



The World Bank

Madagascar Economic Transformation for Inclusive Growth (P174684)

Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 30-Apr-2021 | Report No: PIDA31154

**BASIC INFORMATION****A. Basic Project Data**

Country Madagascar	Project ID P174684	Project Name Madagascar Economic Transformation for Inclusive Growth	Parent Project ID (if any)
Region AFRICA EAST	Estimated Appraisal Date 29-Apr-2021	Estimated Board Date 22-Jun-2021	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s) Republic of Madagascar	Implementing Agency PIC National Project Secretariat	

Proposed Development Objective(s)

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

Components

Component 1: Attracting and Retaining Private Investment and Removing Key Constraints to Support Economic Recovery from the COVID19 crisis

Component 2: Removing Constraints to Private Investment and Enhancing Local Economic Competitiveness to Support Recovery in Target Regions and Target Sectors

Component 3: Supporting SMEs and Entrepreneurship Recovery and Growth in Target Sectors and Target Regions

Component 4: Project Implementation

Component 5: Contingent Emergency Response Component (CERC)

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

Total Project Cost	150.00
Total Financing	150.00
of which IBRD/IDA	150.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**



International Development Association (IDA)	150.00
IDA Credit	150.00

Environmental and Social Risk Classification

Substantial

Decision

The review did authorize the team to appraise and negotiate

Other Decision (as needed)

B. Introduction and Context

Country Context

1. The adverse economic effects of the COVID-19 crisis have been substantial and are expected to be felt well into 2021 and beyond, with the private sector bearing the brunt. Prior to the COVID-19 pandemic, the macroeconomic performance of Madagascar was on a robust trend, with real growth steadily accelerating to reach an estimated growth rate of 4.8 percent in 2019, its fastest pace in over a decade. However, the shutdown of export markets, protracted travel disruptions, and constraints on domestic supply chains arising from containment measures have resulted in the first economic recession since the 2009 crisis, with gross domestic product (GDP) predicted to contract by at least 4.2 percent in 2020. If the pandemic does not worsen, growth is projected at 2 percent in 2021. This modest recovery, however, will be insufficient to make up for the contraction in 2020 and will result in GDP per capita falling to its lowest level in over a decade¹. The private sector has been strongly affected by the economic crisis created by the pandemic: in a survey conducted between June and July of 2020, 96.7 percent of surveyed companies declared a contraction in demand, while 90 percent experienced a decrease in production levels². Around 32 percent of formal companies surveyed are estimated to have closed their doors, at least temporarily³. The impact on the labor market has also been significant, with total employment falling by about 7.7 percent in the first half of 2020. Surveys show that almost two-thirds of households have reported a loss of earnings since the start of the crisis.

2. SMEs have been particularly affected by the crisis in all three project sectors (tourism, agribusiness, digital). While all firms have been impacted by the economic slowdown, its intensity has been primarily differentiated by size. The INSTAT survey showed that SMEs whose turnover was in the 200M to 4BN Ariary (roughly USD 55K – 1.1M) range experienced the biggest revenue contraction, (51.2 percent on average), and have also been shedding the most jobs, while large firms were able to essentially preserve employment levels. Also, women-led firms have been particularly hard-hit⁴. Notwithstanding this negative performance across the board, a recent analysis found that SMEs who had a stronger digital presence have been better able to ensure continuity of their activities and perhaps as a consequence, protect jobs⁵. The impact of the economic shock has

1 From SCD concept note, February 2021

2 INSTAT, Impact de la COVID-19 sur les activités des entreprises, August 2020.

3 See Annex 4 for sectoral overviews of COVID-19 impacts.

4 INSTAT, Impact de la COVID-19 sur les activités des entreprises, August 2020.

5 Moreover, in addition to teleworking arrangements, about 8 percent of businesses appear to have seized the opportunity of the pandemic to increase the utilization or integrate digital solutions in their work processes. MEF/INSTAT, Impact de la COVID-19 sur les activités des entreprises, August 2020.



also been differentiated by sector, with the tourism and agribusiness industries particularly hard hit by the collapse in demand and the interruption of intra-regional transport, respectively. The crisis has not spared the digital sector though, with digital SMEs with clients in Europe particularly hard hit. The Madagascar Integrated Growth Poles and Corridor SOP-2 Project (PIC2.2, P164536) and the PIC2.2 CERC short-term COVID response activities are tackling the most immediate emergency responses to the pandemic (financial support to private sector, reskilling, etc.).⁶

3. The country's historically difficult economic policy environment, which limits the ability to attract foreign capital and unlock local private investment, is being further constrained by the COVID-19-related economic crisis. Prior to the pandemic, foreign direct investment and private investment had decreased from the highs of the 2009-12 period, stagnating over the last three years. This performance may be partially explained by a business environment that continues to be challenging, with continued limited momentum for pushing through reforms⁷, as illustrated by the stagnation in the country's Doing Business score over the past three years. Madagascar has consistently ranked at the lower end of international rankings such as the World Economic Forum's Global Competitiveness Index (121th position out of 137 countries in 2017-2018, and an average 125th rank over 2007-2018), the Doing Business ranking (161th position out of 190 in 2020), and the Global Competitiveness Report (132 out of 141 countries in 2019). Challenges for the private sector range from weak governance, insufficient financing, lack of skills, and poor infrastructure. Consequently, domestic investment by nationals has been carried out by the few able to mobilize their own financing and withstand or even benefit from the unsupportive environment⁸. Increasing both domestic and foreign private investment will be key to the recovery from the pandemic and addressing the structural challenges the country faces will need to be prioritized, given that global competition for investment will likely be intense.

Sectoral and Institutional Context

4. The agriculture and agro-processing sector, which plays a crucial role for employment, growth and poverty reduction, has been strongly affected by the consequences of the COVID-19 pandemic. Prior to the crisis, the agriculture sector (including livestock and fisheries) represented 23.2 percent of national GDP and nearly 64 percent of employment, while accounting for 40 percent of total export earnings, of which around 50 percent coming from vanilla proceeds. Importantly, the sector's contribution to growth was still modest compared to other low-income countries, suggesting a significant dormant potential⁹. Creating earnings opportunities in activities at the periphery of basic agriculture therefore holds great promise for poverty reduction in Madagascar. In recognition of this crucial role for development, the government has set ambitious goals for the sector at large in its draft Plan Emergence Madagascar (PEM), including to expand the range of agribusiness activities to respond to local, regional and international market demand. While self-subsistence farming activities have likely helped cushion the social consequences of the crisis, agribusiness exports have decreased by 8 percent over pre-COVID-19 levels¹⁰ as a direct consequence of the shutdown of foreign markets, negatively impacting the economic outlook. The situation has negatively impacted local agribusinesses activities and farmers' revenues. Nevertheless, the COVID-19 context has also highlighted new opportunities with the introduction of ad hoc approaches to digitalization of licensing procedures for example. Due to emerging market

⁶ PIC 2.2. and PIC 2.2. CERC (\$30mn) are tackling the immediate emergency response to the pandemic, through financial and technical assistance and training

⁷ Madagascar Country Private Sector Diagnostic, forthcoming.

⁸ By taking advantage of bad roads to develop local monopolies for example

⁹ World Development Indicators (WDI) database, 2020.

¹⁰ Calculations from Service des Douanes Statistics.



trends around sustainability, health and climate concerns, some value chain segments such as the essential oils for phytotherapy have also registered increased demand. Demand for product traceability is increasing.

5. The tourism sector, a key source of job creation and multiplier effects, has been devastated by global and national border closures, travel restrictions and domestic confinement measures. Recent analytical work by the Bank (CPSD, CEM) highlights tourism, along with the agribusiness and digital sectors, as having some of the best prospects for promoting private investment and job creation in the country. Prior to the crisis, the sector accounted for approximately 44,000 direct and 300,000 indirect jobs. Globally, international arrivals were down by 74 percent in 2020 and by 64 percent in Sub-Saharan Africa.¹¹ Moreover, Madagascar's most important source markets are some of those most impacted by the pandemic and resulting travel restrictions: France, Italy, and Europe in general. The impact on tourism enterprises has been severe: in June/July 2020, operators already reported an average decline in tourism sales revenue of more than 90 percent, and around 10 percent reported selling some of their assets to maintain cash flow – more than for any other sector.¹² Recent data from the private sector suggests that 88 percent of direct tourism employees have been subjected to "chômage technique", with only the most essential staff kept on.¹³ While government support measures have been welcomed by the private sector, their effectiveness has been limited due to, inter alia, complex eligibility criteria and application processes, and insufficient cash flow to cover even deferred tax and other payments. However, visitation levels following the initial reopening of the border in Nosy Be in October 2020 indicate some latent demand that can be leveraged during the recovery period.

6. While still nascent, the digital sector has been rapidly expanding since 2015, but has also been affected by the pandemic. Bolstered by entrepreneurial stakeholders, Madagascar has made noticeable advances in the digital economy. Thanks to private sector investments in fiber optics, Madagascar has become the country with the fastest broadband internet download speed in Sub-Saharan Africa¹⁴. Internet usage has been rapidly progressing, reaching 10 percent of the population in 2019, up from 0.65 percent a decade ago¹⁵. Consequently, the country is increasingly becoming a prime destination for technology intensive business process outsourcing (BPO) companies, providing telecom and data processing services to major international businesses such as Air France, Amazon and Deliveroo. While currently generating a revenue estimated at US\$ 440 million (about 3 percent of GDP) with a labor force of about 22,600 people¹⁶, the digital sector was expected to grow significantly, with the BPO sub-sector potentially employing up to 100,000 people by 2030¹⁷. However, the digital sector overall has also been affected by the COVID-19 pandemic. A recent survey of the digital sector, indicates that 81 percent of digital sector companies, which consists mainly of SMEs, have seen revenue decrease since the onset of the pandemic: almost half stating a decrease between 25 and 50 percent, and a third estimating they will be downsizing on staffing by 25 to 50 percent, linked mainly to their export market (Europe) and to the

¹¹ UNWTO, Tourism Recovery Tracker, February 2021.

¹² INSTAT BPS first wave.

¹³ Confédération du Tourisme de Madagascar, Etat des lieux de l'industrie touristique regroupée au sein de la CTM (mars-décembre 2020).

¹⁴ Madagascar was linked up to the East Africa, Submarin System (EASSy), a submarine Fibre Optic cable connecting Sudan to South Africa. At 24.9 megabits per second, Madagascar's broadband speed is now more than twice the global average. <https://www.cable.co.uk/broadband/speed/worldwide-speed-league/>, and now also the METISS cable linking it to Reunion Island, Mauritius, and South Africa

¹⁵ World Bank data (2019).

¹⁶ « Madagascar: Ecosystème numérique: cartographie et propositions de mesures d'atténuation des effets du COVID-19 et d'appui au secteur », EU Commission, November 2020.

¹⁷ CEM, 2019



firms' customers (SMEs which in Europe were particularly hard-hit). As economies in Europe vaccinate their populations and re-open, these opportunities are likely to resume.

7. Harmonizing and improving the investment policy and legal framework can support investment attraction and recovery. The institutional and regulatory framework of investment policy in Madagascar is fragmented¹⁸, mainly due to institutional overlap, capacity constraints, and implementation shortcomings. To support economic recovery, investment policies and regulations will require harmonization to mitigate investor uncertainty and encourage investment.

8. Before the COVID-19 crisis, access to finance and quality business development and support services were key constraints for Malagasy SMEs, hindering overall economic transformation and firm growth¹⁹. Lacking access to formal credit (Madagascar ranked 132 out of 190 countries on access to credit²⁰) many high-potential Malagasy MSMEs cannot grow sufficiently to develop economies of scale and create employment opportunities. Early stage access to funding is highly constrained. Financial support from the government at the earliest stage is virtually non-existent, apart from those provided through donor support. There is no structured angel network. Some programs have appeared for the later seed and growth stage funding²¹. These funders without exception note that Malagasy SMEs require sustained and substantial technical assistance, in the form of acceleration or incubation programs, specialized capacity building, business development services, or a combination of several of these interventions, which are currently very limited in the Malagasy context. Some new initiatives from larger players (Orange, Axian) have started in the slightly later stage of firm development, but they suffer from the weakness of the pipeline. Finally, support is currently almost exclusively geographically concentrated in Antananarivo, despite a recognized potential in other regions.

9. To support the COVID-19 economic recovery, unlock investment, and foster job creation in the three target sectors, some structural bottlenecks in terms of infrastructure and institutional capacities need to be tackled at the national and local levels. Addressing fundamental infrastructure and capacity challenges requires a set of integrated transversal and sectoral public interventions to resolve market failures and de-risk private investments. The capacity to attract additional investment—and to deal with its inherent challenges—requires some strengthening both in terms of sectoral expertise and in terms of government structures. Such capacity strengthening has already been applied successfully through previous phases of this Series of Projects (SOP) to lay the necessary foundations for growth in key agribusiness and tourism value chains.

10. Deficiencies in essential infrastructure and services constitute one of the most important binding constraints for all three sectors. According to the Global Competitiveness Index (2019), the quality of roads in Madagascar is rated 2.2 on a scale of 1 to 7, while air transport and port activity perform only slightly better at 3.2. Also, while road investment planning and maintenance are officially delegated to independent agencies, basic repair and maintenance work have fallen short due to poor planning and management, combined with resources misallocation. In 2012, half of the secondary roads and two thirds of the tertiary roads—which are critical to the development of the agricultural sector and the reduction of poverty in rural areas—were classified as in “bad condition”. Moreover, costly and erratic electricity supply has been found to be one of the most

¹⁸ Madagascar CPSD, forthcoming.

¹⁹ Other key challenges for the development of digital start-ups include infrastructure, such as cost of broadband, and energy provision, and the regulatory framework. See also Annex 6 for a detailed assessment of early stage access to finance

²⁰ 2020 Doing Business in Madagascar report.

²¹ Miarakap in 2017 on the equity side, with targeted ticket size of USD 30K-300K, Fiaro Venture Capital as a VC fund associated with the Orange Fab incubator, Investisseurs & Partenaires (I&P) for growth stage for USD 500K-3M ticket size.



serious obstacles to businesses, including those in the digital, tourism and agribusiness sectors – further to adversely affecting living conditions.

11. Regulatory impediments, technical capacity, and coordination gaps in line ministries and among other stakeholders represent additional challenges to further development of key economic sectors. Unclear separation of mandates of the various public institutions involved in supporting tourism, agribusiness and more generally industry and commerce complicates strategic planning and governance. In the tourism sector, regulatory and fiscal structures and costs, and related issues with their application, both encourage informal rather than formal activities and hinder the attraction of investment. A lack of accurate sectoral data and monitoring capacity limits the evidence base for planning and investment outreach needed to support the sector. Weakness of agricultural extension services and essential support services such as quality control, traceability, sanitary and phytosanitary standards, as well as agrologistics such as storage facilities, adds to sector challenges. In addition, regulatory obstacles to competition hinder entry, adversely impacting market dynamics²², while unclear rules of the games such as discretionary licensing procedures affect the overall competitiveness of the agribusiness sector.

12. Government capacity to deal with increased investments and associated demand for public services needs to be strengthened. Experiences from PIC 2.1 and PIC 2.2 have demonstrated that local governments with strengthened institutional capacity that actively participate in decision-making and implementation of local investments show enhanced outcomes, better coordination and higher sustainability of impacts. Further, the focus on ensuring that national government capacity is built will also provide a greater chance for sustainability of the reforms and initiatives supported by the project.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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

Key Results

14. Three indicators will be used to assess the project's progress towards the achievement of the PDO:

- i. Percentage Increase in revenue growth of firms supported by the project in target regions
 - Of which female-led and owned
- ii. Number of new jobs by firms supported by the project in target regions
 - Of which female

D. Project Description

15. This project will have the following five (5) components:

16. Component 1: "Attracting and Retaining Private Investment and Removing Key Constraints to Support Economic Recovery from the COVID19 crisis". The objective of this component is to support policy, administrative and regulatory reforms that will facilitate investments and business operations in Madagascar, essential for a rapid economic recovery. Given the uncertainty around the COVID-19 pandemic and to ensure

²² For instance, in the lychee value chain, the largest players, concentrated in the eastern part of the country, are colluding to deter new players in the southern region from entering the market (e.g., by effectively enforcing export quotas).



swift recovery, this component will support the Government of Madagascar to implement investor retention mechanism, and overall and sector-specific investment promotion strategy. The component will also focus on the operationalization of reforms to facilitate business entry and operations. It will focus on streamlining, automating, and making more transparent the interactions between government institutions and businesses, as related to registration of firms, and obtaining of licenses, permits, approvals and other key documents needed for a business to operate in Madagascar. It will also support building the capacity of key public sector ministries and agencies, and of key private sector entities to ensure an effective implementation and sustainability of these reforms.

17. Component 2: "Removing Constraints to Private Investment and Enhancing Local Economic Competitiveness to Support Recovery in Target Regions and Target Sectors". This objective of this component is to facilitate local private sector growth through targeted investments in the regions in local human capital, institutional capacity, and infrastructure investments, as a continuation of similar activities undertaken under the PIC2-2. It will support the strengthening of sector capacity in tourism and agribusiness to facilitate recovery and increase competitiveness in the project's target regions. It will also support targeted TA, equipment and investing in/leveraging private investment in small-scale, local infrastructure in support of the project's target sectors. It will also support local governments to strengthen the capacity of Decentralized Territorial Local Authorities (DTLA) to catalyze economic development at the local level.

18. Component 3: " Supporting SMEs and Entrepreneurship Recovery and Growth in Target Sectors and Target Regions " The objective of this third component is to strengthen the capabilities and "COVID-19 recovery" growth opportunities of agribusiness, tourism and digital SMEs and entrepreneurs in the project's target regions through the provision of financial and non-financial support. It will consist of both direct support to Start-ups and SMEs in target sectors and regions through three windows: (i) Start-up / Early stage (Window 1); (ii) Pilot Scale-up stage (Window 2); (iii) Growth stage Catalytic Grants (Window 3), based on the maturity and growth stages of the firms. It will also seek to leverage additional capital and investment support, through the piloting of a co-investment mechanism. Finally, the component will provide indirect support to firms, through strengthening the quality of the organizations providing support to entrepreneurs and SMEs, including in the Analamanga region for digital SMEs, thus also building the sustainability and reach of the overall program over the medium-term.

19. Component 4: Project Implementation. This component will finance the PIU and allow it to implement the project, comply with fiduciary rules and the environmental and social framework, and fulfill monitoring and evaluation (M&E) commitments.

20. Component 5: Contingent Emergency Response Component (CERC). This "zero-dollar" component will provide as needed immediate assistance in response to an eligible crisis or emergency that causes a major disaster.

Legal Operational Policies

Triggered?

Projects on International Waterways OP 7.50

No

Projects in Disputed Areas OP 7.60

No



Summary of Assessment of Environmental and Social Risks and Impacts

The environmental and social risk classification (ESRC) is substantial in line with the World Bank ESF. The relevant standards that have been identified during the through the environmental and social risk screening at concept stage of the project are: ESS1: Assessment and Management of Environmental and Social Risks and Impacts; ESS2:Labor and Working Conditions; ESS3: Resource Efficiency and Pollution Prevention and Management; ESS4: Community Health and Safety; ESS5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement; ESS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources; ESS8: Cultural heritage ESS10: Stakeholder Engagement and Information Disclosure. The relevance of ESS 9: Financial intermediary should be further assessed during project appraisal.

Environmental risks and impact. It is expected that the project activities will essentially have positive socio-economic impacts, create short-term employment opportunities. Based on the project activities the potential adverse risks and impacts on human populations and/or the environment are not likely to be significant and will be site specific.
Social risks and impact. No irreversible social risks related to land access, or cultural heritage will be expected. No physical displacement is expected for the project, however there will be a risk of land acquisition, temporary displacement in relation to infrastructures and livelihood opportunities activities. The project should also deal with potential labor conditions and possible GBV/SEA risks under component 2. Therefore, the GBV risk assessment tool has been applied to the project and the risk rating is substantial. The necessary activities for risk mitigation as recommended in the Good Practice Note will be applied during preparation and implementation. The current Project Management Unit (PMU) has some capacity or experience on applying the Environmental and Social Framework (ESF) and training is envisaged for capacity building.

Mitigation and Risk management. To limit these risks, the project needs to develop and to disclose by appraisal (i) an Environmental and Social Commitment Plan (ESCP), (ii) an Environmental and Social Management Framework (ESMF), (iii) an Integrated Pesticide Management Plan (IPMP) and an electrical waste of electronic equipment (EWEE); (iv) a Resettlement Framework (RF); (v) a Stakeholder Engagement Plan (SEP) including GM; (vi) Labor Management Procedures (LMP) including workers GM.

Safeguard monitoring. The M&E system of the project will include monitoring of ESS impacts and measures. The PIU as the implementing agency for the project, with the guidance of its environmental and social safeguard and with support of World bank safeguard team, will be responsible for the preparation, of the relevant ESA documents, or other appropriate safeguards tools. Monitoring checklists will be prepared based on the mitigation plans.

Environmental and Social Standards resources. The project should include satisfactory calendar, budget, related to safeguard policies. Costs related to ESS measures should be included in the project cost.

E. Implementation

Institutional and Implementation Arrangements

21. Ministry of Economy and Finance. The Borrower will be the Republic of Madagascar, represented by the Ministry in charge of Economy and Finance. As the Borrower's representative, this Ministry's key responsibilities



under the project will be to ensure that the executing Ministries carry out their responsibilities in accordance with the terms of the Financing Agreement (FA).

22. Project Steering Committee. The Ministry in charge of Economy and Finance will chair the Project Steering Committee and the PIU will report to the Minister in charge of Economy and Finance. Given the multi-sectoral approach and multi-region scope of the project, the project will be overseen by a Project Steering Committee. The Steering Committee is charged with defining the strategic orientation of the project and mobilizing technical and financing partners as well as Ministries, public sector entities and the private sector in terms of technical and financial support to the project. The Steering Committee will meet at least once every 12 months to perform a strategic review of Project Progress Reports, validate yearly reports, annual work plans and budgets (PTBA – by November each year) and provide oversight and support for effective project implementation. The Committee will consist of high-level representatives of relevant Ministries in charge of Agriculture and rural development, Tourism, Commerce, Telecoms, Post and Digital Development, Spatial Planning, Housing, and Public Works, Decentralization, and Water, that will liaise with their respective Minister on a regular basis, and will be chaired by the Ministry in charge of Economy and Finance.

23. The Technical Committee. The Technical Committee, comprising of focal points designated from each of the Technical Implementing Ministries and Agencies as represented in the project's steering committee, will provide strategic, facilitative, and problem solving support to the project, with discussions led by the Project Coordinator. The project's technical committee focal points will meet regularly with the PIU and the World Bank to discuss implementation progress and any issues needing attention, as a continuation of arrangements under PIC2.2.

24. The project PIU, based in Antananarivo, whose core staff will remain in place overseeing the continued execution of PIC2.2, will reinforce their team to be supported at the technical level by expert advisors, and will be responsible for project implementation and management of all components. The PIU will be responsible for overseeing the flow of project funds for each component and sub-component, M&E, management of the various windows of SME and Entrepreneurship support (through a reinforced dedicated Implementation Unit), and ensuring project reporting between agencies, the PIU and the Ministry in charge of Economy and Finance. The PIU will report regularly to and seek guidance from the Steering Committee on strategic aspects of the project and attend the monthly meetings.

25. Decentralized Technical Units in Diana, Atsimo-Andrefana, Anosy, Sainte Marie, and for the East Coast, consisting of specialists in the fields covered by the project in each region will act as regional focal points, overseeing implementation and leading and reporting on dialogue with local stakeholders. The Analamanga region will be covered by the central PIU (based in Antananarivo). Key decentralized technical units and corresponding regional technical staff already in place under PIC2.2 will remain in place.

26. SME and Entrepreneurship (SEU) Implementation Sub-unit. The SEU implementation sub-unit will be strengthened to oversee ongoing implementation of PIC2.2 MBIF Activities, and implementation of PIC3 Component 3 activities (windows 1, 2 and 3). The team managing the SME and Entrepreneurship Sub-unit (SEU) will consist of a Coordinator, and at least one FM specialist, procurement specialist, private sector specialists including with relevant experience in entrepreneurship, operations, and an M&E specialist. A designated SME specialist will be in each of the PIU decentralized units.



27. The **Regional Validation Committees** (Comités de Validation Régionaux or CVR) ensure the coherence of the entrepreneurship and SME program with the regional and national economic context and priorities and maximize transparency in the screening and selection of applications. The Committees will be responsible for reviewing and validating recommendations on grant proposals that have been previously appraised by the Implementation Unit. The PIM will contain a detailed explanation of the role of the CVR. The Regional Validation Committees for the new project areas should be established no later than twelve months after the Effective Date.

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**APPROVAL**

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