria establishing equal access for male and female beneficiaries, a gender sensitization campaign, incubators with nurseries, etc.
Long delays in the procurement process are the main challenge in the execution of Bank-financed projects.	The MPAE procurement system will be transformed into a procurement pool for projects under the Ministry's supervisory authority. This pool will be reinforced by procurement assistants for each project.

3.8 *Key Performance Indicators*

3.8.1 The main expected project outcomes are training youth in trades along agricultural value chains and managing businesses, installing young agripreneurs as entrepreneurs, generating decent jobs, improving beneficiary income and enhancing the country's food security. The main indicators to measure the achievement of these objectives are the number of youth trained and businesses created, the number of jobs created and the youth unemployment rate. The indicators will be systematically disaggregated to take into account the gender dimension.

3.8.2 The MPAE monitoring and evaluation service, following its operational chain up to the regional level, will be responsible for the production and dissemination of project results through the publication of periodic activity reports. Socio-economic studies conducted with PPF financing make it possible to have disaggregated basic data. The activity reports, mid-term review and completion report of the project as well as the one-off surveys will complement this mechanism for collecting and disseminating project performance and impact data.

IV. Project Feasibility

4.1 Economic and Financial Performance

4.1.1 The project will train young higher education graduates in trades along agricultural value chains and in business management. The youth thus trained will be assisted to develop their business plans and will receive grants to set up their own companies. The project will train 370 agripreneurs in the various incubation centres for 3 years. It is expected that 5% of the youth will not complete their training, 10% will go in search of paid jobs in the sector and 85% will actually set up as entrepreneurs. In total, the project will create about 350 companies over a period of 3 years.

Project Benefits

4.1.2 Each enterprise will employ an average of 5 persons, making a total of 1,750 direct jobs plus 41 salaried agripreneurs. Other benefits include the project's host incubation centres, which will increase their capacity, strengthen food security, increase value-added, increase exports and reduce gender inequalities.

Assumptions

4.1.3 Four sub-sectors were selected for economic analysis: rice, maize, horticulture, aquaculture and dairy. This choice takes into account the demand and supply of these products, opportunities for expansion and value-added development. Where necessary, the analysis will be extended to other products when the Government decides on the list of sub-sectors to be selected. Considering the relative importance of each sub-sector in the daily lives of the Malagasy, we assume that 40% of enterprises will be in the rice farming sub-sector, 20% in dairy, 20% in maize, 10% in horticulture and 10% in aquaculture. Given the rather limited funding available, agripreneurs are going to start by developing small enterprises and gradually expand them using, if necessary, the financing mechanisms that will be put in place, notably the risk-sharing facility. Thus, the links in the chain that will be taken into account in our analysis include production, collection and marketing, including packaging/processing and developing links between producers/collectors and buyers. For rice, maize and horticulture, we assume that 20% of the entrepreneurial agripreneurs will engage in production, 30% in collection and 50% in marketing. For the dairy chain, the selected links are collection and processing/marketing. Aquaculture includes the production of fry and fish (50%) for which demand and supply are clearly on the increase (50%).

Costs and Prices

4.1.4 The profit margins of each link were taken from the study on agricultural sub-sectors in Madagascar conducted in 2015 by BRL/BEST, but also from the data of the Lower - Mangoky I & II and PRIASO projects. They have been adjusted to take into account inflation. In terms of benefits, only the tangible ones directly attributable to the project were quantified and taken into account in the analysis.

IRR and ERR

4.1.5 The economic and financial analysis is based on the induced benefits approach. A discount rate of 12% was used for costs and benefits, corresponding to the supposed cost of economic opportunity of capital for Madagascar. A conversion factor of 0.9 was applied to production costs and prices to reflect their economic value.

The project has an economic rate of return of 25% and an internal rate of return of 22 %, with net present values of MGA 2.135 billion and MGA 1.875 billion respectively.

ERR, NPV (12%)	25%; NPV: MGA 2.135 billion
IRR	22%

The ERR and IRR are sensitive to changes in prices and costs. A 10% increase in the price of agricultural products generates a 27% ERR and an IRR of 24%. Similarly, an increase in production costs of 10% decreases the ERR to 24% and the IRR to 21%. As a result, the project is economically and financially viable.

4.2 *Environmental and Social Impact*

Environment

4.2.1 Project activities focus on training and facilitating access to financing: The project will have significant positive impacts on (i) job creation for youth and women through the creation of agricultural enterprises, (ii) increased and protected agricultural yields through the promotion of new technologies and resilient species; and (iii) increased incomes of actors, especially producers, through the development of value chain. The project will not have direct negative impact on the environment due to the nature of the capacity building activities. The project is classified under category 3 and does not require any environmental and social impact assessment.

Climate Change

4.2.2 To enhance the resilience of agricultural activities to climate change, the project will promote the use by young entrepreneurs of innovative technologies including improved and resilient seeds. It is proposed for category 3 on the Climate Safeguard System (CSS) due to the type of activities which focus on value chain development.

Gender

4.2.3 Madagascar ranks 60th out of 145 countries in the 2016 Global Gender Gap Index, showing the extent of Malagasy women's participation in economic activities, education, political empowerment, health and survival. In public institutes and universities, there is a significant gap between the two sexes; 46% of students are women compared to 54% of men. In terms of employment, there are income disparities to the disadvantage of women/girls (60% of unemployed women against 40% of men) reinforced by (i) stereotyped tendencies in their choices of academic and vocational training courses, leaning towards social studies and more often lower paying careers; (ii) their greater number of underemployed, compared to men and falling to their lowest level of employability (55% women and 50% youths); and (iii) their higher proportion in insecure and vulnerable activities. In addition, the information provided by the Madagascar Union of

Industries (SIM) mentions only five women-run member companies against 78 run by men. Income disparities also exist: women earn on average half as much monthly income as men (USD 12.3 against USD 24.8), irrespective of sector. Thus men earn 1.5 times more in formal enterprises; 1.9 times more in non-agricultural informal enterprises and 2.4 times more in informal agricultural enterprises.

4.2.4 This program provides an opportunity to women graduates to break the glass ceiling and improve their incomes. However, encouraging women to sign up can be a challenge. Accordingly, measures have been made to ensure parity in the selection and retention of young entrepreneurs, in particular through a communication and awareness-raising campaign for actors at all levels (individual, family, communal, regional and national) on the participation of young men and women in agricultural entrepreneurship and mainstreaming of the different risks related to the place of Malagasy women agripreneurs. In addition, the project will ensure that 50% of the proposed actions, including training and installation of enterprises are pro-women. The program will specifically include a package of integrated services to ensure gender equality through (i) individual support for women and men at risk of dropping out; (ii) an equal number of jobs created for women and men; (iv) provision of crèches and dormitories for young mothers; (vi) equitable access to land titles; (iii) equitable access to funding mechanisms established under the program; (vii) support through social training ("leadership", prevention against gender-based violence, reproductive health), etc.

4.2.5 The program will focus on pooling services through coaching and mentoring by recognized women entrepreneurs and business networking. A study on youth in agriculture will identify the differentiated barriers faced by young men and women entrepreneurs in order to propose appropriate gender-specific policies, including in the area of access to land and land tenure security.

4.2.6 The gender expert recruited under PROJERMO will exercise the same functions for the program. The budget allocated to activities solely benefiting women is estimated at UA 1.9 million. This is in addition to the indirect benefits of other investments under the program.

4.2.7 The project will not entail the resettlement of displaced persons or restricted access to properties or livelihoods.

V. IMPLEMENTATION ARRANGEMENTS

5.1 *Institutional Arrangements*

5.1.1 The Ministry at the Presidency in charge of Agriculture and Livestock (MPAE) will be the Program's Executing Agency through the Directorate of Agricultural and Rural Training (DFAR). The Program will be implemented through existing MPAE structures. At the central level, the program will be coordinated by the Director of Agricultural and Rural Training (DFAR) who will be responsible for implementing the program's technical and managerial aspects. He will be assisted by a Deputy Coordinator, recruited through internal advertisement process at the MPAE or within the Administration if necessary and who will be in charge of the program's day-to-day management. At the regional level, the program will be coordinated by the Regional Directors of Agriculture and Livestock in the places of location of the incubation centres. Monitoring and evaluation will be provided by the MPAE monitoring and evaluation service, according to its operational chain up to the regional level. The Gender Expert recruited under PROJERMO will ensure gender mainstreaming under the program and support the Ministry in this program. Where

necessary, Agreements will be signed between the program and the Technical Departments for implementing or monitoring specific program activities. IITA will assist MPAE in monitoring and implementing training, installation and post-installation follow-up of young agripreneur activities.

5.1.2 A Steering and Monitoring Committee (COS) will be set up, responsible for the strategic orientation of the program, monitoring its implementation and approving the annual work program and budget. The COS will be chaired by the Secretary-General of the Ministry in charge of Agriculture and Livestock, with the following as members: Director General of Agriculture, Director General of Livestock, General Coordinator of Programs, Director General of Administration, Programming and Budget (DGAPB), Director General of Fisheries and Aquaculture, a DDP representative, a Ministry of Economy and Planning representative, a Ministry of Industry and Private Sector Development, a General Directorate of Youths representative, representatives of the 3 colleges of the Chamber of Agriculture, a representative of the platform of agricultural enterprises, the regional directors of Agriculture and Livestock in which the incubation centres will be chosen. COS meets at least twice a year.

Financial Management and Auditing

5.2.1 In accordance with the provisions of the Paris Declaration on Aid Effectiveness, the Bank, like most development partners, has agreed to maximize, to the extent possible, the use of national systems for project and program management including financial management. However, in the current context of Madagascar's national public financial management system (PFM), it will not be effective to use it for the financial management of the project. As a result, the Bank and the Malagasy party have agreed that PEJAA resources will be provided through an autonomous system from the PFM system. To this end, the financial management will be under the responsibility of the accounting and financial management unit set up under PROJERMO. In keeping with the spirit prevailing at the time of evaluation of PROJERMO, this unit is supposed to be a financial pool serving all the Bank-financed projects and possibly any other partners. The aim is to link this financial pool to the DGAPB with the financial management mission of all the programs financed by international donors under the Ministry at the Presidency in charge of Agriculture and Livestock.

5.2.2 The current financial management team in this pool consists of a Financial Management Officer (RAF) and two accounting assistants and has a multi-project and multi-user software. Their manual of accounting and financial administrative procedures is being finalized. This arrangement will be adapted according to the volume and nature of activities. The team produced the PROJERMO audited financial statements and no major problem, technical or institutional, was noted by the auditors. The overall fiduciary risk is considered moderate. In the project context, this system will be reinforced by the recruitment of an accountant dedicated to accounting and financial activities of PEJAA and the procedures manual will be reviewed before its finalization to include the specificities of PEJAA. A computer network will be installed in this unit to enable the whole team to use the COMPRO software.

5.2.3 The financial management of PEJAA, including the production of true and fair financial statements is the responsibility of the Directorate General of Administration, Planning and Budget (DGAPB) through the financial pool responsible for the management of external donor financed projects, currently within PROJERMO. MPAE's Internal Audit Department, which carries out audit missions of the Ministry's projects, including Bank-financed projects, notably PRIASO, Lower Mangoky and PROJERMO, will add the PEJAA audit to its annual work program. This audit could be combined with the PROJERMO audit and will be the subject of a separate report.

5.2.4 **External Control/Audit:** No later than six (6) months after project effectiveness, the Audit Court, in collaboration with the DGAPB of MPAE will recruit on a competitive basis and in accordance with the terms of reference agreed with the Bank, an external audit firm for the annual audit of the project's financial statements. The process of recruiting the auditor and submitting audit reports to the Bank will be the responsibility of Madagascar's Audit Office. The audit report for each financial year will be submitted to the Bank not later than six months after the end of the financial year.

5.2.5 **Disbursements** of Bank resources shall be released in accordance with the provisions of the Bank's Disbursement Handbook as follows: (i) direct payment method for the payment of services, goods and works contracts; (ii) reimbursement method in the case of pre-financing by the national counterpart of expenditures chargeable to the Bank's resources and previously authorized and approved by the Bank; and (iii) special account method for operating expenses and the management of certain agreements and payment of individual consultants. 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.

5.2.6 Furthermore, the project provides for loans to young promoters to finance their projects. The Agricultural Development Fund (FDA) has been chosen as the executing agency for this activity. To that end, the FDA will open a separate bank account to keep disbursements of funding for youth projects. This account will be audited as part of the annual audit of the project accounts. It will operate according to the procedures that will be defined in the procedures manual. It should be noted that provisions have been made for agreements with State institutions and NGOs such as FIFAMANOR, EFTA, SEFAFI and FDA. The disbursement arrangements in this context will be contained in the contractual documents between the Parties. However, it is MPAE that is fully responsible for the proper use and justification of resources disbursed by the Bank to these organizations for the implementation of program activities.

5.3 ***Procurement Arrangements***

5.3.1 **Procurement Risks and Capacity Assessment (PRCA):** The MPAE General Procurement Unit (UGPM) will be responsible for the procurement of goods, works and services. The performance of the UGPM is considered satisfactory in managing the procurement contract entrusted to it. The experiences and qualifications of UGPM members are adequate for the new project, yet its ability to manage additional allocations poses a "substantial" risk. Therefore, the PROJERMO Procurement Officer (PMO), who is a full member of MPAE's UGPM, will be responsible for overseeing the program's procurement activities, and will be assisted by a complementary staff member for program specific activities.

5.3.2 Risk assessment at the country, sector and program levels and assessment of the procurement capacity of the Executing Agency (EA) for the program was completed and the results served to inform the decision on procurement system selection (Borrower, Bank, or Third Party) used for specific activities or set of similar activities under the program.

5.3.3 The procurement of goods, works and consultancy services (including non-consulting services), financed by the Bank under the program, will be made in accordance with the *Procurement Policy and Methodology for Bank Group-Funded Operations* of October 2015 and in accordance with the provisions set out in the Financing Agreement. More specifically, procurements will be made according to:

- Borrower Procurement System (BPS): Procurement Methods and Procedures (PMPs) under the Borrower's Procurement System governed by Law No. 2016-055 on Public Procurement (CMP) of 25 January 2017, will be used for various types of activities planned under the program, based on the standard national bidding documents (DNSAO) or other bidding documents approved during program negotiations. Following the joint assessment with the World Bank of the PMP in February 2016, and with the aim of harmonizing the CMP with international standards, the Public Procurement Regulatory Authority (ARMP) led the update of the old public procurement code, taking into account the differences identified in the legislative and regulatory framework for procurement. The CMP was adopted on 25 January 2017.
- Bank's Procurement Methods and Procedures (PMP): The PMPs of a third party using the standard or the relevant standard bidding documents (SBD) will be used for activities: (i) above the thresholds in Annex 5, § 5.3.2, or (ii) in the event that the Borrower's BPS is not used for a particular activity or set of activities; or (iii) in cases where PMPs are deemed to be ill-suited to a given activity or set of activities.
- Third Party Procurement Methods and Procedures (TPPMP): The PMPs of a Third party using the standard documents or the relevant bidding documents of the third party.

5.4 *Monitoring*

Project implementation is planned for a period of 3 years from the date of Bank approval. The MPAE monitoring and evaluation unit, following its operational chain, will be responsible for internal monitoring of project implementation and will prepare, in the format recommended by the Bank, quarterly and annual gender-disaggregated project implementation status reports. External monitoring will be provided by the Steering Committee and Bank supervision missions which will be regularly organized on a half-yearly basis, and the mid-term review planned in the middle of the second year of project implementation. At the end of the project, a completion report will be prepared to evaluate the project's performance and impact.

<i>Timetable</i>	<i>Milestones</i>	<i>Monitoring activities / Feedback loop</i>
Year 1	Start of activities (approval, signature of protocols of agreement and entry into force)	Government/AfDB
Year 1 to Year 3	Periodic implementation reports	PIU
	Audit reports	PIU
Year 2	Mid-term review	AfDB/Government
Year 3	Evaluation by beneficiaries	PIU
	Project completion report	AfDB/Government

5.5 *Governance*

The repeated crises in Madagascar have contributed towards undermining institutions and exacerbating bad governance. According to the Mo Ibrahim index on governance in Africa, Madagascar dropped from the 9th place overall in 2009 to the 29th in 2015 out of the 54 African countries, but nevertheless posted a slight overall improvement from 37th place in 2012 to the 33rd

in 2015. In terms of corruption, Madagascar ranked 145th in 2016 out of 176 countries. In the 2017 Doing Business ranking, Madagascar ranks 167th against 169 in 2016.

5.6 *Sustainability*

5.6.1 The Government of Madagascar is strongly committed to supporting PEJAA-Madagascar as the project contributes to the implementation of national strategies to promote youth employment. The lessons learned directly inform the national policy dialogue on promoting economic opportunities for the youth in agriculture and other sectors. Furthermore, the established public-private partnership provides a basis for continued collaboration between stakeholders in the delivery of youth business services. The project's focus on institutional capacity building will also enhance its sustainability. The capacities of the institutions chosen as incubation centres will be enhanced. They will continue to provide the same training service beyond the end of the Project. Additionally, many youths trained will be set up as peer incubators. The success and, above all, the sustainability of this project's results will largely depend on improving the access of young agripreneurs to financing. In this regard, a revolving funding will be put in place to support youth settlement. It will subsequently be integrated into the financing mechanism to be developed under the Agriculture Transformation Program to include a risk-sharing facility to enable commercial banks to increase their financing to agripreneurs.

5.6.2 The successful financing and installation of the first enterprises will have a catalytic effect in attracting more youth to the sector. This effect will be consolidated and enhanced by the privatization of the incubation process, and the sustainable financing mechanism to be put in place provides guarantees for the program's sustainability.

5.7 *Risk Management*

The following are the main risks: (i) young graduates' disinterest in agricultural activity, (ii) low flow of funding for the agricultural sector and particularly for young men and women; (iii) lack of transparency in the selection of beneficiaries, (iv) weak capacity of partner institutions, particularly incubation centres (v) private sector reluctance to mentor the program, (vi) unfavourable political environment and regulations constraining the development of agricultural enterprises and (vii) bankruptcy of newly established enterprises. The mitigation measures envisaged are: (i) effective public awareness campaign, especially of youth on agriculture as a profitable economic activity, (ii) transparency in the selection of youths (50% of whom will be girls) to be assigned to a consulting firm; (iii) establishment of a risk-sharing facility to promote agricultural financing; and (iv) establishment of favourable regulatory frameworks.

5.8 *Knowledge Building*

The lessons learned from this project will be catalogued and disseminated by the Project Executing Agency, as well as through the reports of the Bank's various supervision missions. In addition, a mid-term review will be organized during the second year of project implementation and a completion report prepared at the end of the project. The project has been supported by project preparation facility to include a pilot phase whose results will generate a knowledge base on this new approach.

VI Legal Framework

6.1 *Legal Instrument*

The legal framework of the Project will be the TSF Grant Agreement for Pillar I and the ADF Loan Agreement between the Republic of Madagascar and the Bank.

6.2 *Conditions Related to Bank intervention*

6.2.1 Conditions for Effectiveness

The grant agreement shall enter into effectiveness on the date of its signing. The effectiveness of loan agreement shall be subject to the fulfillment by the Borrower, to the satisfaction of the Bank, of the conditions set forth in Section 12.01 of the General Conditions Applicable to Loan Agreements and Guarantee Agreements of the Bank.

6.2.2 Conditions Precedent to First Disbursement of the ADF Loan and the TSF Grant

The first disbursement of the loan and the grant will be subject to, besides effectiveness, the fulfillment by the Borrower, to the satisfaction of the Bank, of the following conditions: Provide evidence of the designation of the Coordinator and the Deputy Coordinator and, the official note mandating staff of Projermo project implementation Unit (procurement and financial Management Expert) to implement PEJAA.

6.2.3 Other conditions

- (i) Provide evidence of the opening of a special account intended to keep the funds for the financing of Young Agripreneurs projects.
- (ii) Develop within 6 months after approval, a manual of procedures for the management of this fund to the satisfaction of the Bank.

6.3 *Compliance with Bank Policies*

This project complies with all applicable Bank policies.

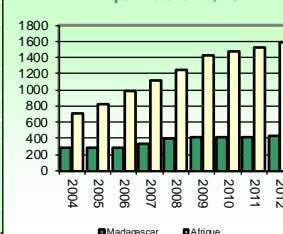
VII RECOMMENDATION

Management recommends that the Boards of Directors of the Bank and the Fund approve the extension of a TSF Pillar I grant of UA 4.3 million and an ADF loan of UA 0.7 million to the Republic of Madagascar to finance the PEJAA PROJECT 1 for the purpose and under the conditions set forth in this report.

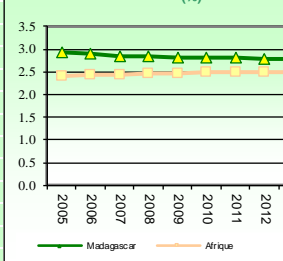
Appendix I. Madagascar's Comparative Socio-economic Indicators

	Year	Madagascar	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 km²)	2011	587	30,323	98,458	35,811
Total Population (million)	2013	22.9	1,109.0	5,909.3	1,252.8
Urban Population (% of Total)	2013	33.8	40.2	47.7	78.3
Population Density (per km²)	2013	36.3	46.9	70.7	23.5
GNI per Capita (USD)	2012	430	1 719	3 815	38 412
Labour Force Participation - Total (%)	2012-2013	47.0	37.4	67.9	72.1
Labour Force Participation - Female (%)	2012-2013	49.1	42.5	38.6	44.6
Gender-related Human Development Index Value	2007-2011	0.541	0.502	0.694	0.911
Human Development Index (Rank Among 187 Countries)	2012	151
Population Living Below USD 1.25 a Day (%)	2008-2011	81.3	40.0	20.6	...
Demographic Indicators					
Population Growth Rate - Total (%)	2013	2.8	2.5	1.3	0.3
Population Growth Rate - Urban (%)	2013	4.7	3.4	2.5	0.6
Population < 15 Years (%)	2013	42.4	40.9	28.3	16.4
Population >= 65 years (%)	2013	2.8	3.5	6.1	16.8
Dependency Rate (%)	2013	82.5	77.9	52.4	49.9
Sex Ratio per 100 women)	2013	99.3	100.0	103.3	94.4
Female Population 15 - 49 Years (%)	2013	24.0	24.0	53.1	45.2
Life Expectancy at Birth - Total (years)	2013	64.7	59.2	68.4	77.8
Life Expectancy at Birth - Female (years)	2013	66.2	60.3	70.3	81.2
Gross Birth Rate (per 1000)	2013	34.7	34.8	21.2	11.2
Gross Death Rate (per 1000)	2013	6.8	10.4	7.6	10.4
Infant Mortality Rate (per 1000)	2013	35.8	61.9	39.8	5.5
Under-five Mortality Rate (per 1000)	2013	53.0	97.4	56.3	6.6
Total Fertility Rate (per woman)	2013	4.5	4.6	2.6	1.7
Maternal Mortality Rate (per 100 000)	2010	240.0	415.3	240.0	16.0
Women Using Contraception (%)	2013	44.0	34.9	62.6	71.3
Health and Nutrition Indicators					
Physicians (per 100 000 People)	2004-2011	16.1	47.1	117.8	297.8
Nurses (per 100 000 People)	2004-2011	...	132.6	202.7	842.7
Births Attended by Skilled Health Personnel (%)	2006-2011	43.9	52.6	66.3	...
Access to Safe Water (% of Population)	2012	49.6	68.8	87.2	99.2
Access to Health Services (% of Population)	2000	38.0	65.2	80.0	100.0
Access to Health-care Facilities (% of Population)	2012	13.9	39.4	56.9	96.2
Percentage of Adults (15-49 years) Living With HIV/AIDS	2012	0.5	3.9	1.2	...
Incidence of Tuberculosis (per 100 000)	2012	234.0	223.6	144.0	23.0
Children Immunized Against Tuberculosis (%)	2012	78.0	83.0	81.5	96.1
Children Immunized Against Measles (%)	2012	69.0	74.0	83.0	94.3
Underweight Children (% of Children Under 5 Years)	2004-2012	36.8	19.7	17.0	1.4
Daily Calorie Intake per Capita	2009	2 117	2 481	2 675	3 285
Public Expenditure on Health (as % of GDP)	2011-2012	2.6	2.9	3.0	7.5
Education Indicators					
Gross Enrolment Ratio (%)					
Primary - Total	2012	145.2	101.9	109.4	100.9
Primary - Female	2012	144.2	97.9	107.6	100.6
Secondary - Total	2012	38.0	47.4	69.1	100.2
Secondary - Female	2012	37.1	44.0	67.8	99.7
Primary School Female Teaching Staff (% of Total)	2012	55.5	46.6	58.0	84.3
Adult Literacy Rate - Total (%)	2009-2012	64.5	62.0	80.3	99.2
Adult Literacy Rate - Men (%)	2009-2012	67.4	70.7	85.9	99.3
Adult Literacy Rate - Women (%)	2009-2012	61.6	53.7	74.9	99.0
Percentage of GDP Spent on Education	2011-2012	2.7	5.3	4.3	5.5
Environmental Indicators					
Arable Land (as % of Total Surface Area)	2011	6.0	7.6	10.7	10.8
Annual Deforestation Rate (%)	2000-2009	1.0	0.6	0.4	-0.2
Forests (as % of Total Surface Area)	2011	21.5	23.0	28.2	35.0
Per Capita CO2 Emissions (metric tons)	2010	0.1	1.2	3.0	11.6

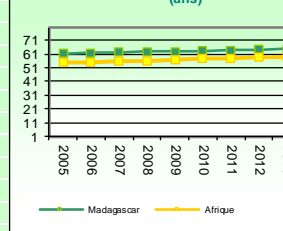
RNB par Habitant \$EU



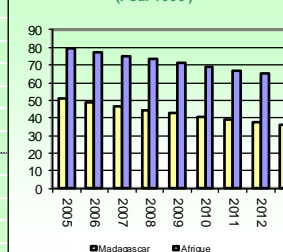
Taux de croissance démographique (%)



Espérance de vie à la naissance (ans)



Taux de mortalité infantile (Pour 1000)



Source: AfDB Statistics Department Database

Last Update:

May 2014

United Nations Population Division, World Population Prospects: The 2012 Revision;

World Bank WDI; UNAIDS; UNSD; WHO; UNICEF; WRI; UNDP; Country Reports.

For any given interval, the value refers to the most recent year available within the period.

Notes: n.a. : Not Applicable ; ... : Data Not Available.

Appendix II - Table of AfDB Portfolio in the Country

TITLE	TYPE/RES.	Date of signature	Disbursement Date	Amount Allocated	Accumulated Disbursement 30/09/2017	Disbursement Rate	Age (Year)
South-West Region Agricultural Infrastructure Rehabilitation Project s.o. (PRIASO)	ADF LOAN	7/8/2013	12/31/2018	18,300,000	7,270,774.87	39.73%	4.2
South-West Region Agricultural Infrastructure Rehabilitation Project s.o. (PRIASO)	NTF LOAN	7/8/2013	12/31/2018	6,500,000	3,355,062.80	51.62%	4.2
South-West Region Agricultural Infrastructure Rehabilitation Project s.o. (PRIASO)	GEF GRANT	10/2/2014	12/31/2018	4,076,000	915,273.42	22.46%	3.0
Lower Mangoky Irrigated Area Rehabilitation and Extension Project Phase II (PEPBM)	ADF LOAN	3/6/2015	5/31/2020	16,140,000	248,906.35	1.54%	2.6
Lower Mangoky Irrigated Area Rehabilitation and Extension Project Phase II (PEPBM)	ADF LOAN	3/6/2015	5/31/2020	24,000,000	1,039,628.27	4.33%	2.6
Nascent Rural Businesses Project for the Middle-West (PROJERMO)	ADF LOAN	11/9/2015	12/31/2021	16,610,000	607,843.11	3.66%	1.9
Nascent Rural Businesses Project for the Middle-West (PROJERMO)	TAF GRANT	11/9/2015	12/31/2021	8,000,000	119,676.20	1.50%	1.9
Program for Promoting Youth Entrepreneurship in Agriculture and Agro-Industry (PEJAA - ENABLE YOUTH)	ADF LOAN	5/23/2016	12/31/2017	670,000	69,939.41	10.44%	1.4
Feasibility Study of the Malagasy Agricultural Transformation Program (PTAM)	ADF GRANT	11/25/2016	12/31/2017	1,000,000	48,039.20	4.80%	0.8
Road Infrastructure Development Project (PAIR)	ADF LOAN	11/18/2013	12/31/2018	46,140,000	24,093,198.45	52.22%	3.9
Road Infrastructure Development Project (PAIR)	ADF GRANT	11/18/2013	12/31/2018	130,000	62,185.68	47.84%	3.9
Institutional Governance Support Project (PAGI)	ADF LOAN	11/18/2013	12/31/2017	4,320,000	2,688,685.64	62.24%	3.9
Institutional Governance Support Project (PAGI)	ADF GRANT	11/18/2013	12/31/2017	180,000	36,150.34	20.08%	3.9
Investment Promotion Support Project (PAPI)	ADF LOAN	9/28/2015	9/30/2019	4,000,000	93,077.95	2.33%	2.0
Investment Promotion Support Project (PAPI)	TAF GRANT	9/28/2015	9/30/2019	3,000,000	39,063.50	1.30%	2.0
Economic Management Reform Support Programme (PARGE)	ADF LOAN	4/26/2016	12/31/2017	12,500,000	12,500,000.00	100.00%	1.4
Energy Sector Reform Support Programme (PARSE)	ADF LOAN	11/25/2016	12/31/2017	13,770,000	13,770,000.00	100.00%	0.8
Project to Prepare Sanitation Master Plans of Eight Secondary Urban Centres (SDAUM)	AWF GRANT	3/21/2016	12/31/2019	1,442,800	64,607.90	4.48%	1.5
Support to Improve the Effectiveness and Efficiency of Disaster Risk Reduction (natural, climatic and anthropogenic) (BNGRC)	ADF GRANT	12/1/2016	12/31/2018	1,000,000	89,622.70	8.96%	0.8
TOTAL AMOUNT IN UA:				181,778,800	67,111,735.79	36.92%	2.5

Appendix III. Key related Projects Financed by the Bank and other Development Partners of the Country

	Project type	Type of financing	Source of financing	Amount (in UA million)	Approval date	Closing date
Tulear Fishing Communities Support Project		Loan	ADF	6.325		31/08/2014
Supplementary Loan for Lower Mangoky Rice Irrigation Area Rehabilitation Project		Loan	ADF	15		31/12/2015
South West Region Agricultural Infrastructure Rehabilitation Project		Loan/Grant	ADF/NTF/G EF	32.5	19/06/2013	31/12/2018
PPF Lower -Mangoky Irrigation Area Extension Study			ADF	0.5		31/03/2015
PPF Mid-West Young Entrepreneurs Study Project			ADF	0.450		31/12/2014
Road Infrastructure Development Project			ADF	46		
Rural Drinking Water Supply and Sanitation Project			ADF			
Integrated Approach Development Project to Promote Environmental Restoration and Rural Development at Morarano Chrome			JCA	13.36		March 2017
Emergency Support Project for Infrastructure Preservation and Vulnerability Reduction - Comp. B1 (Preservation of Productive Capacity in Agriculture)			WB	10.00		June 2017
Emergency Project for Food Security and Social Protection			WB	43.33		February 2018
Menabe and Melaky Development Support Project			FIDA	15.11		December 2014
Support Program for Rural Micro-Enterprises and Regional Economies in Madagascar			IFAD	15.55		December 2015
Project to Support the Strengthening of Professional Organizations and Agricultural Services			FIDA	17.95		December 2017
Monitoring Project: "Improving Living Conditions " (using KAIZEN approach")						July 2017
Rice Productivity Improvement Project on the Central Highlands of Madagascar						2015
Rural Development Project through Tilapia Aquaculture Extension in Mahajanga Province (Boeny Region), North-West of Madagascar						September 2014

Appendix IV. Project Fragility Assessment Report (PFAR)

Program for Promoting Youth Entrepreneurship in Agriculture and Agro-Industry (PEJAA) -Project 1

Methodology for Drivers of Fragility Assessment

The project fragility assessment (PFA) of the Program for Promoting Youth Entrepreneurship in Agriculture and Agro-Industry (PEJAA)-Project 1 is informed by the Country Fragility Assessment and the Youth and Fragility Study for Madagascar. The PFA was carried out in accordance with the draft Guidelines on the Application of Fragility Lens issued by RDTS in May 2015. The assessment is aimed at identifying entry points for programs to address, mitigate, or adapt to drivers of fragility as well as program/project areas that can have the greatest impact in building resilience.

Key Project/Sector Drivers of Fragility (and Indicators)

- 1. High Youth Unemployment and Underemployment:** Madagascar, like many African countries, suffer from high levels of youth unemployment. The long period of conflict and instability worsened the situation, leaving large numbers of the youth population without viable economic engagement. Those that are employed are underemployed, carrying out work that does not correspond to their training. Addressing this challenge requires finding viable economic opportunities. Research shows that one of the most viable areas for providing employment for youths and women in Africa is in agriculture. To ensure sustainability in low purchasing power countries facing fragility like Madagascar it is key to focus on critical sectors of the economy such as agriculture.
- 2. Lack of Entrepreneurial Skills in Agribusiness:** Many of the youths who are working in Madagascar are underemployed and doing work that do not match their skills and qualifications (skills and training mismatch). In general, there is limited or no training on how to run effective micro-enterprises including in agriculture. Critical skills such as identifying business opportunities, building a niche, managing competition, building a clientele, and more critically making one's business resilient to business conditions or identifying, accessing or evaluating financing options especially loans are not taught to many microenterprises in Madagascar. As a result, even when trained in a technical area such as agriculture, many youths lack critical skill sets required to turn such a skill into an enterprise that can succeed in difficult environments.
- 3. Highly Informal Business/Agribusiness Sector:** The levels of taxation for youth enterprises and other costs incurred by a formalized business were identified as key constraints on business formalization and growth in Madagascar. Tax payment was uniform despite how nascent the businesses were, and there was limited consideration for special groups such as the youth and women. High taxes for youth and small enterprises could partly contribute to a tendency towards non-formalization of businesses. To better support enterprises created under the PEJAA project and overcome these barriers to formalization and challenges to sustainability of such enterprises, policy solutions in support of youth entrepreneurship have to be fully implemented.
- 4. Lack of Access to Finance or Seed Capital to Promote Entrepreneurship:** A key challenge to the development of agribusiness and especially youth agribusiness is access to finance.

This is a global challenge but it has a bigger effect in hindering youths in fragile states/environments starting and maintaining enterprises than any other demographic group. Youths often have limited access to financial infrastructure or training on how to evaluate options where they exist. Moreover, options are often very costly. Regardless of the country's fragility level, microfinance was often the most accessible form of finance, as it often did not require a high level of collateral. However, interest rates are reportedly too high to allow youths run successful businesses.

Youth enterprises are very fragile, and some form of regulatory protection is needed, even as youths are taught how to better evaluate whether they can afford to take a loan or not. To address this challenge, youth entrepreneurship initiatives should consider adding a training component that provides youths with a comprehensive awareness of the access to sources of finance and methods of evaluation of loan products, the implications of loans on their business, interest rates, how they are compounded and how to review the best products to fit their business.

5. Poor Land Tenure and Difficult Access to Land: Land and insecurity problems, especially in rural areas, continue to be a priority for public authorities: Insecurity is partly the result of poor development of administrative, social and communication services at the grassroots level. It also stems from the weak capacities of the State to cover the national territory in the face of illegal exploitation of natural resources. The impoverishment of soils and the rigour in places of nature, which is a source of poverty, are fertile ground for the development of insecurity. The precarious state of the infrastructures, the lack of energy, and transport problems make the isolated areas of the territory unattractive and constitute major constraints on the national economy, and for the populations and the regions.

6. Use of Unconventional Farming Methods, Climate Change and Food Insecurity: Madagascar has a huge and diversified agricultural potential. However, this sector's contribution to the national economy remains below expectations owing to its low productivity. Although the country has significant potential for transforming its agriculture with its vast expanses of arable land estimated at 35 million hectares of which only 2 million hectares are being utilized. The country also has an extremely rich ecosystem with a very dense hydrographic network offering unlimited irrigation possibilities. However, traditional farming methods are still in use, resulting in low agriculture outputs and productivity, thereby maintaining the country in a permanent state of food insecurity.

In addition to poor infrastructure and traditional farming methods, the regions selected for the project implementation are vulnerable to a number of environmental challenges, exacerbated by climate change. The project area experiences extreme weather-related problems, notably droughts, floods and landslides. The regions and populations are constantly exposed to natural disaster risks (droughts, cyclones, floods, and locust invasions), as well as bush fires and other anthropogenic phenomena that upset the production and supply cycle of goods, and food and nutrition insecurity (human and animal), price increases, destruction of socio-economic infrastructure, and ecosystem degradation. The result is loss of human lives, population displacement and worsening of endemic poverty. The country is one of the world's ten most exposed countries to natural disaster risks. As a result, agricultural yields are poor, creating food insecurity and low incomes which in turn create community vulnerability and poverty. Some of these challenges can be partly addressed by generating youths' interest in agriculture and agribusiness as well as in new agricultural methods. However, for such interest to be sustained and create jobs as well as food security, the sector must become a viable source of income and provide good economic prospects.

7. Lack of Market Access and Links within Country and Region: Increasing market access for produce at the country, regional and continental levels, requires improved policies and infrastructure and expanding the communications infrastructure, particularly in terms of mobile connectivity and Internet access. There is also need for greater partnership between the government and the private sector, particularly Internet service providers and large telecommunication companies to lower service costs and expand the coverage of such services.

Table 1
Linkages of Drivers of Fragility and Design Responsiveness

Key Project Areas Linked to Addressing Root causes of Fragility as Identified in Qualitative Fragility Assessment and Youth Study for Madagascar and Knowledge of the Project Area		
Driver of Fragility	Downside risks stemming from the root causes of fragility	Proposed Project interventions
High youth unemployment and underemployment:	<ul style="list-style-type: none"> (a) Social instability (b) Increased insecurity (c) Potential for violence and conflict if youths not gainfully engaged over long periods of time (d) Lost productivity from youth demographic which forms the highest portion of the population 	Component 2: Development of youth entrepreneurship in agribusiness
Lack of entrepreneurial skills in agribusiness	<ul style="list-style-type: none"> (a) Low sustainability of enterprises that are set up (b) Inability for enterprises set up to grow and employ more people 	Component 2: Development of youth entrepreneurship in agribusiness
Highly informal Business/Agribusiness sector:	<ul style="list-style-type: none"> a) Limited recognition or support to micro-enterprises (b) Limited capacity for enterprises to grow and create more jobs (c) Reduced prospects for state income from what would otherwise be viable formal businesses 	Component 1: Creating an enabling environment for the development of youth entrepreneurship in Agriculture and Agro-Industry
Lack of access to finance or seed capital to promote entrepreneurship	<ul style="list-style-type: none"> (a) inability of youths and women to start or sustain enterprises (b) small enterprises forced to access very expensive alternatives with limited security for the sustainability of their business if they are unable to pay (c) continuing challenge to use entrepreneurship as a solution to youth unemployment 	Component 3: Financing and installation of young agripreneurs
Poor land tenure security and difficulty of access to land	<ul style="list-style-type: none"> (a) Poor land tenure security (b) Inability for youths to secure land access 	Component 1: Creating an enabling environment for the development of youth entrepreneurship in Agriculture and Agro-Industry
Use of unconventional farming methods, climate change	<ul style="list-style-type: none"> (a) Low agricultural output (b) Low utilization of land (c) Low incomes from agriculture (d) Vulnerability of farming to climate change-related challenges such as drought due to overdependence on rain fed agriculture 	Component 1: Creating an enabling environment for the development of youth entrepreneurship in Agriculture and Agro-Industry

	(e) Limited food security	
Lack of market access and links within country and region	(a) Lack of agricultural diversification (b) Limited agricultural value chains owing to lack of access to markets for potential agricultural products along the value chain	Component 3: Financing and installation of young agripreneurs

Assessment Conclusion

The project does not cover fragility or specific fragility indicators for monitoring and evaluation, but the design has duly incorporated the key fragility drivers. The Monitoring and Evaluation budget has taken into account the cost of monitoring the implementation of the related interventions. Follow-up will be made to ensure actions are taken on implementing these activities.

Appendix V- Map of Project Area

