



The World Bank Group in Madagascar, Fiscal Years 2007–21

Country Program Evaluation



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Abbreviations

ASA	advisory services and analytics
CAS	Country Assistance Strategy
COVID-19	coronavirus
CPF	Country Partnership Framework
CSO	civil society organization
DPO	development policy operation
EP3	Third Environment Program Support Project
EU	European Union
FY	fiscal year
GBV	gender-based violence
GDP	gross domestic product
GPSA	Global Partnership for Social Accountability
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
ISN	Interim Strategy Note
JIRAMA	Jiro sy Rano Malagasy
MIGA	Multilateral Investment Guarantee Agency
NGO	nongovernmental organization
OP	Operational Policy
SAHA	Soa Afafy Hampahomby ny ho Avy
SCD	Systematic Country Diagnostic
SOE	state-owned enterprise
TAA	Turn Around Allocation

All dollar amounts are US dollars unless otherwise indicated.

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Overview

World Bank Group support to Madagascar between fiscal years 2007 and 2021 was increasingly relevant to the country's core development constraints of elite capture (or state institutions being run to the personal benefit of a few high-status individuals), weak governance (including inadequate public financial management), limited access to basic infrastructure and services (particularly in rural areas), and declining human capital. The three Bank Group-supported country strategies over the evaluation period adapted in response to significant changes in Madagascar, including, critically, the disruptive political crisis (2009–14) and, more broadly, the country's fragility and evolving political economy and governance constraints. These included the interruption of the Country Assistance Strategy (fiscal years 2007–11) because of the 2009 coup and the resulting triggering of the Bank Group's Operational Policy 7.30 on dealing with de facto governments.

Adaptation was supported by analytical work focused on identifying and understanding the political economy and governance constraints affecting the portfolio. This led the World Bank to a partial pivot in its operational engagements to the local level that entailed moving from a centralized, top-down approach to a more bottom-up approach that prioritized reinforcing the capacity of local administrations to deliver services and manage revenue in a more transparent and accountable way. The partial pivot contributed to more effective implementation of several projects.

Substantial additional financing through the International Development Association's Fragility, Conflict, and Violence Envelope allowed the Bank Group to help Madagascar avert a potential social and economic crisis through a series of development policy operations. The significant International Development Association top-up from the Turn Around Allocation (previously the Turn Around Regime) helped leverage the commitment of the Malagasy government while also providing a platform for dialogue with development partners. It also helped the World Bank more directly address issues of the use of public resources for the benefit of a few high-status individuals and of weak institutions by recalibrating its portfolio to better

support a pathway out of fragility. The country ended up making moderate to substantial progress toward the bulk of objectives set forth as part of the Turn Around Allocation.

The World Bank contributed to progress in some aspects of governance in Madagascar as it adapted its approach over the evaluation period. First, it helped reverse the declines in transparency, accountability, and participation that occurred during the 2009–14 political crisis, particularly by supporting fiscal and corporate transparency, social accountability mechanisms at the local level, and accountability institutions. World Bank support was crucial to building the capacity of the nongovernmental organization Soa Afafy Hampahomby ny ho Avy and its civil society organization partners, which have become an important source of external oversight of the government, helping to increase citizen participation in the elaboration of local action plans, implementing participatory budgeting, and advocating for transparency of resource allocations to communes. Second, World Bank support contributed to modernizing the country’s tax and customs revenue administrations, improving revenue collection (particularly from natural resources), and generating local revenues. Third, World Bank support to public expenditure management contributed to reductions in subsidies and nonpriority expenditures, although in some cases, progress was not sustained or fell short of targets. Fourth, World Bank support contributed to improved sub-national public financial management and decentralized management of natural resources and land certificates, increasing the fiscal autonomy of local governments through grants from the Local Development Fund (Fonds de Développement Local).

Overall progress on governance was hampered by the World Bank’s limited success in designing interventions to avoid misuse by elites. Some prior actions were reversed as a result of pressure from vested interests (as well as limited institutional capacity, a lack of strong political commitment, and changes in government personnel), and accountability institutions were undermined. World Bank support was not successful at significantly reducing high tax expenditures, and several fiscal transparency measures supported by the World Bank were either not fully implemented or did not help reduce costly and unproductive tax expenditures and exemptions. Vested interests undermined progress toward improving the financial and operational

performance of key state-owned enterprises, such as Jiro sy Rano Malagasy. Although the World Bank’s efforts to improve performance by Jiro sy Rano Malagasy have contributed to the reduction of total electricity losses and interruptions in electricity service, the utility’s costs have continued to rise. Regarding support to the country’s decentralization agenda, although the World Bank contributed to advances in the decentralized management of resources, little progress was made on the transfer of responsibilities, competencies, or resources from central to local governments.

The Bank Group had a limited but positive impact on rural development over the evaluation period. Support contributed to short-term increases in agricultural production and greater food security. Cash transfers and productive safety nets continue to mitigate the impacts of various shocks on the living conditions of Madagascar’s most vulnerable populations. The Bank Group also contributed to the development of value chains, including for cocoa, cotton, seaweed, lychees, and vanilla, as part of an integrated regional approach focusing on geographical areas with high growth potential. Although limited in scope, targeted project areas saw reductions in the stunted growth of children, increases in school enrollments, and the expansion of a social protection system that proved crucial in helping the government respond to the coronavirus (COVID-19) crisis.

However, Bank Group support to rural development was less successful in reducing rural poverty. Support for increased agricultural productivity through improved technology tended to overestimate farmer capacity. Productivity increased in the aggregate, but selective adoption of new technologies meant that the overall increase in productivity was lower than expected. Support to the environment fell short of achieving its objectives because it did not provide sufficient incentives for farmers in the forest frontier to change their land use practices.

The following lessons are offered for consideration in future World Bank engagement in Madagascar and may be of relevance to countries facing similar challenges:

1. The World Bank had some success in identifying and analyzing political and governance risks, but less in operationalizing its findings. Although the World Bank was able to tackle some political economy constraints

through disbursement-linked indicators and recalibration of the Country Partnership Framework to directly address fragility drivers, project design sometimes fell short with respect to political risk mitigation. In some cases, this undermined results and may have helped contribute to unintended consequences, such as weakening the authority of the independent anti-corruption court (Pôles Anti-Corruption) by supporting the establishment of a separate court dedicated to trying high-profile politicians.

2. Given significant reversal of reforms supported by development policy operations in the face of elite capture in Madagascar, the World Bank may want to (i) strengthen how it assesses whether the conditions for budget support operations are adequate, (ii) more clearly identify the risks to sustainability, and (iii) better articulate risk mitigation strategies. Vested interests in Madagascar were often successful at undermining reform efforts, particularly as they related to increasing the transparency of tax expenditures and improving governance in the energy sector, suggesting the need to better tailor project design to the challenging context.
3. Strengthening the World Bank's engagement with civil society organizations to a more collaborative one could help achieve a greater level of accountability in a context such as that of Madagascar with weak checks and balances. The results of the World Bank's sustained but limited support to civil society organizations (coordinated through the nongovernmental organization Soa Afafy Hampahomby ny ho Avy) to improve social accountability mechanisms demonstrate the potential value added of supporting civil society on a larger scale. Increased collaboration could also make the World Bank more aware of unintended consequences for homegrown anticorruption initiatives.
4. Addressing longer-term development in rural areas requires adapting support to the needs of Malagasy smallholders and smallholder production systems. The World Bank-supported strategy to improve agricultural productivity largely focused on yield per hectare, which did not fully consider the high vulnerability and low investment capacity of Malagasy smallholders or their preference for diversification over specialization. For example, World Bank support that introduced new technologies insufficiently considered that most smallholders are constrained by poverty and

are not able to adopt new techniques that require additional investments. Indeed, the World Bank Group's agribusiness interventions supporting value chains largely benefited medium- to large-scale clients, as smallholders did not have the capacity to take advantage of new markets. This reflects a more general finding that poverty traps are not conducive to risk taking or delayed benefits, which are often necessary when adopting new technologies.

5. The World Bank worked best in Madagascar's rural areas when it coordinated across sectors—a lesson adopted and reflected in the current portfolio. Addressing natural resource management in Madagascar required complementary support across sectors. As an example, the World Bank's decision not to deliver some forms of complementary assistance to support local community livelihoods had a negative impact on its forest management activities. Although there are often impediments and disincentives to coordination within both government and the World Bank, sectoral coordination, when it occurred (from the ministerial to the community level), fostered more sustainable gains in rural areas.

1 | Background and Country Context

This Country Program Evaluation assesses the development effectiveness of the World Bank Group's engagement in Madagascar between fiscal years (FY)07 and FY21. More specifically, it seeks to assess the extent to which the Bank Group's engagement in Madagascar was relevant to the country's development needs, evolved appropriately to changing circumstances and experience gained, and contributed to addressing Madagascar's main development challenges. The evaluation distills lessons from Bank Group experience to inform future engagement in Madagascar.

The evaluation drills down on two themes of particular relevance to Madagascar's development: (i) weak governance (because of limited rule of law and the biased use of public resources for the benefit of a few high-status individuals [referred to in this report as "elite capture"¹]) and (ii) limited development in rural areas. The two themes represent major binding constraints on Madagascar's development and are similar to those identified in the Bank Group's 2015 Systematic Country Diagnostic (SCD).² In analyzing these themes, the evaluation answers the following questions: How successful was the Bank Group in improving governance in Madagascar? How successful was the Bank Group in fostering development in Madagascar's rural areas?

Country Context

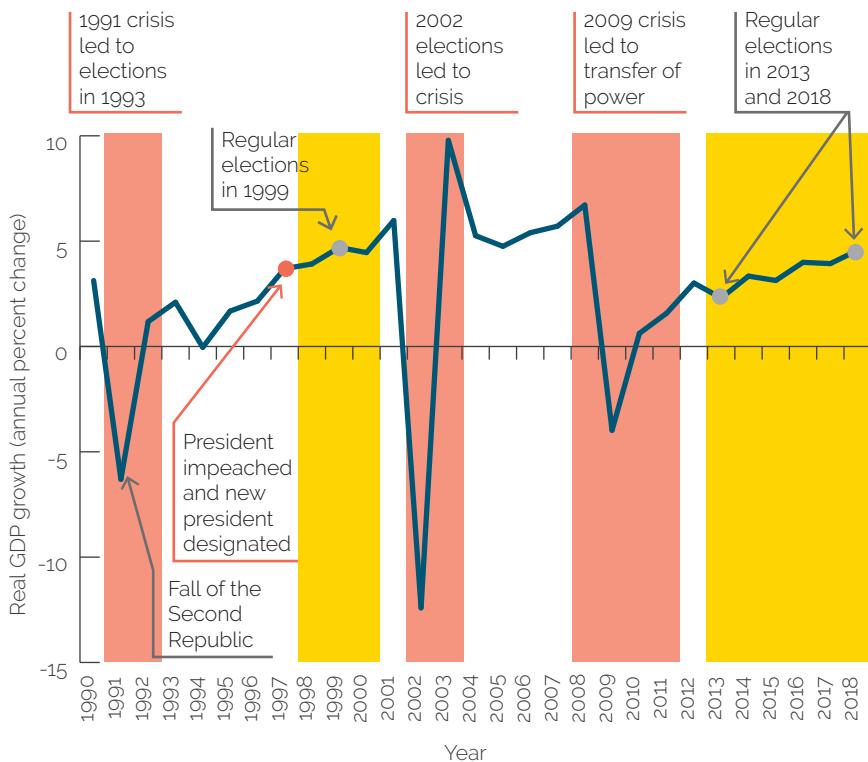
Despite Madagascar's significant natural wealth, it is one of the poorest countries in Sub-Saharan Africa and one of only seven countries with lower real per capita income today than in 1960. Madagascar is an island rich with biodiversity and natural assets, including agricultural lands, forest areas, coastline, and precious minerals. Despite periods of economic growth, natural resource wealth, and relatively slow population growth, the average Malagasy is poorer today than in 2007: in 2019, about 78 percent of the population lived on less than \$1.90 a day (at purchasing power parity; World Bank 2020b). Average annual gross domestic product (GDP) growth was 2.4 percent over the past decade, reaching 4.4 percent in 2019, before

contracting by an estimated 6.1 percent in 2020 as a result of the coronavirus (COVID-19) pandemic.

Political crises have destabilized the country and reversed economic growth trends (figure 1.1). Since independence, the country has experienced four major political crises, with the last (2009–14) bringing about a 4 percent contraction in GDP, the temporary suspension of most donor assistance, and the deterioration of numerous development indicators (ICG 2014).³ Political instability from unconstitutional regime changes undermined investor confidence, limited access to finance, and curtailed tourism (one of the country’s main industries). During the 2009–14 political crisis, income per capita fell, the poverty rate increased by 10 points, public finances deteriorated, the number of out-of-school children increased by 53 percent, child malnutrition increased in some areas by 50 percent, and several health-care centers closed because of lack of funding (World Bank 2013a, 2021e). Foreign aid dropped by approximately 30 percent, as many donors looked to the World Bank for signals to reinstate development assistance (World Bank 2013a). Following the return to constitutional order in 2014, growth returned slowly. Madagascar has also experienced several other significant exogenous shocks, including droughts, cyclones, locusts, and the COVID-19 pandemic. These shocks also impacted Madagascar’s economic and social indicators (table 1.1).

Poverty is predominantly and increasingly a rural problem in Madagascar. Poverty is concentrated in rural areas, where about 80 percent of Madagascar’s population lives (figure 1.2). Urban poverty is decreasing, whereas rural poverty is increasing. Between 2005 and 2012, the urban poverty rate fell from 41 percent to 30 percent. Over the same period, the rural poverty rate increased from 77 percent to 80 percent (World Bank 2016d). Social indicators associated with poverty are also worse in rural areas: infant mortality rates are higher, life expectancy is shorter, illiteracy is more widespread, malnutrition is more prevalent, and access to services (such as clean water, improved sanitation services, and electricity) is disproportionately lower (World Bank 2014a, 2014c). Less than 1 percent of the rural population had access to electricity in 2018, compared with 70 percent of the urban population.

Figure 1.1. Impact of Political Instability on Economic Growth



Source: International Monetary Fund 2020a.

Note: Orange bars denote negative real GDP growth; yellow bars denote positive real GDP growth. GDP = gross domestic product.

Subsistence farming and repeated natural disasters have both contributed to keeping rural poverty rates high. The agriculture sector is the main source of income in rural areas and employs an estimated 75 percent of the workforce, the majority of which is engaged in low-income subsistence farming. Agricultural productivity is low, with output per worker in the sector having declined by 33 percent between 1992 and 2015, in part due to low uptake of improved technologies and practices. Natural disasters are estimated to cost the economy 1 percent of GDP each year. These shocks are particularly damaging to rural and agriculture-based activities because of high dependence on rain-fed agriculture, chronic food insecurity, physical isolation, and the lack of access to social safety nets.

Table 1.1. Key Economic and Social Indicators, Madagascar, 2007–21

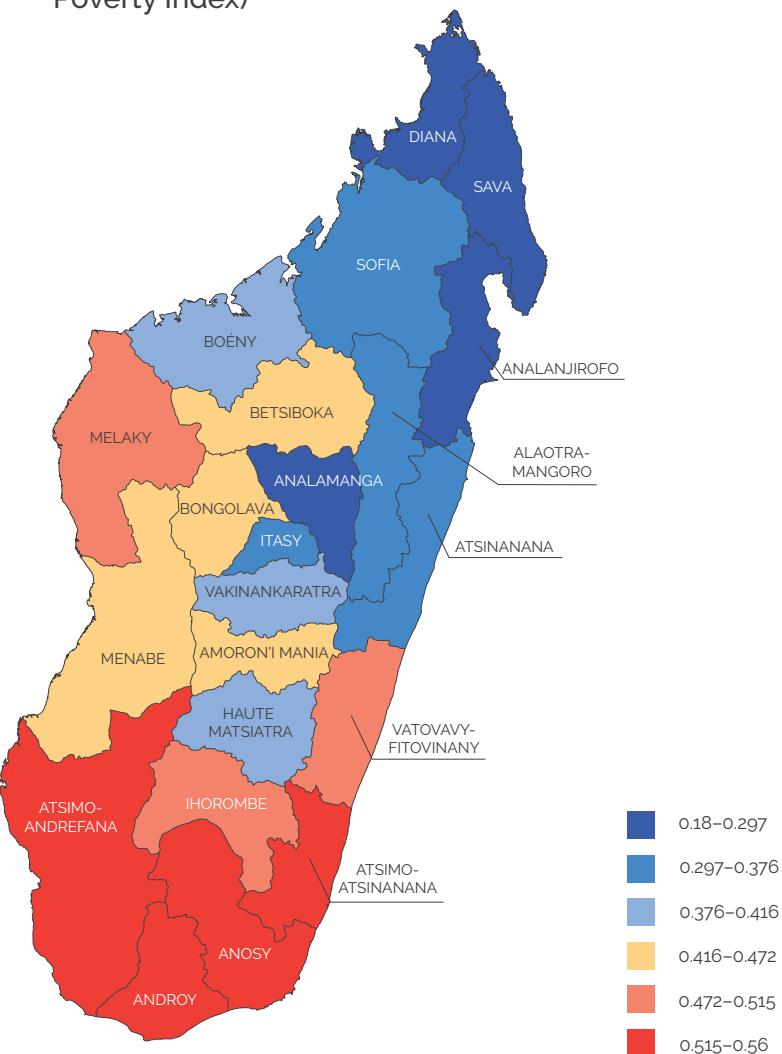
Indicator	2007	2009	2011	2013	2015	2017	2019	2021 ^a
GNI per capita, Atlas method (current US\$)	380	470	480	520	490	470	520	470
Net ODA received (percent of GNI)	10.6	4.6	3.9	4.1	6.2	6.1	5.6	—
Poverty headcount ratio at US\$1.90 a day (2011 PPP, percentage of population)	71.7 ^a	—	78.2 ^a	78.8 ^a	—	—	—	—
Population growth	2.9	2.8	2.8	2.7	2.7	2.7	2.7	2.6
Life expectancy at birth, total (years)	62.1	62.9	63.8	64.7	65.5	66.3	67.0	—
Mortality rate, infant (per 1,000 live births)	52.0	48.6	45.8	43.4	41.3	39.3	37.2	36.3
School enrollment, primary (percent, gross)	139.2	149.3	143.4	143.9	147.3	—	134.1	—
Prevalence of under-nourishment (percent of population)	30.5	30.3	28.3	33.1	40.2	42.3	43.2	—
Access to electricity (percent of population)	16.0	17.4	14.3	12.9	20.5	24.1	26.9	—

Source: World Development Indicators.

Note: GNI = gross national income; ODA = official development assistance; PPP = purchasing power parity; — = not available.

a. Estimates.

Figure 1.2. Distribution of Poverty in Madagascar (Multidimensional Poverty Index)



Source: Multidimensional Poverty Index, Oxford Poverty and Human Development Initiative, University of Oxford.

Note: The poverty index rating is shown for each region in Madagascar. In general, rates of poverty are lower in the north and higher in the south. Breakpoints: equal count using six-class classification.

Madagascar's Core Development Constraints

A review of analysis prepared by the World Bank and others points to four overarching development constraints affecting Madagascar over the evaluation period. These constraints are interrelated and, together, hamper economic development in Madagascar. Elite capture is both a cause and consequence of weak institutions and governance; limited provision of and

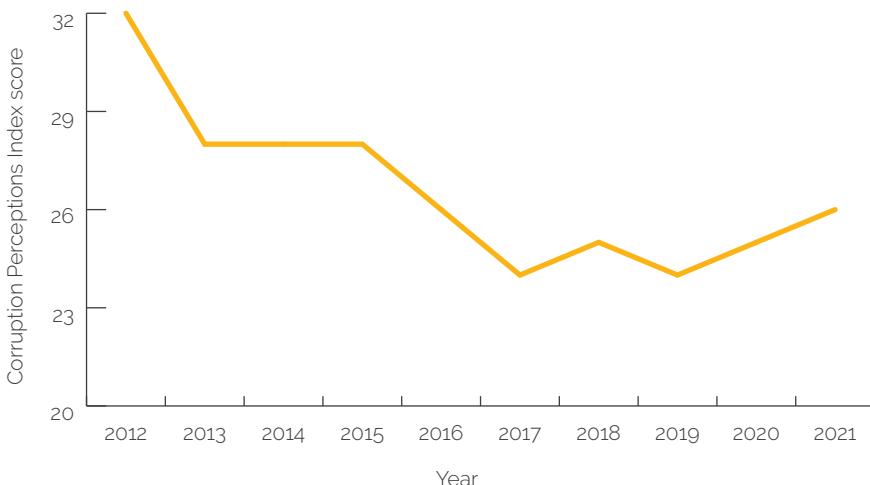
access to services in rural areas limits the establishment of a social contract and the development of human capital, making rural Malagasy less inclined to trust the government and less capable of taking advantage of opportunities to improve their livelihoods.

Elite Capture of State Institutions

Intra-elite competition for control of rents has fueled cycles of instability that have weakened state institutions and, when alliances shift, triggered political coups. This has had long-lasting negative impacts on the country's economic and social development. Elite capture in Madagascar takes many forms. According to the Bank Group (2021b, 7), it includes "privileged access to land and natural resources, public contracts and state-owned enterprises [SOEs], political immunity, and tax exemptions." This phenomenon is fueled by a long list of factors that have been extensively studied: extreme horizontal and vertical social fragmentation, extreme inequality, weak civil society, massive concentration of economic power in the hands of a few extended families ("les grandes familles"), the financing of political careers by economic elites, politicization of the military, a concentration of power in the presidency, a weak legislature, lack of judicial independence, and limited rule of law (ICG 2014; Marcus 2016; Ramasy and Vallée 2014; Razafindrakoto, Roubaud, and Wachsberger 2020).

Incentives for rent seeking are heightened by Madagascar's abundance of natural resources (both land and extractives)—including precious woods, gold, gemstones, and livestock. Coupled with the limited rule of law, an ineffective court system and a patchwork of overlapping anticorruption institutions at the central and local level have contributed to a "crisis-fragility" trap characterized by high levels of corruption, a decline in rule-based governance, and generalized institutional decay (Demetriou 2019). The ineffectiveness of the courts is a result of corruption and the lack of judicial independence (itself due to an ineffective separation of powers, allowing the executive branch to control the other two; Rahman 2021; Schatz 2019). Perceptions of corruption deteriorated over the evaluation period (figure 1.3); as a result, investor confidence and the business climate were undermined, limiting competition and allowing unfair business practices to flourish.

Figure 1.3. Madagascar Governance Indicators: Perceptions of Corruption



Source: Corruption Perceptions Index, Transparency International.

Note: The Corruption Perceptions Index measures how corrupt each country's public sector is perceived to be, according to experts and businesspeople. Each country's score is a combination of at least three data sources drawn from 13 different corruption surveys and assessments. A country's score is the perceived level of public sector corruption on a scale of 0–100, where 0 means highly corrupt and 100 means very clean.

Weak Governance, Including Public Financial Management

Captured by elites and personal networks, and without lines of accountability, Madagascar's formal institutions remain weak. The overall quality of governance declined over the evaluation period (table 1.2). The Malagasy institutions weakened, and government effectiveness declined, particularly around the 2009 political crisis, and have yet to return to precrisis levels. The same is true for rule-based governance and property rights. The executive branch exercises significant control over the parliament and judiciary, which limits checks on executive power and undermines the legitimacy and independence of the justice system, contributing to widespread impunity among elites. Corruption is high—the country ranks 147th of 180 countries on Transparency International's Corruption Perceptions Index—and 76 percent of Malagasy surveyed thought that corruption had increased in the past 12 months (Transparency International 2019). Transparency and accountability remain low; according to the latest Open Budget Index ratings (2019),

Madagascar's fiscal transparency is limited—with a score of 40 out of 100—and public participation in the national budget process is minimal (with a score of 6 out of 100). Elites have captured public procurement and, due to the blurring between political and economic interests as well as the phenomenon whereby economic elites “sponsor” politicians (political financing remains highly opaque in Madagascar), are able to operate above the law. As an example, the arrest in 2020 of several former top Jiro sy Rano Malagasy (JIRAMA) managers is the latest in a series of scandals that have plagued the state-owned industry, which has seen the diversion of so much of its funds that Economist Intelligence (2015) called it, “a cash cow for many players in the political elite” (Transparency International—Initiative Madagascar 2021c).

Table 1.2. Key Governance Indicators, 2007–21

Indicator	2007	2009	2011	2013	2015	2017	2019	2021 ^a
Institutions and government effectiveness								
WGI—Government effectiveness	-0.46	-0.80	-1.03	-1.13	-1.29	-1.14	-1.14	-1.00
CPIA—Quality of public administration	3.5	3.5	2.5	2.5	2.5	2.5	2.5	2.5
CPIA—Quality of budgetary and financial management	3.5	3	2.5	2	2.5	3	2.5	2.5
CPIA—Efficiency of revenue mobilization	3.5	4	3.5	3.5	3.5	3.5	3.5	3.5
Property rights and rule of law								
Ibrahim Index of African Governance—Rule of law and justice	—	—	44.3	44.0	45.6	46.2	45.2	—
Ibrahim Index of African Governance—Business and competition regulation	—	—	50.6	51.6	50.7	49.9	50.8	—
WGI—Rule of law	-0.38	-0.73	-0.89	-0.91	-0.69	-0.86	-1.01	-0.88
CPIA—Property rights and rule-based governance	3.5	3.5	3.0	2.5	2.5	2.5	2.5	2.5

(continued)

Corruption									
Ibrahim Index of African Governance—Anticorruption	—	—	37.6	37.5	38.0	38.7	38.8	—	—
WGI—Control of corruption	-0.19	-0.34	-0.48	-0.75	-0.85	-1.05	-1.01	-0.97	
Corruption Perceptions Index	—	—	—	28	28	24	24	26	
Transparency and accountability									
Ibrahim Index of African Governance—Accountability and transparency	—	—	37.1	38.1	38.1	37.4	38.1	—	—
CPIA—Transparency, accountability, and corruption in the public sector	3.5	2.5	2.5	2.0	2.5	2.5	2.5	2.5	

Sources: Corruption Perceptions Index, Transparency International; Ibrahim Index of African Governance; Worldwide Governance Indicators.

Note: The Worldwide Governance Indicators (WGI) are a research data set summarizing views on the quality of governance, provided by a large number of enterprises, citizens, and expert survey respondents in industrial and developing countries. These data are gathered from a number of survey institutes, think tanks, nongovernmental organizations, international organizations, and private sector firms. The WGI do not reflect the official views of the World Bank, its Executive Directors, or the countries they represent. The WGI are not used by the World Bank Group to allocate resources. WGI range from -2.5 (low) to 2.5 (high). Country Policy and Institutional Assessment (CPIA) scores range from 1 (low) to 6 (high); Ibrahim Index of African Governance indicators range from 0 (low) to 100 (high); Corruption Perceptions Index scores range from 0 (highly corrupt) to 100 (very clean). — = data not available.

a. Latest data available.

Weak institutions prevent the state from mobilizing sufficient revenue to deliver basic public services, while expenditure is absorbed by the public sector wage bill and regressive subsidies, including to SOEs. The country's tax-to-GDP ratio, at 10.5 percent (2019), is among the lowest in the region. Its limited fiscal space is further constrained by inefficient expenditure. In 2020, the wage bill consumed approximately 5.5 percent of GDP, whereas a significant portion of discretionary spending went to regressive fuel and electricity subsidies (IMF 2021). This, coupled with inefficient fuel subsidies and transfers to JIRAMA and enduring tax expenditures to well-connected elites, crowds out potentially growth-enabling public investment and social sector spending. Deficient budget execution—a result of unpredictable revenue and budget transfers, as well as weak cash and budget management—further undermines the effectiveness of the state (IMF 2020a; OECD, ATAF, and AUC 2019). Extreme centralization of power in the central

government—a by-product of the country’s stalled decentralization agenda, uneven presence of the state in the territory, inadequate fiscal transfers, and limited subnational competencies and capacities—limits the quality and quantity of service delivery, hampering the development of human capital (see the “Inadequate Human Capital” section).⁴

Limited Access to Basic Infrastructure and Services, Particularly in Rural Areas

Inadequate infrastructure and lack of basic services are major impediments to rural development. A marked decline in public investment has contributed to significant deficits in infrastructure; public investment as a percentage of GDP has declined from double digits at the beginning of the evaluation period (almost 39 percent in 2008) to 5 percent in 2010. Madagascar has one of the lowest rates of electrification in the world, with three out of four households having no access to electricity (driven in part by the high cost and low quality of electricity services supplied by state-owned JIRAMA).⁵ The country was 38th out of 45 ranked Sub-Saharan African countries on the latest Africa Infrastructure Development Index (2018).⁶ A survey by the World Economic Forum scored the country’s infrastructure quality 2.7 out of 7, below the average for low-income and Sub-Saharan African countries (3.0 and 3.2, respectively; IMF 2020a). The inadequate and deteriorating state of rural roads has led to high transport costs, limited access to services, and further isolation of rural areas. Almost half of the rural population lack access to financial services or a bank, compared with 31 percent of the urban population.

Inadequate Human Capital

Human capital is low, particularly in rural areas. Madagascar’s Human Capital Index is 0.39, meaning that a child born in Madagascar in 2020 will reach 39 percent of their potential, given current rates of chronic malnutrition in children, bad health, and low quality of education. The disparity between advantaged and disadvantaged Malagasy was greater than in any other country: the productivity of future Malagasy workers was 58 percent for the most advantaged and 41 percent for the most disadvantaged.

Low human capital formation is due in part to a lack of public spending on health and education. The government of Madagascar's spending on education as a share of total government spending is below the average for International Development Association (IDA) countries and Sub-Saharan African countries. Government spending was declining in the run-up to the political crisis in 2009. Although reported primary school enrollment rates are high, educational attainment is low. Malagasy children complete five years of schooling on average, two years less than the Sub-Saharan African average. Inadequate learning outcomes are driven in part by poorly trained and equipped teachers, with only 0.1 percent of teachers having the minimum knowledge to teach, compared with the average 14.6 percent in comparator countries.⁷ There are significant disparities in the coverage of health services and health outcomes between urban and rural areas, with only 48.6 percent of the total health workforce and 36.5 percent of doctors serving in rural areas, where 68 percent of the population lives. Madagascar has significantly higher rates of stunted growth of children (42 percent) and lower rates of access to basic sanitation (11 percent) than Sub-Saharan African averages (21 percent and 36 percent, respectively).

Scope and Methods

The evaluation, on the Bank Group's lending and nonlending support to Madagascar over the evaluation period (FY07–21), employed a mixed method approach. The scope included an overall evaluation of the portfolio and a deeper dive into the specific interventions in relation to the report's two special themes of weak governance and rural development. Methods used included (i) analysis of Bank Group strategies, (ii) portfolio review and analysis, (iii) data analysis, (iv) structured and semistructured interviews, (v) analysis of existing evaluative evidence, and (vi) template-based qualitative assessments of relevant sectoral and thematic topics. Appendix C presents more details on the report's methodology.

¹ According to the World Bank (2015b), in Madagascar, the state and political system both serve the elites, which is a key constraint behind overcoming the country’s fragility. The International Finance Corporation (World Bank Group 2021a) also identifies elite capture (the “uneven playing field for the private sector”) as a core challenge preventing Madagascar from attracting new investors. Madagascar ranks 119th out of 151 countries on the 2022 Elite Quality Index, a political economy index that measures the ability of the elite business models in a country to create, rather than extract, value.

² Core development drivers identified in the Systematic Country Diagnostic included (i) improving governance, (ii) strengthening public finances, (iii) instituting policies that unleash private sector potential, (iv) aiming for higher human capital, and (v) tackling poverty and improving the lives of rural poor people.

³ The political crisis was the culmination of a shift in the alignment of the political elite, coupled with broad opposition to government talks with a major multinational corporation over the leasing of 3 million acres (which fed the perception that the state was benefiting the domestic and international elite at the expense of the populace; Pellerin 2014).

⁴ Although communes are decentralized entities with constitutionally enshrined responsibilities, human and financial resources are not decentralized, and competencies between the central and subnational level have yet to be clarified. There is no direct line of accountability between commune mayors and deconcentrated service agencies, which are responsible for delivering basic services. Intergovernmental fiscal transfers are inadequate and unpredictable, and regional budgets are not subject to external consultation or scrutiny. Limited competencies have been transferred to Madagascar’s rural communes—many of which have low capacity to mobilize revenue or deliver public services. Although local consultation structures that allow for participatory budgeting and citizen involvement in planning have shown promise—particularly in mining communes—greater monitoring and capacity building is needed to ensure that funds are being used appropriately and in the interest of beneficiaries.

⁵ Jiro sy Rano Malagasy’s operating costs of power generation are among the highest in Africa, reaching over \$0.30/kWh in 2017, approximately 230 percent above the weighted regional average (World Bank 2020a).

⁶ The Africa Infrastructure Development Index provides comparative information on the status and progress of infrastructure development in African countries. The index is based on four major components: transport, electricity, information and communication technology, and water and sanitation.

⁷ Service Delivery Indicators are a set of key health and education statistics on the resources, infrastructure, availability, quality, and perception of health and education services at national and subnational levels based on standardized questionnaires and data collection procedures. Comparator countries where a Service Delivery Indicators survey has been conducted in recent years are Kenya, Mozambique, Nigeria, Tanzania, Togo, and Uganda (World Bank 2020b).

2 | World Bank Group-Supported Strategies for Madagascar, Fiscal Years 2007–21

Highlights

- ||| World Bank Group-supported strategies adapted over time in response to the changing country context, including, critically, the political crisis of 2009–14.
- ||| The Bank Group correctly identified key bottlenecks that limited inclusive growth and poverty reduction in Madagascar. Its portfolio increasingly reflected the importance of addressing weak governance and limited rural development.
- ||| The triggering of Operational Policy 7.30 engendered a pivot in the Bank Group's approach, leading to a focus on the local level and drawing more directly on nonstate actors, which allowed for continued engagement amid—and after—political instability.
- ||| The International Development Association fragility, conflict, and violence allocation expanded the Bank Group's influence and ability to support Madagascar. The Turn Around Allocation's requirement that a country make meaningful progress in addressing its fragility drivers (weak governance, in Madagascar) enabled the Bank Group to address critical binding constraints more explicitly.

Evolution and Adaptation of the World Bank Group's Approach

Over the evaluation period, the Bank Group increasingly identified correctly the key bottlenecks that drove fragility and limited inclusive growth and poverty reduction in Madagascar. These constraints—weak governance and limited rural development—remained throughout the evaluation period and were reflected across Bank Group–supported strategies for Madagascar. Governance and rural development are interconnected and cross-cutting constraints, touching multiple sectors. Governance includes transparency, accountability, and citizen participation; domestic resource mobilization; public expenditure management; and decentralization, including the enabling environment for service delivery. The Bank Group–supported strategies sought to (i) increase fiscal space (through greater domestic revenue mobilization) to allow for greater spending on priority and social sectors to improve public service delivery; (ii) strengthen the role of, and resources available to, local governments; and (iii) improve government transparency and accountability and reduce corruption, particularly in the natural resources, education, and urban development sectors. Support for rural development (that is, improving livelihoods and the quality of life of people living in rural areas) is multidimensional and multisectoral. It included agriculture, natural resources, and the environment; human capital development; connectivity infrastructure; access to basic services (for example, health, education, social protection); and food security.

Three strategies guided Bank Group support during the evaluation period. These were the Country Assistance Strategy (CAS) for FY07–11, the Interim Strategy Note (ISN) FY12–13, and the Country Partnership Framework (CPF) FY17–21. Appendix A presents the strategic objectives of these strategies in detail. Appendix B illustrates the alignment between the government’s objectives and Bank Group objectives. Figure 2.1 presents a flowchart showing how the objectives of the ISN, SCD, and CPF fit together.

Prepared when economic growth was relatively strong, social indicators were improving, and poverty was declining, the FY07–11 CAS was ambitious and covered a wide range of development challenges. The CAS was built around two pillars: (i) removing key bottlenecks to investment and growth in

rural and urban areas, and (ii) improving access to, and quality of, services. To support the government’s Madagascar Action Plan, CAS interventions included support to private sector development (including access to finance and reducing regulatory burdens), infrastructure (transportation, energy, and infrastructure supporting agricultural productivity and diversification), domestic resource mobilization, primary education, and child and maternal health and nutrition. The World Bank extended the Poverty Reduction Support Credit cycle to provide regular budget support, sustain sectorwide approaches, promote public-private partnerships and guarantees for infrastructure, and support institutional and capacity building (World Bank 2007). Although the Madagascar Action Plan was widely praised by the World Bank and other development partners at the time, in hindsight it was overly broad and insufficiently prioritized—shortcomings that were reflected in the CAS (FY07–11).

The political crisis in early 2009 disrupted implementation of the CAS and triggered a temporary suspension of disbursements and new commitments by the Bank Group. The unconstitutional change of government triggered the Bank Group’s Operational Policy (OP) 7.30, on dealing with de facto governments, which led the Bank Group to pause all lending to Madagascar (box 2.1). In late 2009, disbursements for five projects resumed on “humanitarian and safeguard grounds,” and in May 2010, an exception was granted to resume disbursements for more projects, partly to permit the government to pay arrears and to fund project implementation units. In 2011, as the country made efforts to restore a constitutional government, IDA adopted an ISN, restructured all active projects, and resumed implementation of existing projects. The resumption of lending was partly motivated by the sharp increase in the share of the population living in poverty between 2008 and 2013 (up by more than 10 percentage points).

Madagascar’s 2009 political crisis engendered a recalibration of the Bank Group-supported strategy because of the direct impact that governance shortcomings were having on its portfolio. The political crisis was largely unanticipated and triggered a ramping up of analytical work by the World Bank to better understand the causes of political instability. Starting with the ISN, a concerted effort was made to better understand the risks and determine how to adapt World Bank operations to political economy

constraints. Following the restoration of constitutional order, the World Bank continued to prioritize such analysis, including through fragility assessments and a forthcoming risk and resilience assessment on southern Madagascar (Pellerin 2014; World Bank 2021c).

Box 2.1. Madagascar's 2009 Political Crisis and the Triggering of Operational Policy 7.30

In February 2009, army dissent led to an unconstitutional transfer of power. This move was broadly rejected by the international community and led to sanctions being placed on the de facto government by the African Union and others. Political turmoil continued, as power-sharing deals collapsed, and coups were attempted.

In response, in March 2009, the World Bank Group triggered Operational Policy 7.30 on dealing with de facto governments. This involved the immediate suspension of disbursements on existing loans and no new lending, resulting in the country using less than a quarter of its 15th Replenishment of International Development Association allocation of approximately US\$600 million. Most bilateral and multilateral donors temporarily halted or scaled back development assistance at the same time.

Portfolio disbursements were progressively resumed beginning in December 2009 to "attend to the plight of the most vulnerable segments of the population" (World Bank 2011b, 14). An exception to new lending was granted in June 2011, for additional financing to the World Bank's environment program, on the grounds that "its unique global public good and substantial social safeguard risks [are] linked to the end of the current financing." New lending of US\$18 million was later allowed for emergency projects (in health and for urgent repairs to cyclone damage), using savings from projects that were closed during the portfolio-wide restructuring. Overall, the World Bank's portfolio shrank from 20 active projects in FY09 to 7 by FY14.

Madagascar's status under Operational Policy 7.30 was lifted in 2014, after the return to constitutional order.

Source: Independent Evaluation Group.

The ISN acknowledged the World Bank's earlier failure in monitoring political economy dynamics and the negative impact this had had on portfolio

performance. It noted, “more vigilance may have been needed when the signs of governance deviations and the risks of conflict of interest were becoming increasingly apparent, eventually causing the crisis” (World Bank 2011b, 17). This shift took hold with the launch of an advisory services and analytics (ASA) program under the ISN, “which included highly relevant and much needed political economy analysis” (World Bank 2017a, 65).

The Bank Group’s interim strategy for FY12–13 focused on addressing Madagascar’s immediate needs in the context of extreme political, social, and economic instability. According to the ISN, this required addressing the root causes of the political crisis, boosting the resilience of the most vulnerable, and fostering job creation. At the time, the country was becoming more fragile because of the ongoing political crisis and deteriorating security situation. The situation was particularly dire for health, education, and food security, given the partial collapse of the country’s public service delivery system. The ISN focused on (i) improving governance and public sector capacity (for example, improving public financial management, building social accountability in mining areas and enhancing transparency in the management of the sector, and strengthening land tenure); (ii) addressing basic health services (including HIV/AIDS and nutrition) and disaster risk reduction (including addressing the most urgent repairs from cyclone damage and supporting risk reduction activities in vulnerable areas); and (iii) improving access to small and medium enterprise finance and microfinance, promoting private sector investments in poor areas (including through the restructuring of the telecom public-private partnership), and improving support for artisanal and small-scale mining activities in the south and elsewhere (World Bank 2011b).

The Bank Group’s approach to working with Madagascar adapted to the evolving political economy and addressed governance constraints by pivoting engagements to the local level. There was a tangible shift across strategies in the Bank Group’s approach, with the 2009 political crisis being a watershed moment. Although the CAS (FY07–11) took a centralized, top-down approach (that is, focusing on central-level reforms, such as strengthening systems and budget preparation and execution processes), the ISN (FY12–13) emphasized “decentralized systems and community-based interventions,” including the rollout of social accountability mechanisms (for example, community scorecards and participatory budgeting) at the local level. In a departure from the CAS, the ISN emphasized

the need for a stronger role for civil society and the media in implementing programs, as well as “a sounding board to leverage policy changes and reforms.” This bottom-up approach continued to some extent with the CPF, which prioritized reinforcing the capacity of local administrations to deliver services and recover and manage revenue in a more transparent and accountable way.

The return to constitutional order in 2014 led to a restoration of Madagascar’s relations with the Bank Group and other donors. Democratic institutions and political stability were restored, thanks in large part to the Roadmap to Peace brokered by the Southern African Development Community. Macroeconomic stability improved, and growth rose. Critically, OP 7.30, which had been in effect since March 2009, was lifted in 2014, allowing the Bank Group to fully resume lending. However, given the disruptive nature of the political crisis, including the broad slippage in development gains that occurred during this period, the Bank Group sought to reengage differently.

The CPF FY17–21 sought to leverage the World Bank’s portfolio to address the structural causes of the country’s fragility. This was an important development given earlier avoidance of some politically sensitive areas of engagement. Drawing on political economy analysis (box 2.2), the CPF was anchored in the country’s main fragility drivers: (i) elite capture, (ii) social fragmentation in the context of a centralized state, (iii) weak governance of natural resources, and (iv) nascent checks and balances (World Bank 2017a, 3). The CPF noted that “overcoming fragility—a *sine qua non* for reducing poverty in a lasting way—requires consolidating political reconciliation and rebalancing the power between a strong central state and the decentralized structures” (World Bank 2017a, 4); these are core elements of the government’s postcrisis strategic development plan, the 2015–19 National Development Plan. The first of the CPF’s two objectives, on increasing resilience and reducing fragility, focused on strengthening public institutions to improve the state’s ability to mobilize resources, manage its economic affairs, deliver security and justice, and increase resilience to climate change and economic shocks, thereby contributing to social cohesion. Focusing squarely on Madagascar’s fragility drivers allowed the World Bank to leverage additional IDA resources through the Fragility, Conflict, and Violence Envelope’s Turn Around Allocation (TAA; box 2.3).

Figure 2.1. Madagascar's Main Development Challenges to the World Bank Group Strategic Objectives, Fiscal Years 2012–21



Sources: World Bank 2011b, 2015b, 2017a.

Note: FY = fiscal year; PSD = private sector development.

Box 2.2. Influence of Political Economy Analysis for Risk Mitigation and Scenario Planning within the Country Partnership Framework

The Country Partnership Framework, “acknowledging that a scenario of renewed political unrest cannot be dismissed,” integrated analyses of the causes of weak governance and emphasized risk evaluation. In comparison with the Country Assistance Strategy—or even the Interim Strategy Note—the Country Partnership Framework more clearly stated the World Bank Group’s approach to risk mitigation: “adapt[ing] project design to take into account political economy and governance dynamics,” including by focusing on “implementation at the local level and includ[ing] systematic citizen engagement as a means to monitor results and manage risks” (World Bank 2017a).

The Country Partnership Framework also considered how objectives and activities might need to be restructured in the event of heightened political tensions or instability, for example by narrowing the program and scaling up mechanisms for citizen engagement and social accountability at the local level. The framework included three objectives pertaining to governance: decentralization, transparency and accountability, and fiscal space.

Source: World Bank 2017a.

The TAA’s requirement that a country makes meaningful progress transitioning out of fragility has empowered the Bank Group to confront Madagascar’s fragility drivers over the past five years, despite their overtly political nature. Objectives within the TAA framework included: (i) “[set] up other democratic institutions” (for example, the announcement of the 2018 parliamentary and presidential elections), (ii) “fight against rent capture and trafficking economy,” and (iii) “strengthen checks-and-balances (civil society, media).” Although the World Bank portfolio did not directly address all of these areas, it nevertheless supported them by tying financial incentives to completion of annual goals: failure to make significant progress toward milestones would lead to cancellation of undisbursed allocations from the TAA.

Box 2.3. International Development Association's Turn Around Allocation

The International Development Association's Turn Around Allocation (formerly the Turn Around Regime) provides additional support to countries undergoing complex transitions, beyond the amount determined through their performance-based allocation. It was designed to provide financial incentives to countries seeking to mitigate the drivers of fragility and take advantage of opportunities to build stability and resilience with the support of the World Bank.

Eligibility for the allocation requires, among other things, (i) development by the government of a strategy with concrete steps to accelerate its transition out of fragility and (ii) recalibration of the World Bank-supported strategy to bolster the government's reform agenda. Continued eligibility is determined by the World Bank's annual monitoring of the country's progress relative to the corresponding milestones of the government strategy.

Source: Independent Evaluation Group.

The lack of engagement on the TAA with Malagasy civil society dampened the TAA's impact on good governance. Although negotiated with other active development partners, failure to engage with civil society to ensure that the government's proposed actions would actually address the country's fragility drivers limited the overall efficacy of the TAA. In fact, some of the milestones supported indirectly or directly through the allocation—including, critically, the establishment of the High Court of Justice¹—may have actually exacerbated the country's political challenges: it has been argued that the court constitutes an additional source of impunity for politically exposed persons who are suspected of corruption and other misappropriations (Schatz 2019). Rather than support an additional entity, some members of civil society instead called for more consistent support to established players in the anticorruption system, that is, the Independent Anticorruption Bureau (the Bureau Indépendant Anti-Corruption), the anticorruption court (Pôles Anti-Corruption), and the Malagasy Financial Intelligence Unit (Transparency International—Initiative Madagascar 2021a).

Over time, Bank Group-supported strategies reflected a substantial shift in sensitivity to political economy and weak governance (World Bank 2021c). Table 2.1 visualizes the shift across the three strategies—filtered through the SCD—based on systematic assessment by the Independent Evaluation Group (IEG) in terms of three qualitative indicators. Central to this shift of monitoring, managing, and addressing Madagascar's governance constraints has been the financial incentive stemming from the IDA's Fragility, Conflict, and Violence Envelope and its TAA.

Table 2.1. Systematic Analysis of Political Constraints within Strategy Documents

Constraint	Indicators	CAS	ISN	SCD	CPF
		(2007–11)	(2012–13)	(2015)	(2017–21/2)
Elite capture	Identification or analysis of constraint as core driver impacting development?	Some-what	Yes	Yes	Yes
	Relevant outcomes?	No ^a	No	n.a.	Yes
	Recommendations to manage or mitigate the risk?	No	Some-what	Some-what	Somewhat
Overcentralized power	Identification or analysis of constraint as core driver impacting development?	Some-what	Yes	Yes	Yes
	Relevant outcomes?	Yes	Some-what	n.a.	Yes
	Recommendations to manage or mitigate the risk?	No	No	Some-what	Yes
Limited rule of law	Identification or analysis of constraint as core driver impacting development?	Some-what	Yes	Yes	Yes
	Relevant outcomes?	Yes	No	n.a.	Yes
	Recommendations to manage or mitigate the risk?	No	No	No	Somewhat

Source: Independent Evaluation Group.

Note: CAS = Country Assistance Strategy; CPF = Country Partnership Framework; ISN = Interim Strategy Note; n.a. = not applicable; SCD = Systematic Country Diagnostic.
a. Dropped.

The World Bank Group's Increased Focus on Gender

The Bank Group-supported strategy in Madagascar was not adequately gender sensitive before the political crisis. The CAS only briefly mentioned gender with respect to reproductive and sexual health (including HIV/AIDS prevention and family planning). In contrast, the ISN focused on advancing women's roles in the economy and identifying the main constraints that prevented women's effective integration in society and business. It recognized (i) the role of women in Madagascar as catalytic to addressing development needs, (ii) the importance of equal remuneration in jobs, and (iii) the need to reduce discrimination in starting a business and in accessing productive inputs (that is, credit or land) and public services. Although this suggests progress in gender sensitivity in the strategy and design stages, results indicators only tracked improvements in mother and child health services, and HIV/AIDS prevention indicators were disaggregated by target groups such as commercial sex workers and youth by gender.

The Bank Group sought to revise its gender approach during the portfolio restructuring that followed the triggering of OP 7.30, but the scope of this revision was limited. The restructuring called for a review of the gender situation in projects to identify ways to refocus and enhance women's role in the economy. It also highlighted the need to conduct both a poverty and inequality assessment, which would have a gender lens, and a gender assessment to identify the main gender bottlenecks and corrective measures that would enhance women's role in society and business. In actuality, the Bank Group only ended up conducting one Poverty, Gender, and Inequality Assessment, in 2014, which described some dimensions of rural poverty in Madagascar with sex-disaggregated data, including on the specific barriers and extreme poverty rates faced by female-headed households. This was, in effect, a poverty assessment with sex-disaggregated data rather than a comprehensive gender assessment that would identify major gender bottlenecks and gender-sensitive measures to promote women's participation in the economy, society, and business, as originally described in the ISN.

Although the SCD made efforts to identify key gender issues affecting development in Madagascar, gender was not mainstreamed in the analysis. The SCD

identified four gender issues: gender gaps in labor participation, high fertility and population growth rates, disadvantages faced by female-headed households, and women and children's vulnerability to indoor air pollution. It did not include analysis on other critical issues affecting women in Madagascar, such as gender-based violence (GBV) and unequal financial inclusion, access to land rights, and asset ownership. Furthermore, it did not adopt a gender lens in assessing sectoral constraints; gender was a separate issue rather than a cross-cutting issue that should be mainstreamed across all sectors.

The Bank Group's understanding of how gender affected development in Madagascar improved throughout the CPF period, after additional analysis of gender gaps in agriculture and private sector development. Several CPF objective indicators tracked gender dimensions through disaggregation by sex. Analysis included gender-related barriers in (i) agriculture (including women's lack of access and control over natural resources and assets, low productivity, and lack of social protection due to informality); (ii) land tenure (particularly information gaps in relation to land rights and registration); and (iii) the private sector (particularly barriers that affect women's ability to cope with shocks, operate higher productivity enterprises, find jobs, and earn wages commensurate with those of men).

However, major gender issues related to rural development, such as links among gender and the environment, public sector governance, and GBV, began to be supported only in the past two years. In Madagascar, a third of women aged 15–49 years have experienced at least one form of GBV, about 1 in 4 women is a survivor of lifetime physical intimate partner abuse, and girls are often subjected to child marriage (almost 4 in 10 girls marry before the age of 18) and sexual exploitation (AfDB 2017; Diarietou 2020; MICS 2018). A 2021 review by Amnesty International found an alarming increase in GBV in Madagascar during the COVID-19 lockdown, from 1 in 3 women reporting violence to the organization in April 2019 to nearly 8 in 10 in April 2020 (Amnesty International 2021). Relevant World Bank support included a prior action in the human capital development policy financing supporting passage by the parliament of a law against GBV. Passed in January 2020, the law delineates new offences, such as spousal rape and sexual harassment, and defines new penal procedures (that is, mandatory reporting to end a culture of silence and acceptance of violence). The second human capital

development policy financing supported implementation of said law through the development of multisectoral GBV coordination mechanisms and the expansion of GBV services and prevention programs.

¹ Although the establishment of the High Court of Justice was not mentioned within the Turn Around Allocation Framework, it was cited as one of the main achievements for that milestone (Demetriou 2019).

3 | World Bank Group Portfolio in Madagascar, Fiscal Years 2007–21

Highlights

Following the triggering of Operational Policy 7.30 in 2009, the World Bank Group suspended disbursements and new commitments; lending operations were subsequently restructured to focus on the local level—an approach that the Bank Group maintained beyond the crisis period.

This pivot contributed to more effective project implementation in the face of political instability. By decentralizing implementation and management of projects, sectoral engagements were shielded to some extent from central-level political instability and state capture.

Despite the pause in lending, the Bank Group sought to maintain its influence during this period by shifting to nonlending activities and, in particular, analytical work on identifying and understanding the impact of political economy constraints on portfolio performance.

The International Development Association's Turn Around Allocation contributed to increasing the government's commitment to address the country's development constraints. It also provided a platform for dialogue with development partners.

World Bank leadership was crucial to reengaging donors and building momentum for recovery after the political crisis. However, collaboration with civil society organizations was ad hoc and mostly consultative, missing the opportunity to leverage support for the implementation of reform.

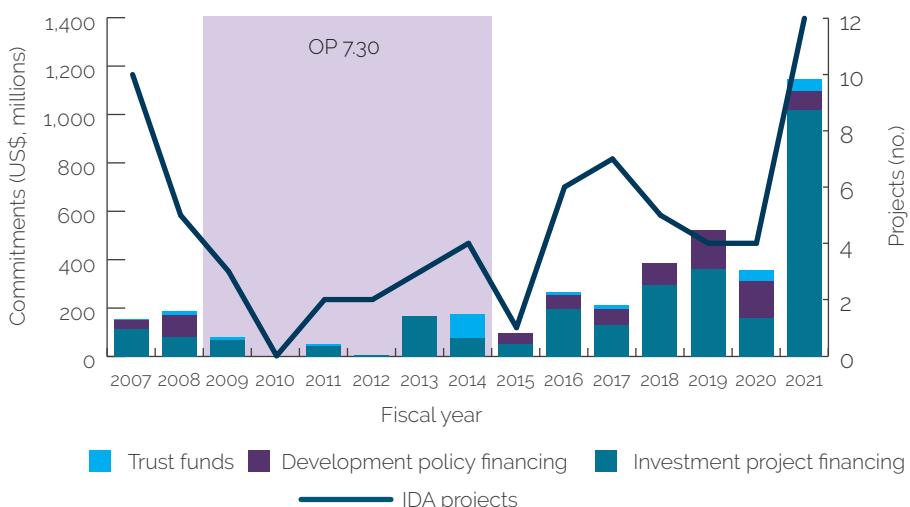
Lending and Nonlending

Lending

Bank Group commitments to Madagascar amounted to \$2.9 billion over FY07–21. The Bank Group–supported program included (i) \$2.7 billion in IDA grants and credits, of which \$1.7 billion was investment project financing, \$700 million was development policy financing, and \$220 million was trust fund financing; (ii) \$122 million in International Finance Corporation (IFC) investments, including long-term financing, swaps, and rights issues; and (iii) \$107 million in Multilateral Investment Guarantee Agency (MIGA) maximum gross exposure at issuance. (See figure 3.1.)

In line with strategy evolution, projects under implementation at the time of the political crisis were restructured to focus on the local level.¹ Examples include providing grants to communes, supporting the strengthening of government grant transfer and equalization mechanisms to communes, building revenue collection and management capacity at the local level (with a focus on mineral and natural resources), and deepening partnerships with civil society organizations (CSOs) to support social accountability for improved service delivery at the local level (box 3.1).

Figure 3.1. New Commitments to Madagascar by Financing Mechanism, Fiscal Years 2007–21



Source: Independent Evaluation Group.

Note: IDA = International Development Association; OP = Operational Policy.

Box 3.1. Examples of the World Bank's Pivot to Local-Level Engagement

Several projects were restructured during the 2009–14 political crisis, expanding the roles of local and nonstate actors:

- » The Second Governance and Institutional Development Project—the World Bank's flagship governance project during the political crisis—was restructured in 2012 to provide grant support to decentralized entities and civil society organizations at the commune level to support participatory budgeting and strengthen the capacity of accountability institutions, such as observatories and the ombudsman, to monitor reform implementation.
- » Additional financing for the Third Environment Program Support Project was provided to help maintain conservation support in protected areas and support for project-affected people. The additional financing was designed to enhance the involvement of the national parks and international conservation nongovernmental organizations and aimed to provide livelihood support for local communities. This included support for community development activities, such as community forestry management groups.
- » The Integrated Growth Poles Project was restructured to shift project management and decision-making to the local level. The national steering committee was replaced with several regional steering committees that included municipal and regional authorities and private sector representatives. The shift helped strengthen ownership as a result of the greater proximity to day-to-day implementation, enabling the project to surpass outcome targets for job creation, business registration, and project beneficiaries. The approach was strengthened in the follow-up Integrated Growth Poles and Corridor Project 2, which supplemented the central project implementation unit with decentralized technical units in each regional pole. The project strengthened the focus on building local government capacity and anchoring the project locally. Outcomes were substantial: annual municipal revenues in the target poles increased by several billion ariary, thousands of tourism and agribusiness jobs were created in the target poles (more than 4,000 in tourism and more than 8,000 in agribusiness), and thousands of businesses were registered (more than 3,000 in tourism and more than 2,000 in agribusiness; World Bank 2015c). For both projects, strong implementation arrangements were partially credited for the projects' success: the Independent

(continued)

Box 3.1. Examples of the World Bank's Pivot to Local-Level Engagement (cont.)

Evaluation Group rated the World Bank's performance as moderately satisfactory for the first project and satisfactory for the second.

Although the pivot to the local level helped the World Bank achieve sustainable results, it was not universally successful.

- » Community development and safeguard activities included in additional financing for the Third Environment Program Support Project were "poorly designed and underfunded" and did not result in improved community livelihoods (World Bank 2021d, 54). According to the Project Performance Assessment Report, community development activities were "not tailored to the needs of local communities and documented low satisfaction by beneficiaries" (World Bank 2021d, 27). The same report noted that "the use of nonrepresentative local institutions allowed local elites to influence decision-making, and social safeguards can hence exacerbate social inequalities instead of addressing them" (World Bank 2021d, 28).

Sources: World Bank 2015c, 2015d, 2016b, 2021d.

This pivot contributed to more effective implementation across several projects in the face of political instability and elite capture. By decentralizing implementation and management of projects, sectoral engagements were shielded to some extent from central-level political instability and elite capture. This translated into improved project results in some cases, with some exceptions (box 3.1).²

Bank Group support rebounded in FY16, fueled by additional IDA financing through the Turn Around Regime and, later, the TAA. By reorienting the strategy to directly address fragility drivers, Madagascar was able to double its IDA performance-based allocation, from \$110 to \$230 million per year during the 17th and into the 18th IDA Replenishments, through a total additional \$1.35 billion from the TAA.

The pivot to the local level manifested itself in both lending and nonlending portfolios. Political economy analysis helped identify the incentives of different government actors in the Public Sector Performance Project

(World Bank 2016a), which were then aligned in a project context, using disbursement-linked indicators (now, performance-based conditions).

Examples include removing intermediaries from the processing of tax payments and introducing performance management in the customs authority to increase the identification rate of suspicious customs transactions. Political economy analysis on tax and customs administration reform contributed to an increase in the rate of intercepted suspicious customs transactions for the Toamasina port from 5 percent to 26 percent (surpassing the initial target of 12.5 percent). As part of the scale-up in budget support from FY14 onward, the reengagement development policy operation (DPO) included prior actions on the filing of ministerial asset declarations.³ This led to an increase from 20.5 percent in 2013 to 100 percent in 2015 in the share of cabinet ministers filing asset declarations with the Independent Anticorruption Bureau (Bureau Indépendant Anti-Corruption). Additionally, analytical work helped make the case for fiscal decentralization, focusing on reducing geographic inequities in funding at the subnational level. This was reflected in the Inclusive and Resilient Growth DPO, which had a prior action requiring publication of all planned and executed transfers to local governments.

The TAA strengthened government commitment to reform while providing a platform for dialogue with government and development partners. Increased financing from the TAA helped the World Bank, through a series of DPOs and with other multilateral assistance, to “help...avert a potential social crisis” (World Bank 2020a, 24). According to Demetriou (2019), Madagascar achieved substantial progress in (i) establishment of democratic institutions, (ii) macroeconomic stability, (iii) increased revenue mobilization, and (iv) implementation of priority public financial management reforms; it achieved moderate progress in (i) reform of the security sector, (ii) decentralization, (iii) fight against elite capture, (iv) strengthening of checks and balances, (v) tightening of SOE management, and (vi) private sector development and sectoral productivity; it made inadequate progress, however, in (i) national reconciliation and (ii) social services.

In line with other development finance institutions, IFC and MIGA limited new investments during the political crisis (2009–14). Over the evaluation period, support amounted to \$105 million in IFC investments, including long-term financing, swaps, and rights issues, and \$107 million in MIGA gross exposure at

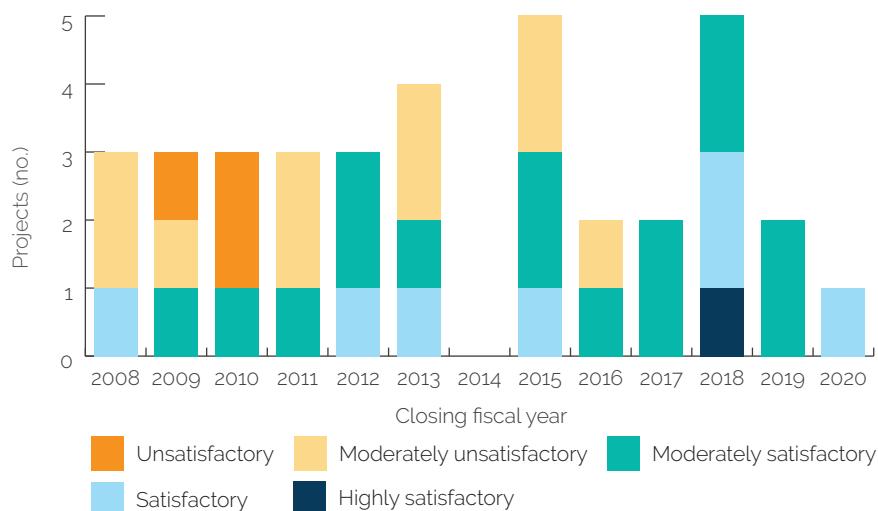
issuance. IFC's 10 investments were in financial markets (or access to finance), agribusiness, infrastructure, and the telecoms sector. IFC also provided a short-term guarantee of \$178 million as part of the Global Trade Finance Program. During the crisis, IFC undertook one loan in the poultry sector and rights issuance to two financial sector investments in the commercial banking sector and the microcredit sector. MIGA's 13 guarantees covered services, infrastructure, and tourism and centered on power generation and airport infrastructure.

World Bank projects that closed after the crisis had a better track record of achieving their targets and objectives than those closing before and during the crisis. The crisis complicated implementation of the World Bank's portfolio across the board, triggering a portfoliowide restructuring and the closing of several projects. In recognition of this, the World Bank's Completion and Learning Review rated achievement of all three ISN objectives as unsatisfactory. Outcome ratings for projects closing after the political crisis were rated higher on average. Outcome ratings for all projects closing after FY16 were rated at least moderately satisfactory (figure 3.2). The highest outcome ratings were for emergency projects—developed in the later years of the crisis to support education, health, nutrition, food security, social protection, and private sector development. Although the projects were relevant to the crisis-related challenges facing Madagascar at the time, their objectives were more short-term in nature and therefore less commensurate with the intractable development challenges the country had been facing. The poorest outcome ratings were for governance projects implemented before and during the political crisis and for budget support operations approved before the crisis. Overall, investment projects performed better on overall outcomes than development policy financing over the evaluation period (figure 3.3).

Bank performance ratings were consistently favorable over the evaluation period, except for two early governance projects. Of the 27 investment projects that closed between FY07 and FY21, 9 had Bank performance rated satisfactory by IEG, 15 were rated moderately satisfactory, 2 were rated moderately unsatisfactory, and 1 was unsatisfactory. Two of the three most poorly rated projects were governance projects: Governance and Institutional Development Project I and Governance and Institutional Development Project II. In reviewing Bank performance for both projects, IEG cited as reasons for the low ratings (i) shortcomings in design or overly ambitious design and (ii) insufficient

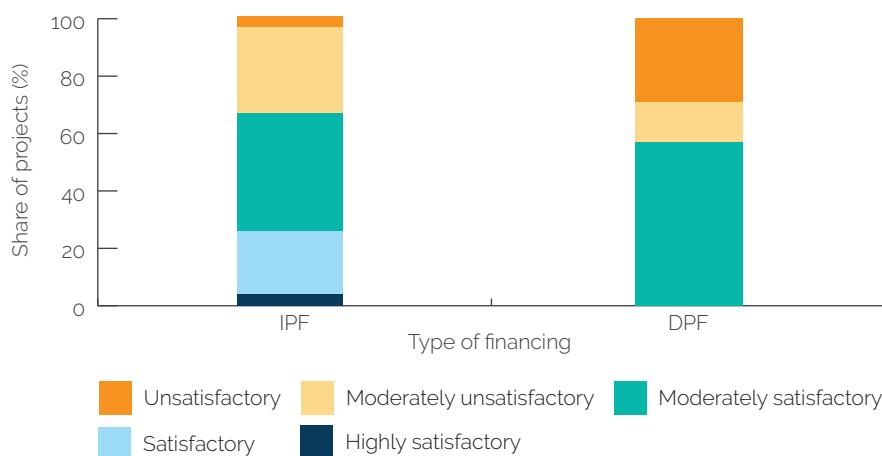
engagement with stakeholders (which led to weak government ownership); these lessons were successfully applied to the follow-on governance project, the Public Sector Performance Project (box 4.1), whose most recent self-ratings on progress toward achievement of development objectives and overall implementation progress were moderately satisfactory (World Bank 2021b).

Figure 3.2. Project and Operation Outcome Ratings, by Closing Fiscal Year



Source: Independent Evaluation Group.

Figure 3.3. Overall Outcome Ratings: Investment Project Financing versus Development Policy Financing Approved since 2007



Source: Independent Evaluation Group.

Note: DPF = development policy financing; IPF = investment project financing.

Nonlending

The Bank Group implemented a substantial program of ASA work on Madagascar. Nonlending support included 17 IFC advisory services (client facing or market and client development operations, mostly in financial markets, agribusiness, and infrastructure) and 116 World Bank reports. Although non-lending support continued to be delivered throughout the political crisis, the number of ASA products declined from FY09 to FY13, with ASA work scaling back up alongside the World Bank's reengagement in FY14 and FY15.

ASA played a critical role in helping the World Bank remain relevant during the political crisis, when lending was curtailed and meetings with the government were limited to the technical level. Starting in 2010 with a series of Policy Notes, the World Bank scaled up ASA activities under the ISN, with a strong emphasis on governance and political economy. The first series, written shortly after the Bank Group froze disbursements and halted new lending, took stock of the situation in critical sectors (World Bank 2010b). The second was written shortly before lending resumed, with the lifting of OP 7.30 (World Bank 2014c). Both directly influenced the World Bank's technical discussions with the client and informed project design for when the World Bank restructured its lending portfolio.

The analysis of political economy constraints directly influenced the World Bank's lending portfolio. ASA provided a road map for how the World Bank could mainstream governance support across its portfolio, including in natural resource management (mining and forestry) and other sectors:

- » In natural resource management, World Bank support helped develop legal, regulatory, fiscal, and institutional frameworks for the effective and transparent management of natural resources and revenues and boosted local capacity to manage revenues from mining operations.
- » In health, problem-driven applied political economy analysis (World Bank 2019) led the World Bank to integrate within the Human Capital DPO measures to support direct transfers of budget allocations from the Ministry of Public Health to the commune level (which led to the piloting of a project funded by the Global Partnership for Social Accountability [GSPA] for citizen health management monitoring).

- » In private sector development, analysis of corruption and elite capture—including an influential internal analysis of the private sector from 2016 (World Bank 2016c)—contributed to IFC’s decision to use preemptive integrity due diligence screening on preidentified local companies and conglomerates active in sectors of interest. IFC’s preemptive due diligence screening was undertaken to expand business in the challenging context of elite capture and help inform the viability and soundness of the IFC country strategy, which identified textile, tourism, and agribusiness as strategic sectors for the country. The integrity due diligence screening resulted in a vetted list of key local players in these sectors of interest to aid in generating a new investment pipeline and validate the existing pipeline in other sectors. The recently published Country Private Sector Diagnostic extended the World Bank’s political economy analysis of the private sector; it identified “deep-rooted governance issues (especially as they relate to policy unpredictability, red tape, and the uneven playing field in key sectors of the economy)” as the primary constraint affecting private sector participation (World Bank Group 2021a).

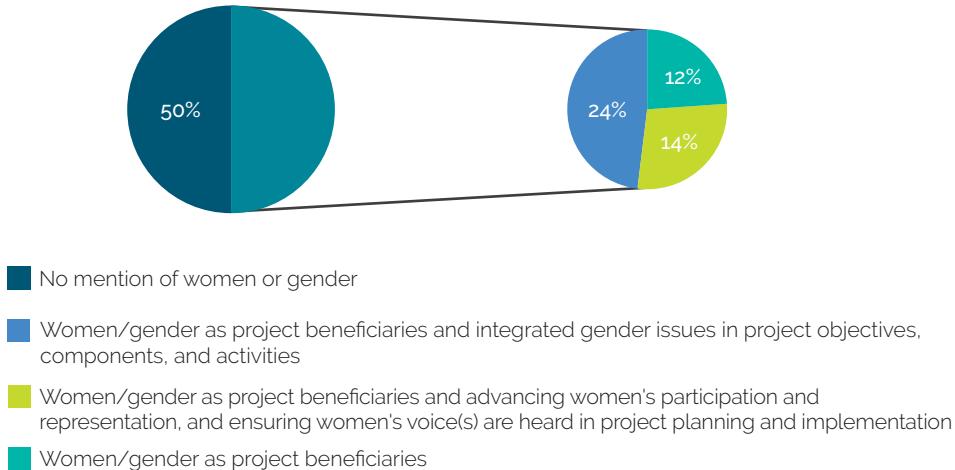
Integrating Gender Sensitivity

The Bank Group was only partially successful in integrating gender into project design. Although addressing gender gaps is a corporate commitment of the Bank Group and country strategies have identified major gender issues that have impeded rural development and governance in Madagascar, half of the portfolio of Bank Group projects did not mention gender at all in their design. (However, 80 percent of human development projects [11 of 13] mentioned gender.) Of the 25 projects that mentioned gender, about half went beyond the mere disaggregation by sex of results indicators. Most of the projects that did not mention gender concerned macrofiscal objectives (5 of 6 projects), public sector governance (5 of 9), and private sector development (4 of 7; figure 3.4). IFC included gender-focused activities in several investments, including the BoViMa advisory engagement, and, like the World Bank, increasingly tracks gender-disaggregated indicators.

World Bank projects in Madagascar have increasingly integrated gender into project design, including by identifying and addressing the unintended consequences of projects. More recent projects have been targeted in terms of gender interventions, for example by including support for the promotion

of legal reforms to combat GBV in the human capital development policy financing or by addressing the gendered dimensions of poverty, fragility, and insecurity (that is, looking not only at women but also young men) under the Support for Resilient Livelihoods project.

Figure 3.4. Breakdown of Projects Mentioning Gender (percent of total)



Source: Independent Evaluation Group.

Coordinating with Partners

Over the evaluation period, the World Bank coordinated well with development partners. Through the increased allocation of IDA resources from the TAA, the World Bank catalyzed development partner reengagement (World Bank 2019). The World Bank coordinated particularly well with partners active in governance. It participated actively in the Public Financial Management Donor Coordination Working Group, the Partnership Agreement (which coordinated budget support providers and the government), and the Decentralization Donor Coordination Working Group. An informal agreement with the European Union (EU) after the political crisis on a division of labor had the World Bank responsible for supporting revenue generation while leaving much of the expenditure-related work to the EU.

There was ad hoc consultation with CSOs working on public financial management. Several CSOs active in the accountability space noted that engagement with the World Bank had been more systematic in the earlier years

of the evaluation period and expressed the view that, since reengagement, the World Bank had only involved them in consultations. The World Bank's Extended Governance and Anticorruption Review of 10 then-active projects found little strategic engagement with CSOs and other nonstate actors (World Bank 2015a). This could be partially explained by the limited capacity of Malagasy CSOs and their concentration in the capital. However, over the past several years, their capacity and geographic reach have improved, but collaboration remains limited.

World Bank coordination with partners was strong in the forestry sector, but less so in the broader agriculture sector. The World Bank actively coordinated with the principal development partners in forestry. This included the French Development Agency, the EU, the German Agency for International Cooperation, and the United States Agency for International Development. Throughout its support of the National Environmental Action Plan, the World Bank partnered closely with conservation nongovernmental organizations (NGOs) and participated in the early stages of the donor coordination committee. It also partnered closely with the French Development Agency as a co-financer of projects and regularly participated in sector donor platform meetings, alongside the Ministry of Agriculture. Coordination with development partners was less apparent in the fisheries sector, with some donors pointing to the need for greater coordination to avoid overlap and duplication, given the proliferation of donor-funded projects. Although the World Bank is one of four main donors in agriculture, alongside the African Development Bank, the International Fund for Agricultural Development, and the EU, it was seen by some partners as not always willing to share information, particularly in relation to the preparation of new projects.

¹ These operations did not include development policy lending, which was suspended during the World Bank's disengagement.

²This is in contrast to the Rural Development Support Project, which did not significantly shift its approach (the project was late into its implementation, with a planned end date of fiscal year 2011) and was less successful at maintaining results during this complicated period: “as a result of its national presence, the project was pulled in different directions to address the challenges arising from the external shocks” and thus failed to achieve a “catalytic effect” on rural development (World Bank 2013b, 19).

³Although filing alone is not sufficient, reviewing declarations to verify accuracy and then publishing them to enhance accountability is considered good practice.

4 | World Bank Group Support for Addressing Madagascar's Governance Challenges

Highlights

The World Bank contributed to enhancing transparency and accountability. However, progress with budget transparency has been reversed amid the coronavirus (COVID-19) crisis.

World Bank support for domestic resource mobilization contributed to improved tax and customs revenue collection, as well as increased generation of local revenues, but was not able to reduce high (and regressive) tax expenditures.

World Bank support to public expenditure management contributed to modest reductions in transfers and subsidies to nonpriority expenditures and improved corporate governance in some state-owned enterprises, but strong resistance prevented greater progress, particularly within the electricity company, Jiro sy Rano Malagasy.

World Bank contributions to decentralization were substantial but largely limited to the intergovernmental fiscal transfer system. Local governments experienced increased fiscal autonomy thanks to grants from the Local Development Fund (Fonds de Développement Local), and fiscal transfers are now quicker and more transparent.

Results were sometimes hampered by project design that may not have adequately taken into account strong vested interests, rent seeking, and the use of funds from government institutions to benefit a few high-status individuals. This can be seen in local projects and reversals of prior actions in the face of vested interests, with well-connected private sector actors using accountability institutions for their own benefit.

The World Bank contributed to tangible, albeit limited, results in domestic resource mobilization, expenditure management, transparency, accountability, participation, and, to a lesser extent, fiscal and administrative decentralization. This chapter describes these interventions and their effectiveness.

The World Bank supported improved governance through a mix of investment financing, analytical work (particularly during the political crisis), and, since 2014, policy-based lending. Lending centered on three flagship governance projects: the Governance and Institutional Development Project (FY04–09), the Governance and Institutional Development Project II (FY08–15), and the Public Sector Performance Project (FY15–21; see box 4.1). Several DPOs contained governance-related prior actions: the Reengagement DPO (FY15–16), the Resilience DPO (FY16–17), the Public Finance Sustainability and Investment I and II DPOs (FY17–19), the Inclusive and Resilient Growth I and II DPOs (FY18–20), the Fiscal Sustainability and Energy DPO (FY19–21), and the COVID-19 Response DPO (FY21). The IFC supported governance indirectly, through limited support to improving the economy for private sector investment; its 2021 Country Private Sector Diagnostic (World Bank Group 2021a) identified and analyzed deep-rooted governance issues hampering private sector growth and proposed ways to even the country's playing field, in which certain sectors are historically dominated by a few politically connected economic operators.

Box 4.1. Public Sector Performance Project

In fiscal year 2016, the World Bank approved the US\$40 million Public Sector Performance Project with a development objective to improve revenue management and local service delivery nationwide and in the education sector in selected regions. The project, which closed in December 2021, consisted of four components:

- » Revenue management (US\$16.8 million)
- » Service delivery capacity of local governments (US\$12.0 million)
- » Governance mechanisms in the education sector (US\$7.8 million)
- » Controls and performance monitoring (US\$3.4 million)

(continued)

Box 4.1. Public Sector Performance Project (cont.)

Project design was directly influenced by lessons learned from the two previous flagship governance projects in Madagascar. Governance and Institutional Development Projects I and II were evaluated by the Independent Evaluation Group and found to be overly ambitious and characterized by limited commitment by the government, weaknesses in the monitoring and evaluation system (including reliance on the government's undeveloped system and unclear accountability for data collection), and an undefined project implementation unit.

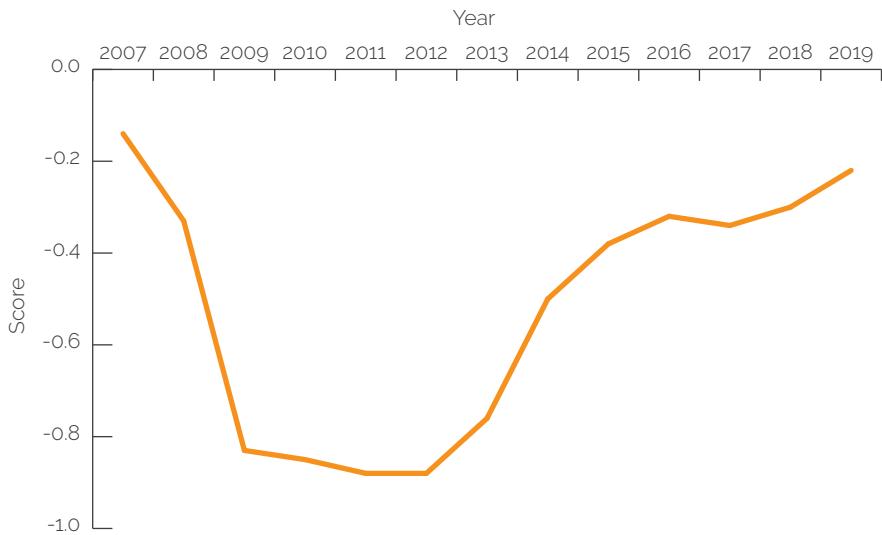
The Public Sector Performance Project incorporated these lessons. Project interventions were focused on the local level, results-based financing (through performance-based conditions) was incorporated into the project to overcome political opposition and incentivize interministerial cooperation, and a project implementation unit was anchored in the Office of the President to support increased political leadership and other reforms.

Sources: World Bank 2015d, 2016a.

Transparency, Accountability, and Participation

The World Bank contributed to improvements in transparency, accountability, and citizen participation, particularly after the political crisis. Madagascar has seen improvements in transparency, accountability, and participation since their steep deterioration during the political crisis of 2009–14 (figure 4.1). The World Bank contributed to these outcomes by building capacity for the timely publication of quality public finance information—for example, budget execution reports, tax expenditures, SOE financial operations, and transfers to local governments; scaling up social accountability mechanisms at the local level; strengthening the capacity of the supreme audit institution to audit national accounts (as well as to conduct high risk audits); supporting reforms to encourage greater transparency of companies benefiting from mining laws; and assisting in drafting legislation for, and enforcement of, asset declaration requirements.

Figure 4.1. Madagascar's Voice and Accountability Score: Rebounding to Precrisis Levels



Source: Worldwide Governance Indicators.

Note: The Worldwide Governance Indicators' Voice and Accountability score captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as perceptions of freedom of expression, freedom of association, and a free media. This is an aggregate score based on a number of existing data sources, with higher values corresponding to better governance. Please see note to table 1.2 on the nature of the Worldwide Governance Indicators.

The World Bank contributed to modest progress on budget transparency, although recent backtracking has drawn into question the sustainability of these gains. Technical assistance from the Public Sector Performance Project contributed to marginal improvements in budget transparency, which can be seen in the increase in Madagascar's Open Budget Index score between 2017 and 2019. However, budget transparency remains in the "minimal" category, and public participation in the national budget process remains low. With encouragement from the World Bank and other development partners, the Ministry of Finance published open format budget documentation and budget expenditure data in 2020 as part of its "COVID-19 report,"¹ earning praise from the International Monetary Fund, although some CSOs expressed dissatisfaction with the ambition of the report (STEF 2021). However, there has been significant backsliding since the beginning of the pandemic, as the availability of fiscal data has declined. Internews, an international NGO, notes that the government intimidation of journalists and restrictions on the media have increased in the past several years (Chapoy 2021). Transparency

International—Initiative Madagascar noted a similar deterioration in terms of the government’s treatment of civil society (Transparency International—Initiative Madagascar 2021b).

The World Bank was an early supporter of social accountability mechanisms in Madagascar. This support was strengthened during and after the political crisis, contributing to the institutionalization of mechanisms such as participatory budgeting in some municipalities. World Bank support came primarily through the provision of grant funding and technical assistance to local governments and CSOs. At the start of the evaluation period, the World Bank provided technical assistance to municipal governments and community associations to enhance community participation in the management of mineral resources through the Mineral Resources Governance Project (2003–12), which piloted participatory budgeting in mining communities and led to the funding of local development subprojects using local tax revenues.

Financial and technical support for participatory budgeting was scaled up through a number of World Bank–funded projects. This was part of an integrated approach to supporting social accountability, revenue mobilization, and decentralized land management at the municipal level (Communal Operation of Integrated Support). The approach, piloted under the Governance and Institutional Development Project II, provided small grants to municipalities through the Local Development Fund (Fonds de Développement Local) to increase social accountability mechanisms, such as participatory budgeting, citizen engagement, and community scorecards, and to improve revenue management and local public service delivery. This resulted in over 500 social accountability initiatives implemented at the local level that were rolled out to 50 municipalities by the end of the project in 2014. Since then, the World Bank has adopted the Communal Operation of Integrated Support approach in other World Bank–funded projects, including through the GPSA, continuing to provide grants and training to local officials to build capacity for and institutionalize participatory planning and budgeting processes in targeted municipalities.

World Bank support strengthened the capacity of civil society to monitor service delivery and open budgets. The World Bank’s financial and technical support provided through the GPSA and implemented by the NGO Soa Afafy

Hampahomby ny ho Avy (SAHA) has been crucial to building the capacity of CSOs at the regional and national levels and in coordinating CSOs to better channel their advocacy to enhance citizen participation in and accountability of the government’s public financial management.² SAHA is now one of the country’s premier sources of external oversight over, and citizen participation in, the elaboration of local action plans, the implementation of participatory budgeting, and the transparency of resource allocations to communes. Civil society interlocutors noted that through GPSA-funded operations, the World Bank helped establish a constructive relationship between CSOs and the government by encouraging state bodies to work with CSOs.

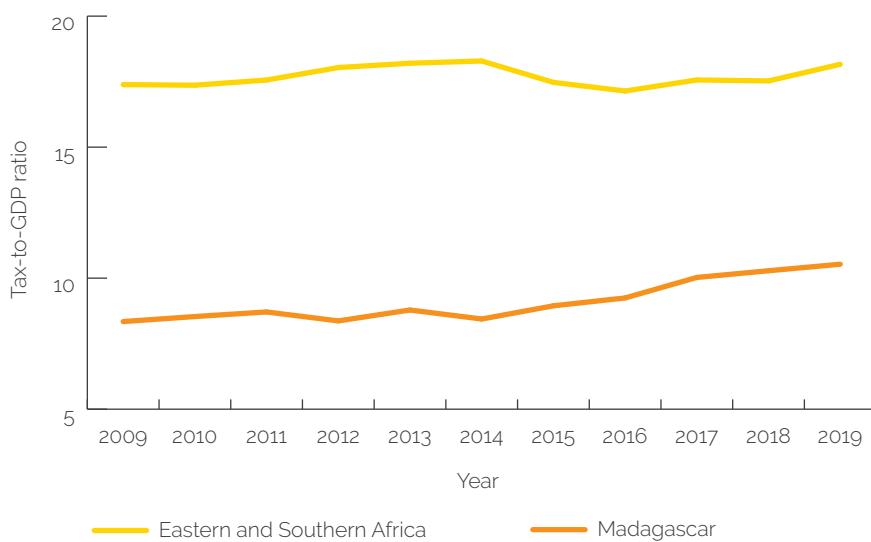
Domestic Resource Mobilization

World Bank support to domestic revenue mobilization contributed to boosting tax and customs revenues, although the tax-to-GDP ratio remains below the potential of 15 percent (IMF 2020b), and regressive tax exemptions remain high. Following the political crisis and the sharp decline in tax as a percentage of GDP—from 11.4 percent in 2008 to 8.3 percent in 2009—Madagascar’s tax-to-GDP ratio climbed steadily back to 11.0 percent in 2021. However, the ratio is still significantly below the average for countries in Eastern and Southern Africa (figure 4.2). Furthermore, this increase has since been dampened by the COVID-19-related economic contraction, with the ratio estimated at 9.3 percent of GDP in 2021. Customs revenue has grown significantly in recent years and registered a 60 percent increase from 2016 to 2019 (World Bank 2021b).

The World Bank supported domestic revenue mobilization through a mix of investment projects, support for policy reforms, and nonlending interventions. The Governance and Institutional Development Project II, approved in FY08, which was rated unsatisfactory by IEG, included support to improve the performance of tax and revenue agencies by modernizing customs offices, integrating the customs management system with the country’s integrated financial management information system, and providing training. The Public Sector Performance Project (approved in FY16 and closed in FY22) included support to improve and consolidate taxpayer registration and identification, modernize the country’s integrated tax administration system, strengthen risk-based audit function and

controls, introduce performance-based management to the tax and revenue agencies, and improve revenue collection in the mining sector. The three DPO programmatic series supported fiscal transparency through prior actions to (i) disclose the list of enterprises granted tax benefits under the Free Zone regime, (ii) publish planned and executed fiscal transfers (that is, revenue sharing) to local governments, and (iii) tighten the scope of customs exemptions and boost customs administration by expediting the customs clearance process and establishing performance contracts for customs inspectors at Toamasina port.⁵ Nonlending support included a Domestic Revenue Mobilization Policy Note (2014), support for two Tax Administration Diagnostic Assessment Tools (2015 and 2021), and influential ASA on combating corruption and tariff evasion (2019).

Figure 4.2. Tax-to-Gross Domestic Product Ratio in Madagascar versus Neighbors



Source: World Development Indicators.

Note: GDP = gross domestic product.

These interventions contributed to tangible improvements in tax administration, including a more than doubling in the number of registered taxpayers. World Bank financing and technical assistance contributed to the successful rollout of an e-payment module within an integrated tax administration system, simplifying and systematizing tax payments. World Bank support to improve taxpayer registration and rationalize the registry through the estab-

lishment of a single administrative identification number helped broaden the tax base, from 200,000 registered taxpayers in 2016 to nearly 515,000 at the end of December 2021. It also significantly contributed to the registration of over 31,000 small and individual businesses over the same period.

The World Bank contributed to tangible improvements in customs administration. Prior actions (through the Public Finance Sustainability and Investment DPO series) supported (i) greater restrictions on the scope of the customs exemption regime through revisions to the Customs Code, (ii) adoption of an expedited custom clearance process, (iii) adoption of a risk-based approach to verifying tax payments at customs offices, and (iv) establishment of performance-based management contracts for customs inspectors at Toamasina port. The resulting reforms contributed to a reduction in the time it takes to clear customs by half and better verification of declared values for imports, including through the signing of externally evaluated performance contracts for eight revenue offices (Chalendard, Raballand, and Rakotoarisoa 2019; World Bank 2020a). Thanks in large part to performance contracts, Toamasina port has witnessed a more than 400 percent increase (2016–21) in the rate of confirmed suspicious customs transactions (World Bank 2021b).

The World Bank also helped support an increase in the collection of local revenues (that is, land taxes and mining royalties). The World Bank supported local government revenue mobilization through revision of the legal framework and strategies guiding revenue mobilization for local governments, the use of mobile payments for revenue collection, and piloting and scaling up of innovative approaches to secure revenue collection. This contributed to recovery of revenue by local governments from 30 percent in 2016 to over 42 percent in December 2021. Furthermore, World Bank support to the revision of the Mining Code and regulations related to large- and small-scale mining contributed to the collection of tax revenue from natural resources: the decentralized tax collection rate of mining royalties increased from 10 percent to 97 percent during the first third of the evaluation period (World Bank 2014b). Finally, World Bank financial and technical support (in coordination with the International Monetary Fund) contributed to the design and establishment of a tax policy unit within the Ministry of Finance, tasked with conducting a priori and ex post analysis of current and potential

tax reductions and exemptions; the unit now produces yearly reports. A decree making such analysis mandatory was expected to be sent to the Council of Ministers at the time of writing.

Several domestic revenue mobilization interventions, however, were not successful. Although the World Bank supported disclosure of a summary of all tax expenditures in the annual budget law (see the “Expenditure Management” section), this did not contribute to a significant increase in revenue. Far from supporting the government to meet its targeted reduction of approximately \$24.8 million in tax exemptions, tax expenditures eliminated during the Public Finance Sustainability and Investment DPO series (2016–18) were less than \$0.4 million, and in 2017 the government approved additional tax benefits for special economic, industrial, and agriculture zones (World Bank 2019). Additionally, support for the establishment of a single administrative identification number to inform revenue mobilization was dropped by the World Bank because of lack of progress on the client side.

Expenditure Management

World Bank support for public expenditure management focused on reducing subsidies and transfers to the pension fund and SOEs as well as improving transparency and efficiency in the energy sector. Although expenditure management was a core focus of the World Bank under the CAS, expenditure management objectives became more targeted in subsequent strategies, reflecting agreement with the EU on an informal division of labor with respect to revenue and expenditure support. With the return to constitutional order in 2014, World Bank attention was targeted to reducing regressive transfers and subsidies. This was supported through prior actions in several DPOs and through technical assistance within the Public Sector Performance Project.⁴ Relevant prior actions included publishing an annual tax expenditure statement, eliminating the fuel subsidy, and removing ineligible beneficiaries from the pension roster to reduce transfers to the pension fund. However, these prior actions were not effective in meeting the World Bank’s targets, which were only partially achieved.⁵

Recognizing the inadequate performance of the national electricity and water utility, the World Bank devoted considerable attention to improving

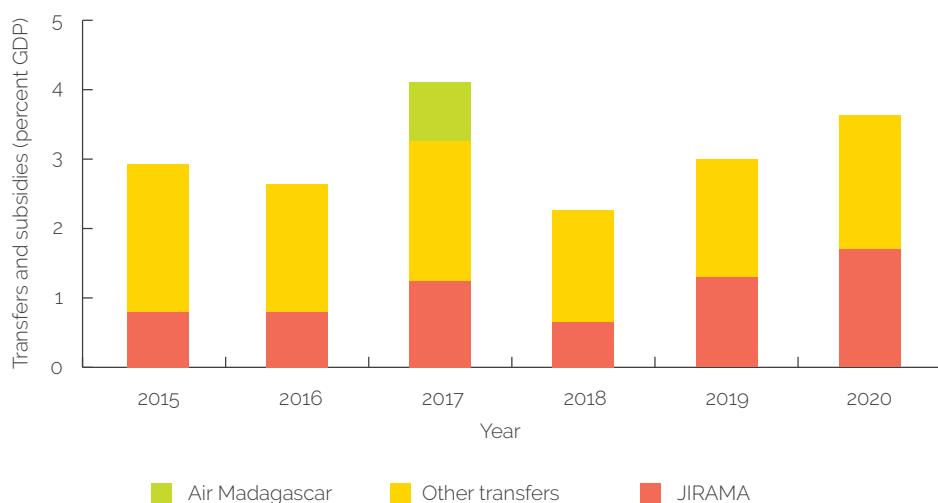
the financial and operational performance of JIRAMA. Given the associated fiscal burden, the World Bank included seven prior actions to reform JIRAMA in various DPOs. In parallel, the Electricity Sector Operations and Governance Improvement Project supported the adoption of a performance improvement plan for JIRAMA, which has contributed to a reduction in total electricity losses per year in the project area from a baseline of 35 percent to 25 percent and a reduction in interruptions in electricity service per year in the project area from 870 to 600 as of 2022 (progress to achieving the project development objective was rated satisfactory in February 2022; the project is expected to close in June 2023). The World Bank also provided technical assistance to reduce the cost of power generation and fuel subsidies (for example, by enabling substitution of diesel in existing power generation plans and shifting toward hydro and solar power).⁶

Although the World Bank supported a reduction in transfers and subsidies to nonpriority expenditures, progress fell short of targets. Through the Public Finance Sustainability and Investment DPO series, the World Bank helped reduce selected fiscal transfers (including transfers to the pension fund, and fuel and SOE subsidies) as a share of total expenditures from 13 percent in 2015 to 6.4 percent in 2019;⁷ however, this fell short of the target of 3 percent by 2019. Reforms to eliminate fuel subsidies were not sustained, and transfers to the pension fund and SOEs (JIRAMA and Air Madagascar) were only partially reduced (World Bank 2019). Efforts were complicated by the costs of responding to the COVID-19 crisis in 2020 and rapidly increasing oil prices in 2021, which contributed to losses at SOEs and led to an increase in transfers to JIRAMA in 2020 and 2021 (figure 4.3; IMF 2021).

Although the World Bank's efforts to improve JIRAMA's performance contributed to a reduction of electricity losses and interruptions in electricity service, JIRAMA's costs have continued to rise. The World Bank supported, through the Electricity Sector Operations and Governance Improvement Project and the Fiscal Sustainability and Energy DPO, a reduction in electricity losses through reforms to incentivize energy efficiency and investment in the rehabilitation and upgrade of facilities for electricity supply. However, although addressing technical issues has led to important achievements, efforts to improve the corporate governance of JIRAMA have achieved only modest results. As of 2021, a financial recovery plan for JIRAMA had not

been approved by JIRAMA's Supervisory Board, and the publication of JIRAMA's financial statements on the Ministry of Economy and Finance's website was delayed and produced without the auditor's opinion (World Bank 2021a). JIRAMA's operating losses and arrears to suppliers continue to be elevated, and the variable cost of electricity production—a CPF supplementary progress indicator—rose between 2015 and 2021, rather than fell (World Bank Group 2021b).

Figure 4.3. Madagascar: Transfers and Subsidies to State-Owned Enterprises



Source: International Monetary Fund 2021.

Note: GDP = gross domestic product; JIRAMA = Jiro sy Rano Malagasy.

Strong resistance and lack of political will have prevented further progress in reforming JIRAMA. Although the World Bank continued to support and encourage reforms in the challenging energy sector, it has had limited impact largely due to resistance from the utility's supervisory board and upper management. The Reengagement and Resilience stand-alone DPOs, the Public Finance and Sustainability DPOs, and the Fiscal Sustainability and Energy DPO attempted to reform the governance and improve the efficiency of JIRAMA and reduce the transfers and subsidies it receives through prior actions. These prior actions included coloring diesel delivered to JIRAMA to reduce leakages; publishing monthly statistics on the delivery of diesel to, and generation of, electricity at electricity generator centers; reviewing

a priori contracts exceeding a prespecified value and for noncompetitive procurements; and publishing the terms of all new power generation contracts on its website. However, just 57 percent of the seven prior actions supporting reforms to the SOE were sustained.⁸ These issues will likely continue until the electricity regulatory agency gains full independence from the Ministry of Energy (Transparency International—Initiative Madagascar 2021c).

Fiscal and Administrative Decentralization

World Bank support for Madagascar's decentralization agenda was concentrated in the latter half of the evaluation period due to initially weak government buy-in. The World Bank only relatively recently began to actively support the country's decentralization agenda, including the delivery of services at the subnational level (for instance, through the Citizen Involvement in Municipal Service Improvement, Resilient Livelihoods, and PRODIGY projects), support to local revenue mobilization and strategic urban planning, and revision of a standardized index measuring local governance. More recently, there have been high-level discussions between the Ministry of the Interior and the World Bank on a potential project that would, among other things, revise the allocation formula for the Equalization Fund and increase investment grants to communes from the Local Development Fund (Fonds de Développement Local; created with World Bank support in 2007).

The World Bank did contribute to improvements in subnational public financial management and the intergovernmental fiscal transfer system. Early support improved public financial management at the communal level, including through (i) the rollout of the integrated financial management information system to regional capitals, streamlining communal taxation (which led to increased tax collection), and (ii) improved decentralized management of natural resources and land certificates (Demetriou 2019). The World Bank directly supported the increased fiscal autonomy of local governments, with grants to rural communities of up to \$5,000 per commune through the Local Development Fund (Fonds de Développement Local) increasing by 100 percent in 2021. Through the Public Sector Performance Project, performance-based conditions incentivized more timely fiscal transfers to local governments. Prior actions through the Inclusive and Resilient Growth DPO programmatic series supported greater transparency

in relation to planned and executed fiscal transfers to local governments (for instance, by amending the statute to require publication of planned transfers, executed expenditures for the year prior, and an explanation of the prioritization guidelines regarding the distribution of expenditures across regions). The World Bank also supported full operationalization of the National Equalization Fund (Fonds National de Péréquation), established in 2016 (with support from the Public Sector Performance Project), which integrated a pro-poor equalization formula into the country's intergovernmental fiscal transfer system, thus channeling greater resources to the most underprivileged communes. Transfers through the National Equalization Fund (Fonds National de Péréquation) have been significantly delayed, calling into question the efficacy of the World Bank's DPO support, which was aimed at enhancing budget transfers to local governments (World Bank 2020a). However, overall, increased fiscal transfers are on the rise: Madagascar's government increased operating fiscal transfers to subnational governments by 20 percent in 2022.

Managing and Mitigating Political Risks

World Bank interventions in the governance space were sometimes undermined by elite capture and weak rule of law, suggesting the need for the World Bank to better mitigate political economy risks identified *ex ante*. Elite capture of project benefits, reversals of prior actions, or vested interests undermining accountability institutions were frequent problems. In one case, customs reforms to improve the identification of fraud at ports back-fired: rent seekers succeeded in getting the reform champion—the General Director for Customs—imprisoned on what some have claimed are politically motivated charges. In the Third Environment Program Support Project (EP3), local elites influenced the selection of village households that were eligible for safeguard compensation. As a result, households with higher socioeconomic and food security status, better access to markets, and membership in local forest management associations were more likely to be identified as project affected, potentially exacerbating rather than addressing social inequities (World Bank 2021d). Relatedly, the Extended Governance and Anticorruption Review (World Bank 2015a) found that illegal logging has persisted, in part due to EP3's omission of key stakeholders.

The Bank Group’s support for the protection of rosewood may have also been negatively affected by less-than-adequate political economy risk mitigation efforts. As part of the World Bank’s stand-alone Reengagement DPO, a prior action requiring the creation of an interministerial committee for securing and disposing of seized stocks of precious woods was viewed as high risk, given strong vested interests and lack of rule of law in this area. Some World Bank staff raised concerns that members of the committee had ties to the illegal rosewood trade and that budget support may not have been an appropriate instrument, given the risks of elite capture and corruption. Although efforts were made to mitigate the risk by revising the composition and reporting structure of the committee, progress fell short of the target (a viable use plan for the seized stockpiles of precious wood agreed with the Convention on International Trade in Endangered Species of Wild Fauna and Flora) in part due to insufficient political economy analysis being undertaken during project preparation (World Bank 2017b).

Several DPO prior actions were reversed in the face of strong vested interests. The Bank Group’s 2021 Performance and Learning Review for Madagascar noted that DPOs “were important vehicles for supporting integrated reform packages but suffered from persistent implementation gaps and faced some policy reversals” (World Bank Group 2021b, 17). A review of Implementation Completion and Results Reports and Implementation Completion and Results Report Reviews reveals that this situation was attributed not only to limited institutional capacity, a lack of strong political commitment, and changes in government personnel but also, critically, to strong vested interests in politically sensitive sectors, such as energy. For example, several reforms supported by the Public Finance Sustainability DPOs were reversed; transfers for fuel subsidies were eliminated in 2019, but they were reinstated in part due to the collapse in international oil prices.

Despite lessons from previous DPOs, there were systematic shortcomings in the World Bank’s assessment of political and governance risks and fiduciary and stakeholder risks. According to the World Bank’s self-evaluation of the Fiscal Sustainability and Energy DPO (World Bank 2021a), “the mitigation strategy planned in the program document of conducting stakeholder consultations backed with communication outreach activities appears relatively weak, as evidenced particularly by the failure to achieve

most agreed targets,” particularly related to efforts to reform JIRAMA and improve governance of the energy sector. The result is that inefficient fuel subsidies and transfers, as well as enduring tax expenditures, that benefit the country’s elite continue to crowd out higher-priority investments and social spending.

Some interventions directly or indirectly supported by the World Bank may have unintentionally weakened accountability institutions. One prominent form of support was using the financial incentive of the TAA to encourage the strengthening of democratic institutions. One such effort in pursuit of this milestone came in the form of the 2018 establishment of the High Court of Justice (Demetriou 2019), which, to be sure, was achieved without direct support from the World Bank.⁹ This court was given the exclusive mandate to try high-level politicians, but parliamentary authorization is required to pursue high-scale corruption cases. This has led to de facto immunity of corrupt parliamentarians and the politicians connected to them. The establishment of the new court may have unintentionally weakened the anticorruption court (*Pôles Anti-Corruption*), which no longer has exclusive responsibility for trying corruption and money laundering cases (Schatz 2019). World Bank support for the establishment of a special tribunal for the trafficking of rose-wood to help Madagascar meet its commitments to the Convention on International Trade in Endangered Species of Wild Fauna and Flora and to combat collusion between economic operators and high public officials has been praised by many experts. However, some have expressed concerns about a fragmenting of anticorruption efforts led by the Committee to Safeguard Integrity (*Comité pour la Sauvegarde de l’Intégrité*), which has been tasked with ensuring the coordination, monitoring, and evaluation of the country’s anticorruption system.

¹ See <http://www.mef.gov.mg/reportingcovid>.

² Soa Afafy Hampahomby ny ho Avy was established in 2011 and provides support to local governments and civil society organizations on participatory budgeting, local taxation, economic local development, intercommunity planning, land management, strategic alliances with ministries, and policy dialogue with the government and donors.

³ The development policy operation (DPO) programmatic series comprised the Resilience DPO, the Inclusive and Resilient Growth I and II DPOs, and the Public Finance Sustainability and Investment I and II DPOs.

⁴ The DPOs were the Investing in Human Capital development policy financing, the Fiscal Sustainability and Energy DPO, the Public Finance Sustainability and Investment DPO series, the Resilience DPO, and the Reengagement DPO.

⁵ Although an annual report on tax expenditures has been published as an appendix to the budget since 2017, this has not led to a significant reduction in tax expenditures, with only 1.3 billion ariary eliminated by 2019, compared with a target of 70 billion ariary. DPO prior actions succeeded in removing ineligible beneficiaries from the pension roster, leading to a reduction in transfers to the pension fund as a share of total expenditures from 5.8 percent to 3.8 percent, but this did not meet the target of 1.6 percent because some wage beneficiaries were shifted to pension beneficiaries in parallel. Although the government revised the structure of retail fuel prices in 2018 and 2019 as part of its strategy to eliminate fuel subsidies, reforms were not sustained as an automatic price adjustment mechanism had not been put in place as of 2020 (World Bank 2019).

⁶ Through the Power Sector Financial Sustainability advisory services and analytics, the World Bank supported the development of an energy subsidy reform program to be implemented with the support of the Fiscal Sustainability and Energy DPO. This analytical work helped raise awareness of Jiro sy Rano Malagasy's finances and of options to address the fiscal situation.

⁷ Relevant prior actions included establishing an automatic adjustment mechanism of fuel prices and passing a decree to eliminate the fuel subsidy, completing a verification of pension beneficiaries, publishing quarterly statistics on the cost of electricity for each power supply contract, and adopting standard contracts for all power generation agreements by Jiro sy Rano Malagasy.

⁸ The World Bank (2020a) noted that “a more diligent analysis of JIRAMA’s [Jiro sy Rano Malagasy’s] political economy including the clientelist networks that need to be dismantled within and around the utility would have helped to more closely and effectively supervise implemen-

tation of reforms through additional measures including more robust monitoring provisions and independent auditors.”

⁹Establishment of the High Court, including most justice reforms, was led by the European Union.

5 | World Bank Group Support for Fostering Development in Rural Madagascar

Highlights

World Bank support to smallholders, although consistent with good practice, often overestimated the capacity of Madagascar's farmers living in poverty, particularly in relation to supporting the adoption of improved technology.

The World Bank Group contributed to developing value chains, including poultry, beef, cocoa, and vanilla, as part of an integrated, regional approach, focusing on geographical areas with high growth potential. Success in integrating smallholders into agricultural supply chains, however, was more limited.

World Bank support contributed to short-term increases in agricultural production and resilience. However, this support contributed little to longer-term improvements in the livelihoods of rural smallholders (with the notable exception of benefits stemming from food security interventions).

The World Bank's approach to supporting natural resource management and the environment shifted from a focus on biodiversity conservation to integrated approaches that combined agricultural support. It is still too early to gauge the effectiveness of this pivot.

World Bank support for human development led to tangible contributions and helped prepare the government to respond to the ongoing coronavirus (COVID-19) crisis.

The Bank Group's support contributed modestly to developing Madagascar's rural areas and improving the welfare of rural Malagasy. Support to rural areas consisted of efforts to enhance agricultural productivity (subsistence agriculture and support to value chains); natural resource management and the environment, including integrated land management; access to infrastructure; and access to basic services, including health, education, and social protection. However, results were limited given the lack of sustainability of many interventions (in part due to weather-induced shocks that reduced the impact of irrigation infrastructure) and challenges in the scale-up of others. This section details the Bank Group's approach and efforts to support the development of rural areas.

Consistent Strategic Focus on Developing Rural Areas

The Bank Group focused on developing Madagascar's rural areas and reducing rural poverty throughout the evaluation period. The CAS (FY07–11) noted that to achieve its poverty reduction objectives required a strong focus on developing rural areas, given the large concentration of poverty and low human capital there. The ISN (FY12–13) emphasized the need to increase the resilience of the most vulnerable (the majority of whom are in rural areas), which required a medium-term perspective on health, education, nutrition, and social protection. In the short term, however, attention was given to high-impact interventions in rural areas that created employment, smoothed consumption, and built or reconstructed productive assets (for example, infrastructure; World Bank 2011b).

This focus on rural development was supported by the World Bank's diagnostic work on poverty in Madagascar. Figure 1.2 shows the geographic distribution of poverty in Madagascar. The SCD identified the need to give special attention to increasing agricultural productivity, enhancing management of natural resources, and creating mechanisms to protect rural Malagasy living in poverty from weather-related shocks. There was a clear recognition of the complex and cross-cutting constraints and bottlenecks to reducing rural poverty. This included recognition of the need for adequate and more efficient government spending on human capital (for example, health and education) and recognition of nutrition as a critical input to improving

health, education, and productivity (World Bank 2015b). The CPF proposed measures to achieve its goals of increasing the resilience of the most vulnerable and promoting inclusive growth. To achieve these objectives, the Bank Group was to work in fewer areas but to employ multisectoral and integrated approaches to the interconnected challenges impeding the development of rural areas.

Agriculture, Agribusiness, and Food Security

The Bank Group supported agriculture, agribusiness, and food security over the evaluation period. The Bank Group supported the sustainable development of rural areas by seeking to (i) increase the agricultural productivity of smallholders, (ii) foster economic growth by developing global and domestic agricultural value chains, and (iii) provide safety nets for Malagasy living in vulnerable, food-insecure areas. Project support included the Rural Development Support Project; the Irrigation and Watershed Management Project; the Agriculture Rural Growth and Land Management Project; the Sustainable Landscape Management Project; World Bank and IFC agribusiness projects, such as the Integrated Growth Poles and Corridor projects; IFC's investments in poultry, beef, and vanilla value chains; and the World Bank's Emergency Food Security and Social Protection Project.

World Bank support to smallholders was consistent with evidence of what works but failed to adapt adequately to Malagasy smallholders. World Bank interventions focused on increasing agricultural production by (i) creating and rehabilitating irrigation and infrastructure; (ii) promoting new technologies and innovations to increase agricultural productivity and sustainability; (iii) supporting policy reforms—for example, land tenure, investment climate; (iv) supporting agricultural research and extension to build the capacity of farm organizations; (v) rehabilitating a small number of feeder roads to facilitate market access and rural connectivity; and (vi) developing and enhancing previously underexploited value chains. Box 5.1 describes some of the evidence from agricultural interventions on what worked, what did not work, and why.

Box 5.1. Agricultural Interventions: A Review of What Works, 2000–09

A systematic review of World Bank agriculture interventions spanning 2000–09 provided lessons on the impact of specific agricultural interventions. The global evidence from impact evaluations is consistent with the results of the World Bank Group's engagement in Madagascar's agriculture sector.

The following outlines the results by intervention in terms of percent positive (or negative) for various outcomes:

- » Land tenancy and titling: 65 percent significant positive impacts—crop yield, value of production per hectare, agricultural profits, and household income across regions and types of reforms.
- » Extension services: 50 percent significant impacts—beneficiary knowledge and farm yields. Extension services, designed to diffuse knowledge among farmers, such as training of trainers, did not produce the expected results. Trained farmers were not able to effectively demonstrate complex decision-making skills to other farmers.
- » Irrigation schemes: 33 percent significant negative or nonsignificant impacts—agricultural or farm income. Negative or nonsignificant impacts were limited to microdams or water reservoirs, not canals or other irrigation infrastructure or technology. Negative or nonsignificant impacts were associated with, for example, declining labor productivity despite production increases.
- » Marketing or farm groups (for example, value chain participation): 64 percent significant positive impacts—yields, crop prices (and profits), and value of production. Participating in value chains provided access to improved inputs, farming technology, and markets.
- » Natural resource management: 50 percent significant impacts—farm yields or other agricultural indicators. Interventions that promoted technologies related to soil structure or composition—for example, stone bunds and systems for rice intensification (that is, guidelines for spacing and transplanting crops)—were most effective.
- » Input technology interventions: 70 percent significant positive impacts—variety of farm outcomes (for example, improved seeds).

(continued)

Box 5.1. Agricultural Interventions: A Review of What Works, 2000–09

(cont.)

In addition, microfinance, rural roads, other infrastructure, community-driven development, and safety net interventions showed positive impacts on rural development outcomes related to farm performance. Those outcomes were primarily household income or consumption (poverty reduction).

Sources: World Bank 2011a, 2011b.

Note: Income = earnings from all activities; production = amount of farm production cultivated and farmed; profit = marginal gains or net benefits (sales minus costs) reported by farmers; yield = production or labor per total area of cultivated land.

World Bank support for the adoption of improved technology to increase agricultural productivity was not adequately targeted to smallholder production systems. The World Bank supported improving or intensifying rice cultivation, agroforestry, and conservation agriculture. However, many Malagasy smallholders were not able to adopt these new technologies (or adopted but quickly dropped them) because of human capital constraints (for example, education, labor, and poverty) or infrastructure constraints (which impedes farmers' access to markets). Constraints included (i) the limited investment capacity of smallholders living in poverty, (ii) continued incentives to migrate to forest frontiers, (iii) risk aversion and the desire for immediate returns, (iv) social organization models that were not specific to the context of Malagasy smallholders, (v) low human capital, and (vi) lack of coordination at the sectoral and regional levels (including the need for substantial investments in transport and market organization). Smallholders require access to land and incentives to improve their land (for example, building terraces, fences, or irrigation schemes or using manure). Although aggregate agricultural productivity did increase somewhat, selective adoption of the new technologies by smallholder (or subsistence) farmers did not contribute significantly to this increase and therefore did not contribute to inclusive growth and rural poverty reduction objectives.

From about 2016, drawing on the findings of the SCD, the Bank Group's agricultural engagement shifted from direct support to smallholders to support to agribusinesses and value chains. The World Bank's support shifted to joint

World Bank–IFC–MIGA efforts in an intersectoral approach to supporting the development and deepening of value chains. Smallholders were included in the design of these projects, given an expectation that these farmers could be integrated along the supply chain. The Integrated Growth Poles and Corridor projects supported value chains (for example, cocoa, cotton, seaweed, lychees, vanilla) as part of an integrated, regional approach, focusing on geographical areas with high growth potential. The World Bank’s Agriculture Rural Growth and Land Management Project focused on improving value chains (cinnamon, granadilla, lychee, turmeric, dairy, and small ruminants) through improving land security and providing safety nets and response mechanisms in the case of natural disasters. Support is ongoing to assist the government’s effort in amending law 2021-016, on untitled private property, which is expected to enable the distribution of more than 1 million land certificates to Malagasy households by the end of the project. IFC’s investments in agribusiness value chains relied on agricultural policies supported by the World Bank, which were included in the Integrated Growth Poles and Corridor projects (for example, land reform, investment climate reforms) and de-risking mechanisms (for example, linking investments with advisory services and using the de-risking mechanisms [blended financing] offered under the Private Sector Window of the Global Agriculture and Food Security Program; see box 5.2). IFC invested in medium- to large-scale clients in areas with export potential and backward links to small-scale farmers, developing agricultural value chains in poultry and beef processing and certified and traceable vanilla. Additionally, broader IFC investments in energy, transportation, and financial services had indirect impacts on rural development.

Successful value chain interventions provide lessons to replicate. The World Bank successfully supported the cocoa value chain. Interviews suggest that the Integrated Growth Poles and Corridor projects were an exception. Their success was due, in part, to collaboration with regional and local authorities and coordination of project activities, both of which were facilitated by regional implementation units, as noted earlier. Another important factor of success was the World Bank’s support to the National Cocoa Council. In Madagascar, cocoa production is managed through the Council, which involves all actors along the value chain. To replicate the approach of the Integrated Growth Poles and Corridor projects approach requires inclusivity

along the value chain and institutions that are mandated to coordinate activities in project areas.

Box 5.2. International Finance Corporation and the Global Agriculture and Food Security Program: Efforts to Integrate Madagascar's Smallholders into Value Chains

The Global Agriculture and Food Security Program (GAFSP) was added to the Private Sector Window during the 18th and 19th International Development Association Replenishments. GAFSP is a multilateral mechanism established to support private sector investments in sustainable agriculture. By de-risking investments, GAFSP sought to demonstrate the viability (profitability) of private sector investments in International Development Association countries. GAFSP investments sought to integrate smallholders into value chains, build smallholders' capacity, and focus on investments that supported improving nutrition, empowering women, supporting gender equality, and adopting climate-smart agriculture.

Vanilla value chain. Investment by the International Finance Corporation helped integrate Madagascar's smallholder vanilla farmers into a global agricultural value chain. The International Finance Corporation client increased its direct sourcing of vanilla from farmer cooperatives, which included smallholders, and an International Finance Corporation advisory services project helped farmers obtain proper certification and ensure traceability of their produce. The client's business model supported sustainable vanilla sourcing; the company directly supported farming communities by improving access to health care and schooling infrastructure, cooperative management, and income diversification and loans, and its model was supported by corporate and social responsibility activities of one of the world's largest vanilla suppliers.

Poultry value chain. GAFSP reinvested its participation in the project to directly benefit the community surrounding the International Finance Corporation investment. Approximately US\$16 million was used to build schools, housing, health centers, and electricity infrastructure, among other community infrastructure, in the Anosy and Androy regions of southern Madagascar. (Androy is one of the poorest and most food-insecure regions of the country.) However, the business model of the poultry investment was not focused on integrating rural Malagasy farmers into the supply chain.

Source: Independent Evaluation Group.

Successful integration of smallholders into agricultural supply chains was more the exception than the rule. To integrate into a cash crop value chain, farmers need to produce a marketable surplus, which would have required smallholders to move beyond subsistence agriculture. Combined with the lack of rural roads and electrification, incentives to increase investments, and other constraints, this was a significant hurdle to overcome.

The World Bank's support contributed to short-term increases in agricultural production and resilience. Between FY07 and FY21, World Bank support rehabilitated and constructed irrigation systems, which contributed approximately 95,000 hectares of irrigated land (out of Madagascar's 2.2 million hectares of irrigated land). The number of hectares was likely larger, as the cited number excludes the construction and rehabilitation of irrigation schemes supported by community-driven development and social protection project activities. For example, the Emergency Food Security and Social Protection Project's cash-for-work program supported 2,321 activities, which included irrigation infrastructure, and contributed to increasing agricultural production, food security, and resilience.

Limited contributions of Bank Group agricultural support to longer-term improvements in the livelihoods of rural smallholders led to a shift to integrated approach to agriculture. World Bank-supported agriculture interventions targeted areas with the greatest production potential, typically large, irrigated plains, the highlands, or areas with potential for cash cropping, all of which are better off economically. However, interventions tended to benefit advantaged farmers capable of producing surplus crops, rather than vulnerable farmers (within rural areas). In certain value chains (such as rice), smallholders could not afford to invest in new technologies; technological adoption required higher investments, was riskier, and offered delayed benefits, which excluded smallholders. In response to this, the World Bank has increasingly designed projects implemented by multiple ministries and with interministerial coordination, such as the Sustainable Landscape Management and the Resilient Livelihoods in the South of Madagascar projects.

Natural Resource Management and the Environment

Over much of the review period, the World Bank-supported natural resources management program focused on protecting forest habitat by expanding the

coverage and strengthening the management of Madagascar’s System of Protected Areas. For 25 years, the World Bank supported implementation of the government’s National Environmental Action Plan through a programmatic investment loan series of three environmental programs. This plan focused exclusively on protecting biodiversity by developing a system of protected areas that restrict human use (it did not work to address the drivers of biodiversity habitat destruction across the country). The EP3, effective from 2004 to 2015, was approved on an exceptional basis and was complemented by projects and technical assistance to facilitate access to carbon finance markets. EP3 aimed to simultaneously conserve the country’s critical biodiversity and improve the livelihoods of local communities dependent on natural resources. Specific activities that were supported included the preparation of forest management plans; the establishment of an endowment fund, expected to generate resources to cover the recurring costs of managing the protected areas; and forest maintenance, surveillance, and monitoring.

EP3 was successful in increasing the area of forests placed under protection status, but it did not reduce deforestation rates. This was in part because it did not adequately address underlying drivers of forest losses from declining agricultural productivity around forests. Production of staple crops is both a key livelihood activity for communities in the forest frontier and a driver of deforestation. Low soil fertility drives farmers to cut the forest, where soil fertility is higher.

One shortcoming, however, was that the World Bank’s planned complementary support for incentives for communities to change unsustainable production practices within and around protected areas did not materialize. The core activities of the EP3 project focused on the management of forests within the protected areas as the World Bank intentionally opted not to directly support local communities’ livelihoods. Indeed, the Project Appraisal Document explicitly notes that earlier, more ambitious, phases of the environmental program registered weak results when biodiversity and community livelihoods were addressed in the same project; it also recognized the need for complementary investments to reduce pressures on natural forests by intensifying agricultural production but made the assumption that this would be best addressed by the World Bank–financed Rural Development Support Project, which was operating in the same province. Although the

implementation agencies of the two projects signed a memorandum of understanding for the rural development project to carry out community development activities for EP3, no Rural Development Support Project funds were earmarked to support communities around protected areas as a result of inadequate coordination in implementation (World Bank 2021d).

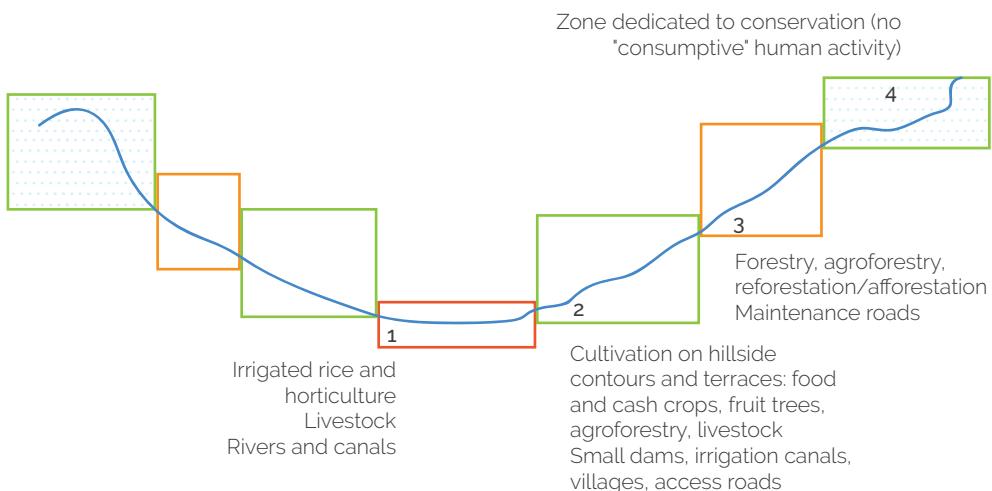
Through additional financing, EP3 added safeguard community development activities, but this did not improve farmer livelihoods or result in more sustainable use of forest resources. Safeguard activities included (i) safeguard compensation to individuals whose livelihoods were impacted by the loss of access to forest resources from the expansion of protected areas and (ii) community development activities to promote the transition to more sustainable agriculture production practices around protected areas. IEG found that safeguards compensation activities in EP3 were poorly designed, underfunded, and insufficient to compensate forest-dependent communities for the loss of income from long-term restriction to forest resources (World Bank 2021d). The community development activities provided (i) improved rice seeds and a year of technical support or (ii) small-scale livestock. However, these activities did not address the fundamental problem of low soil fertility, which encourages forest encroachment, and did not transition agricultural practices in the long term.¹ IEG's Project Performance Assessment Report of the project also found that many farmers abandoned the new techniques after the project closure.

Governance problems in the forestry sector also undermined the impact of EP3, as can be seen in the fact that deforestation rates did not decline. Lack of monitoring and lack of enforcement by the government were key drivers of deforestation. The World Bank's support to help the government address illegal mining of rosewood (mentioned in chapter 4) was not effective. During the crisis period and EP3 implementation, illegal trafficking of rosewood increased as monitoring and enforcement capacity declined. Through the Sustainable Landscape Management Project, the World Bank is now supporting a government traceability system to improve forest governance, although IEG was unable to identify any preliminary results to date.

From 2018, the World Bank began to promote an integrated landscape management approach that integrates agricultural development and sustainable

resource management into land use planning within a given area. This approach is currently being implemented by the Sustainable Landscape Management Project, active since 2019, that appears to be showing early signs of results at the household level. Under the project, a landscape is defined as the set of watersheds that are the source of water for a selected irrigation scheme. Four main land types are zoned within the landscape. The landscape approach identifies land uses within each land type (figure 5.1). The project identifies the key land users across the landscape and brings them together through a highly participatory process to prepare a land use management plan for the landscape. The project then finances priority productive investments within these land use management plans. It attempts to address lack of institutional coordination among key sectors by including three ministries responsible for planning for water, agriculture, and forests. Investments targeting downstream zones (zones 1, 2, and 3) aim to address constraints that contribute to low agricultural productivity and enhance the resilience of agricultural production systems. Investments targeting upstream zones (zone 4) support the management of critical ecosystems and protected areas. The project includes support to improve soil fertility to stabilize staple crop production around protected areas and pilots incentive-based conservation approaches that compensate communities for avoided deforestation.

Figure 5.1. Land Use within a Landscape—Profile of a Typical Valley



Source: World Bank 2017d.

Although this approach has several theoretical advantages for furthering rural development over the earlier support for protected areas management alone, it is too early to determine whether this new approach is producing results.² Limitations of landscape management approaches reported in the literature that would need to be addressed to further rural development include approaches not necessarily addressing all actors involved in deforestation; for example, impoverished and landless migrants who clear land are often hired by richer farmers within a community to clear additional forest land. Lessons from EP3 and past agricultural productivity projects also point to the need to tailor the delivery of agriculture support to meet the needs and capacity of subsistence farmers. There is also a limit to what the agriculture sector alone can do to improve the livelihoods of the population in the forest frontier in a sustainable manner. Once basic food needs are met, households need to be provided with opportunities and a suitable business environment to diversify away from unsustainable agricultural practices.

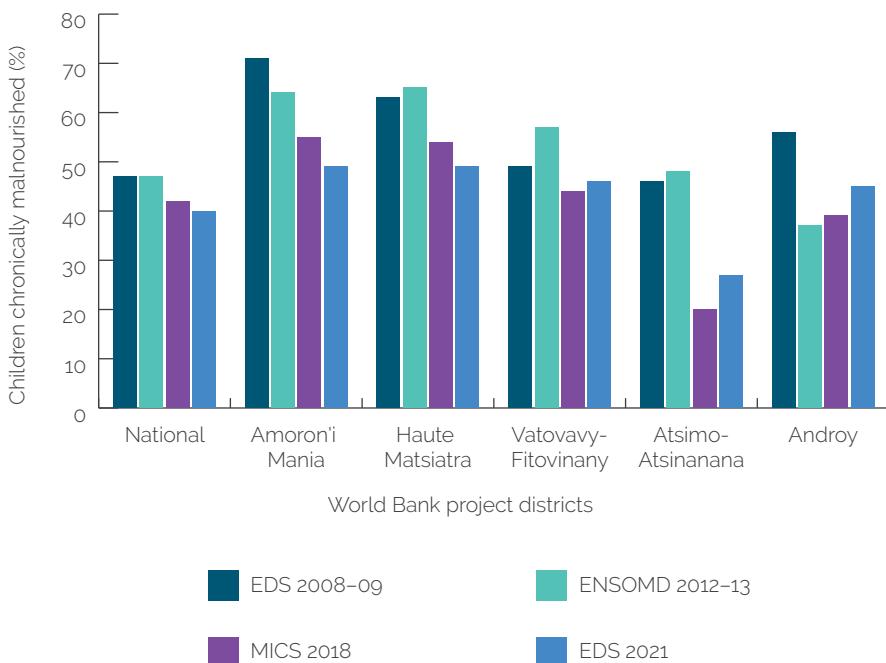
Health, Nutrition, Social Protection, and Education

Between FY07 and FY21, the World Bank supported human capital development, targeting the health, education, and nutrition of rural Malagasy. Health, education, and nutrition support targeted vulnerable women and children living in remote and disadvantaged areas. Social protection targeted the poorest and food-insecure regions of rural Madagascar, promoting resilience through income-generating activities, reducing consumption poverty, and investing in human capital (for example, productive safety nets and conditional and unconditional cash transfers).

The World Bank contributed to tangible outcomes in nutrition by quickly adding or reallocating funds to respond to emergencies and crises. The Emergency Support to Critical Education, Health, and Nutrition Services Project provided emergency financing to bridge the funding gap and stop the deterioration in health, education, and nutrition outcomes that occurred during the period of World Bank (and other donor) disengagement during OP 7.30. The project contributed to a reduction in the rate of stunted growth among children under the age of five years in project regions. IEG upgraded the project rating from satisfactory to highly satisfactory after visiting Madagascar in 2019.³ Between FY13 and FY18, the national rate of stunted

growth declined from 47 percent to 42 percent. Over the same period, project regions, which initially had rates much higher than the national average, declined at a faster rate than the national average (figure 5.2).

Figure 5.2. Chronic Malnutrition Rates, Children Five Years Old or Younger



Source: National Institute of Statistics.

Note: EDS = Enquête Démographique et de Santé de Madagascar (Demographic and Health Survey); ENSOMD = Enquête Nationale sur le Suivi des Objectifs du Millénaire pour le Développement (Madagascar National Survey on Monitoring the Millennium Development Goals); MICS = Multiple Indicator Cluster Survey.

World Bank engagement to improve education outcomes in Madagascar adapted in response to changing needs brought about by the political crisis. The political crisis curtailed government and donor financing for education, undermining the delivery of basic education services. Education projects were more successful in increasing access, with little progress made in improving student performance. Two World Bank projects (targeting different regions) provided emergency support, filling financing gaps, to maintain service delivery. First, the Emergency Support to Education for All Project supported preserving access to primary education and improving the teaching and learning environment. The project subsidized community teachers, built classrooms, and provided school kits and one meal per day to pupils

to improve access and retention in primary education. The theory assumed that training schoolteachers and directors, subsidizing schools, enhancing school management, and building classrooms would improve the teaching and learning environment. The project targeted 12 of the most vulnerable regions, based on poverty and education indicators. The Emergency Support to Critical Education, Health, and Nutrition Services Project focused on preserving education service delivery in vulnerable areas, emphasizing access and affordability. Access to education increased in part due to the World Bank's support, including the subsidizing of community teachers' salaries, the training of nongovernment teachers and new recruits, the provision of school kits to primary school students, the provision of school grants to complement school funds from the government, the strengthening of decentralized technical services, the training of local communities in school management, the development of social accountability tools to improve community participation and transparency, the construction of classrooms, and the provision of school health and nutrition services (for example, providing medicines, vitamins, or meals in drought-affected regions).

Recent World Bank support prioritizes student learning, which is more likely to contribute to developing rural areas. Postcrisis, World Bank education interventions prioritized teaching and learning, while maintaining attention on access, attendance, and repetition and dropout rates. The Basic Education Support Project continued to support school management and teachers' professional development; however, it also supported the professional development of school directors, the changing of the school calendar to accommodate agricultural seasons and weather cycles (both of which reduce attendance of teachers and students), and the changing of the language of instruction in the first two years (that is, increasing the use of first language instruction in the classroom). Regionally developed teacher training plans to improve early grade reading, writing, and mathematics supported central-level institution strengthening: preschool activity centers, public primary schools, and community-based early learning centers were supported through partnerships with local communities, CSOs, and private educational institutions to better prepare children for school. These results were reinforced by the Human Capital DPO, which, in the case of education,

encouraged the government's adoption of a merit-based approach to teacher recruitment and promotion, as well as reforms to the school grant formula.

World Bank support has contributed to significantly increasing enrollment in beneficiary areas. The 12 regions supported by the Emergency Support to Education for All Project experienced a 5 percent growth in enrollment rates in the three years before the start of the project, which was lower than in the rest of the country. For the period 2014–17, the growth of enrollment in the project's regions was 3.85 percent annually, more than twice the annual growth rate in nonproject regions over the same period (1.9 percent) and in the rest of the country. Nationally, enrollment increased by 2.8 percent annually between 2014 and 2017.

The World Bank's support to social protection directly contributed to reducing the prevalence of underweight children under the age of five years and increased food security. World Bank projects provided conditional and unconditional cash transfers to maintain Malagasy investments in human capital and provided productive safety nets (a cash-for-work, productive safety net, and human development cash transfer programs) to boost households' income in the short term and invest in community assets to build resiliency (for example, microirrigation schemes, taking a landscape approach). The Second Community Nutrition Project (FY98–11) contributed to reductions in the rate of underweight children from 36 percent to 18 percent in target areas; long-term impacts of the community-based nutrition program were found for acute, but not chronic, malnutrition. The Emergency Support to Critical Education, Health, and Nutrition Services Project (FY13–14) contributed to food security by providing training and starter materials to vulnerable women so that they could start small-scale farming or small-scale husbandry. The grants contributed to improving the reliability and nutritional content of food sources and generating income. Women were found to invest their money, buying land, building houses, sending their children to school, and using health services.

The social protection system supported by the World Bank provided the means to respond to the COVID-19 crisis more quickly. During the 2009–14 crisis, the World Bank's Emergency Food Security and Social Protection Project increased attention to targeting to ensure that those living in poverty

benefited; this was done by targeting eligible beneficiaries for the cash-for-work safety net program. More recently, the Social Safety Net Project helped lay the foundation for a national social protection system; it was used to provide a rapid response to the poorest households affected by cyclones and floods. Its identification, targeting, and payment mechanisms have been used over the past two years to provide social safety nets to urban Malagasy more exposed to COVID-19.⁴

¹ International experience suggests that short-term support for intensified agricultural production is a first and necessary step to reduce the pressure on the forest and provide food security, but it is not sufficient to reduce deforestation. There is also a limit to what the agriculture sector alone can do to improve the livelihoods of the population on the forest frontier in a sustainable manner. Once basic food needs are met, households require opportunities and a supportive business environment to diversify away from unsustainable agricultural practices.

² The project's Implementation Status and Results Reports track only the number of management plans signed, the area provided with irrigation, and the number of farmers adopting new production techniques. These indicators do not determine whether agricultural productivity is improving in an environmentally sustainable manner.

³ Health, education, and social protection projects met or exceeded their targets. Eight out of nine closed projects were rated moderately satisfactory or better.

⁴ In parallel, the Agriculture Rural Growth and Land Management Project provided social protection through emergency credits. The project was restructured during the pandemic: instead of financing regular agribusinesses and small to medium enterprises, it provided credits to keep businesses afloat (for example, to pay rent and salaries).

6 | Findings and Lessons

Bank Group strategies in Madagascar between FY07 and FY21 were increasingly aligned with the country's most pressing development constraints. The three strategies were consistent with the evolving country context, aligned with the government's extant strategies, and adapted to Madagascar's political instability and weak governance. That said, insufficient support to the country's anticorruption agencies and agricultural interventions that did not sufficiently target Madagascar's rural poor people undermined the achievement of expected results.

Strategies and interventions adapted to changes in the country context. This was particularly important after the 2009 political crisis and the subsequent triggering of OP 7.30. The Bank Group responded by increasing analytical work on elite capture and rule of law. This helped improve understanding of how these constraints affected the portfolio and how to improve design accordingly. The World Bank's engagement was recalibrated to more directly confront rent capture and the need to strengthen checks and balances. This was most evident in the latest strategy—the CPF (FY17–21)—which recognized the need for the Bank Group to directly address key drivers of fragility in Madagascar.

This evolution allowed the country to benefit from significantly greater IDA financing. As a fragile state, Madagascar was eligible for IDA fragility, conflict, and violence allocations including through the TAA. This extended the World Bank's leverage by tying financial incentives to progress on measurable reforms and actions that would help the country transition out of fragility. It helped increase the commitment of the government to much needed policy reforms, while providing a platform for dialogue with development partners. At the project level, interventions were designed and implemented to promote greater transparency in resource management and citizen involvement in budget preparation and oversight.

Gradual recognition of political economy constraints (and the pervasiveness of elite capture in particular) led the Bank Group to partially pivot its

approach in favor of more direct engagement at the local level in investment project lending. Drawing on local government and nonstate actors underpinned continued engagement and allowed the Bank Group to work around political instability and elite capture. Indeed, despite the challenges associated with working in Madagascar during the political crisis, many projects were successfully implemented, including, critically, a series of emergency projects. It also positioned the World Bank to better support the government in advancing the stalled decentralization agenda. At the same time, budget support sometimes included prior actions targeting national level reforms whose political economy risks were not always fully thought through. This can be seen in the mixed record of DPO-supported reforms being sustained (particularly those related to reforming JIRAMA).

The World Bank succeeded in contributing to limited improvements in domestic revenue mobilization, expenditure management, decentralization, and transparency, accountability, and participation of civil society in decision-making. World Bank support to strengthen citizen participation in public finance has yielded results, including through the NGO SAHA and its partner CSOs. World Bank support for domestic resource mobilization contributed to improved tax and customs revenue collection, and increased local revenues, even though it was not able to achieve reductions in the country's high and regressive tax expenditures. World Bank support for expenditure management led to some reductions in transfers and subsidies to nonpriority expenditures; however, JIRAMA continues to receive sizeable fiscal transfers. With respect to decentralization, World Bank support helped improve the targeting of the country's intergovernmental fiscal transfer system and boosted subnational public financial management.

The World Bank's engagement in natural resource management and the environment evolved over time, shifting from a conservation focus to a more integrated approach. This helped address the complex relationship between agriculture and the environment, and coordination between the World Bank's environment and rural development projects has grown significantly over the past several years.

However, the Bank Group's results were tempered by an inability to adequately mitigate political economy risks. Although the Bank Group improved

its ability to understand the root causes of Madagascar's weak governance and fragility, the associated risks were inadequately mitigated. Evidence of this can be seen, for example, in the reversal of DPO prior actions, the continued high level of tax expenditures, and the power of vested interests (for example, within senior JIRAMA leadership) to derail needed reforms.

Bank Group interventions to foster sustainable development in rural areas contributed to some improvements but failed to fully adapt to local conditions. The Bank Group's support for agriculture was unable to address barriers facing rural smallholders because interventions were not designed to be relevant to their specific challenges. The World Bank supported the development of value chains, but many smallholder farmers and smaller producers did not have the requisite capacity to benefit from these by undertaking contract farming. Many Malagasy smallholders were unable to adopt the new technologies supported by the World Bank due to inadequate educational attainment and insufficient resources to invest in said technologies (as well as infrastructure constraints, to be sure). As such, the overall impact on poverty was limited.

The following lessons are offered for consideration regarding future World Bank engagement in Madagascar and may be of relevance to countries facing similar challenges:

1. The World Bank had some success in identifying and analyzing political and governance risks, but less in operationalizing its findings. Although the World Bank was able to tackle some political economy constraints through disbursement-linked indicators and recalibration of the CPF to directly address fragility drivers, project design sometimes fell short with respect to political risk mitigation. In some cases, this undermined results and may have helped contribute to unintended consequences, such as weakening the authority of the independent anticorruption court (Pôles Anti-Corruption) by supporting the establishment of a separate court dedicated to trying high-profile politicians.
2. Given significant reversal of reforms supported by DPOs in the face of elite capture in Madagascar, the World Bank may want to (i) strengthen how it assesses whether the conditions for budget support operations are adequate, (ii) more clearly identify the risks to sustainability, and (iii)

better articulate risk mitigation strategies. Vested interests in Madagascar were often successful at undermining reform efforts, particularly as they related to increasing the transparency of tax expenditures and improving governance in the energy sector, suggesting the need to better tailor project design to the challenging context.

3. Strengthening the World Bank's engagement with CSOs to a more collaborative one could help achieve a greater level of accountability in a context such as that of Madagascar with weak checks and balances. The results of the World Bank's sustained but limited support to CSOs (coordinated through the NGO SAHA) to improve social accountability mechanisms demonstrate the potential value added of supporting civil society on a larger scale. Increased collaboration could also make the World Bank more aware of unintended consequences for homegrown anticorruption initiatives.
4. Addressing longer-term development in rural areas requires adapting support to the needs of Malagasy smallholders and smallholder production systems. The World Bank-supported strategy to improve agricultural productivity largely focused on yield per hectare, which did not fully consider the high vulnerability and low investment capacity of Malagasy smallholders or their preference for diversification over specialization. For example, World Bank support that introduced new technologies insufficiently considered that most smallholders are constrained by poverty and are not able to adopt new techniques that require additional investments. Indeed, the Bank Group's agribusiness interventions supporting value chains largely benefited medium- to large-scale clients, as smallholders did not have the capacity to take advantage of new markets. This reflects a more general finding that poverty traps are not conducive to risk taking or delayed benefits, which are often necessary when adopting new technologies.
5. The World Bank worked best in Madagascar's rural areas when it coordinated across sectors—a lesson adopted and reflected in the current portfolio. Addressing natural resource management in Madagascar required complementary support across sectors. As an example, the World Bank's decision not to deliver some forms of complementary assistance to support local community livelihoods had a negative impact on its forest management activities. Although there are often impediments and

disincentives to coordination within both government and the World Bank, sectoral coordination, when it occurred (from the ministerial to the community level), fostered more sustainable gains in rural areas.

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APPENDIXES

Independent Evaluation Group

*The World Bank Group in Madagascar,
Fiscal Years 2007–21*

Appendix A. World Bank Group-Supported Strategies

Table A.1. World Bank Group Country Strategies and Objectives, Madagascar, Fiscal Years 2007–21

CAS FY07–11	ISN FY12–13	CPF FY17–21
Pillar I. Remove bottlenecks to investment and growth in rural and urban areas	Pillar 1. Improve governance and public sector capacity	Focus area 1. Increase resilience and reduce fragility

(continued)

CAS FY07–11	ISN FY12–13	CPF FY17–21
<p>Improve governance in natural resource sectors</p> <p>Improve voice and accountability</p> <p>Improve business environment</p> <p>Increase economic outcomes in "growth poles" areas</p> <p>Improve access to finance</p> <p>Increase competitiveness and diversification in agriculture</p> <p>Improve accessibility and reliability of roads</p> <p>Improve efficiency and reliability of railway operations along the corridor between the capital and Toamasina port</p> <p>Improve competitiveness of air transport</p> <p>Improve efficiency of power supply</p> <p>Improve management of the environment</p> <p>Increase natural disaster preparedness</p> <p>Pillar II. Improve access to and quality of services to people</p> <p>Improve effectiveness and fairness of revenue collection system</p> <p>Increase efficiency of public expenditure management</p> <p>Improve public service delivery</p> <p>Improve access to, and quality of, primary and post-primary education</p> <p>Increase effectiveness of health service delivery</p> <p>Control incidence of HIV/AIDS and sexually transmitted infections</p>	<p>Improve broad understanding of governance issues and governance</p> <p>Improve public service delivery in pilot areas</p> <p>Improve community participation in governance</p> <p>Pillar 2. Promote employment and competitiveness</p> <p>Improve business environment</p> <p>Improve agricultural productivity</p> <p>Address emergency repairs and accessibility of transport network</p> <p>Pillar 3. Promote resilience and reduce vulnerability</p> <p>Continue to protect the environment</p> <p>Improve protection of the vulnerable</p> <p>Improve preparedness to deal with natural disasters</p> <p>Improve monitoring of education sector performance</p> <p>Improve mother and child health services and HIV prevention</p> <p>Improve nutrition for children under two years of age (in target areas)</p> <p>Increase number of children 0–24 months who obtain monthly adequate minimum weight (in project areas)</p>	<p>Strengthen children's human development</p> <p>Enhance resilience of livelihoods of vulnerable households in rural and urban areas</p> <p>Enhance and increase effectiveness of decentralization</p> <p>Improve transparency and accountability</p> <p>Focus area 2. Promote inclusive growth</p> <p>Increase fiscal capacity to finance priority social and infrastructure spending</p> <p>Improve business environment and access to finance</p> <p>Strengthen rural productivity</p> <p>Improve access to energy and transport</p>

Sources: World Bank 2007, 2011, 2017.

Note: CAS = Country Assistance Strategy; CPF = Country Partnership Framework; FY = fiscal year; ISN = Interim Strategy Note.

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Appendix B. Madagascar's National Development Strategies and World Bank Group-Supported Country Strategies

Table B.1. Mapping of Government of Madagascar Country Strategies with World Bank Group Country Strategies for Madagascar

		Country Assistance Strategy, FY07–11	Interim Strategy Note, FY12–13	Country Partnership Framework, FY17–21
Madagascar Action Plan, 2007–15	National Development Plan, 2015–19	Madagascar Emergency Initiative, 2019–23	Remove bottlenecks to investment and growth	Promote resilience and reduce fragility
Responsible governance	Governance, rule of law, security, decentralization, democracy, and national solidarity	Digital innovation and good governance	Improve access and quality of services to people	Promote resilience and employment competitiveness
High-growth economy	Preservation of macroeconomic stability and support for development	Economic and financial emergence, and international trade	Improve governance capacity and public sector resilience	Promote resilience and reduce vulnerability
Connected infrastructure; rural development and a green revolution	Economic emergence and international relations	Territorial planning, infrastructure, and decentralization	Promote inclusive growth and local roots of development	Promote inclusive growth and local roots of development

(continued)

Country Assistance Strategy, FY07–11		Interim Strategy Note, FY12–13	Country Partnership Framework, FY17–21
Madagascar Action Plan, 2007–15	Madagascar Emergency Initiative, 2019–23	Impose access and quality of services to people to investment and growth Remove bottlenecks Improve governance and capacity Promote employment and competitiveness Promote resilience and reduce vulnerability Increase resilience and reduce fragility Promote inclusive growth	MAP, NDP, MEI MAP, NDP, MEI
Cherished environment	Valorization of natural capital and strengthening of resilience to natural disasters	Social protection and human rights	Environmental emergence and sustainable development
Education transformation; health, family planning, and fighting HIV/AIDS	Adequate human capital for the development process	Educational innovation, human capital, sports, and culture	MAP, NDP, MEI MAP, NDP, MEI NDP

Source: Independent Evaluation Group.

Note: FY = fiscal year; MAP = Madagascar Action Plan; MEI = Madagascar Emergency Initiative; NDP = National Development Plan.

Appendix C. Methodology

Country Program Evaluation Methodology

The objective of Country Program Evaluations (CPEs) is to assess the contribution of the World Bank Group to development outcomes and overall Bank Group performance. Evaluation of the Bank Group's performance is based on (i) relevance of the overall portfolio over the evaluation period; (ii) the ability of the Bank Group to adapt to changing circumstances, respond to unanticipated shocks, and learn from experience (particularly important for Madagascar, given the 2009–14 political crisis); (iii) design and supervision of implementation of the Bank Group's lending portfolio; (iv) quality of advisory services and analytics; and (v) coordination with development partners.

CPEs normally include extensive fieldwork, but the coronavirus (COVID-19) pandemic prevented fielding a mission. Research for the evaluation was limited to desk reviews, secondary data analysis, and virtual interviews. The team conducted 118 interviews with representatives from government, private sector, civil society, academia, development partners, and the Bank Group.

Evaluation Approach

The Madagascar CPE employed a mixed method approach. This included (i) analysis of Bank Group strategies, (ii) portfolio review and analysis, (iii) data analysis, (iv) structured and semistructured interviews, (v) existing evaluative evidence, and (vi) template-based qualitative assessments of relevant sectoral and thematic topics. Table C.1 presents the data sources and methods used to answer the evaluation questions.

- » **Analysis of Bank Group strategies**—The team systematically analyzed Bank Group strategies over the evaluation period to understand adaptations to the changing country context and the extent to which lessons learned impacted the Bank Group's approach moving forward.
- » **Portfolio review and analysis of project and analytical work**—The team first identified all lending and nonlending operations and activities across

all sectors that were relevant to the two special themes of weak governance and rural development. The team then conducted a structured review of both portfolios based on a standard but focused protocol for extracting, coding, and analyzing qualitative data. This also included a quantitative review of project outcome ratings and a compiling of qualitative data to analyze lessons learned at the project and portfolio levels.

- » **Analysis of macro- and socioeconomic data**—The team reviewed project and external documents in search of baseline, indicator, and impact evaluation data to determine progress along several areas over the evaluation period. Data (government, socioeconomic, development, and nongovernmental) were compiled, analyzed, and triangulated to determine the extent to which key development, socioeconomic, and sectoral indicators changed over time.
- » **Structured and semistructured interviews**—Structured and semistructured interviews with relevant stakeholders complemented the portfolio review and analysis and secondary data analysis. Interviewees included current and former government officials, academics, private sector representatives, civil society representatives, and Bank Group staff. They provided rich information to complement and contextualize the patterns and findings from the earlier reviews and analyses. These interviews also helped the team to obtain broader insights into the country context and relevant issues and to be able to triangulate data.
- » **Analysis of existing evaluative evidence**—The evaluation also built on existing internal and external evaluations, including Implementation Completion and Results Reports and Implementation Completion and Results Report Reviews by the Independent Evaluation Group (IEG) of World Bank projects and operations; Expanded Project Supervision Reports; IEG’s Evaluation Notes of International Finance Corporation investments; self-evaluation and IEG validations of International Finance Corporation advisory services; and self-evaluation and IEG validation of Multilateral Investment Guarantee Agency projects. The evaluation also drew on the Bank Group’s self-evaluation of the implementation and impact of its support to Madagascar (2016, validated by IEG in 2017) and several Project Performance Assessment Reports, Learning Products, and relevant case studies on Madagascar conducted for IEG thematic evaluations.

» **Template-based qualitative assessments (sectoral and thematic)**—Using the aforementioned data and analysis, the team developed nine synthetic background reports through template-based qualitative assessments, answering seven core questions in key sectors or themes to feed into the CPE. The key sectors and themes were agriculture, energy, environment and natural resources, extractives, gender, governance, International Finance Corporation and the Multilateral Investment Guarantee Agency, private sector development, and transportation. The core questions focused on (i) main issues and challenges in the sector or theme, (ii) the Bank Group’s approach to the sector or theme, (iii) relevance of Bank Group support, (iv) effectiveness of coordination with relevant stakeholders, (v) adaptability of the Bank Group to emerging challenges, (vi) Bank Group contribution to results, and (vii) lessons learned. The synthetic nature of these reports allowed the team to analyze similar phenomena from different lenses, deepening their understanding of core constraints, the relevance of Bank Group interventions, and subsequent contributions to development outcomes.

Table C.1. Evaluation Design Matrix

Key Questions	Data Sources	Methods
How successful was the World Bank Group in improving governance?		
How relevant was the Bank Group’s support to improving governance? How did its approach and support adapt and respond to emerging challenges (for example, political instability)? To what extent did Bank Group support contribute to improving governance? What lessons can be learned from the Bank Group’s support to improving governance?	Government strategies, Bank Group strategies, Bank Group project data, Bank Group advisory services and analytics data, internal and external analyses, internal and external intervention-level evidence	Analysis of Bank Group strategies; portfolio review and analysis of project and analytical work; analysis of macro- and socioeconomic data; structured and semistructured interviews with Bank Group staff, development partners, client, and civil society; analysis of existing evaluative evidence; and template-based qualitative assessments

(continued)

Key Questions	Data Sources	Methods
<p>How successful was the Bank Group in improving development in rural areas?</p> <p>How relevant was the Bank Group's support to rural development? How did its approach and support adapt to emerging challenges (for example, natural disasters)?</p>	<p>Government strategies, Bank Group strategies, Bank Group project data (in relevant sectors), Bank Group advisory services and analytics data, donor strategies, projects, and analytical work</p>	<p>Analysis of Bank Group strategies; portfolio review and analysis of project and analytical work; analysis of macro- and socioeconomic data; structured and semistructured interviews with Bank Group staff, development partners, client, and civil society; analysis of existing evaluative evidence; and template-based qualitative assessments</p>

Source: Independent Evaluation Group.



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The World Bank
1818 H Street NW
Washington, DC 20433