

PROJECT COMPLETION REPORT (PCR) FOR POLICY-BASED LENDING OPERATIONS

A. PROJECT DATA AND KEY DATES

I. BASIC INFORMATION			
Project Reference: P-MG-K00-007	Project Name: Poverty Reduction Budget Support Programme Phase II (PRBSP II)	Country: Republic of Madagascar	
Lending Instrument(s): General Budget Support/ ADF Loan No. 21001500164843		Sector: Multi-sector: Governance/Water and Sanitation	Environmental Classification Category III:
Original Commitment: UA 60 million	Amount Cancelled: UA 30 million	Amount Disbursed: UA 30 million	% Disbursed: 100%
Structure of tranches: First tranche: UA 30 million; Second tranche: UA 20 million (cancelled); Third tranche: UA 10 million (cancelled)			
Borrower: Ministry of Finance and the Budget of the Republic of Madagascar			
Executing Agency(ies): The implementation of the programme will be monitored by the MAP implementation coordination structure comprising: (i) the Steering Committee chaired by the Prime Minister and including representatives of Ministries in charge of the Economy, Trade and Industry, Finance and the Budget and Decentralization, as well as the SG/MAP of the President's Office; (ii) the Planning and Monitoring Unit; and (iii) the Permanent Technical Secretariat for Aid Coordination. Reform coordinators in Ministries targeted by the programme – Ministry of Finance and the Budget, Ministry of Justice, Ministry of Energy and Mines, Ministry of Water Resources, Ministry of Decentralization- were also responsible for implementation of measures initiated by the programme.			
Co-financiers and other External Partners: The operation was not co-financed. However, it benefited from other sources of finance, in particular the World Bank (USD 120 million), the European Commission (EURO 86.5 million), France (EURO 16.05 million) and Germany (EURO 10.5 million). The programme was prepared and appraised in consultation with donors of the Partnership Framework. The programme was monitored by joint missions of the Partnership Framework. The Bank, jointly with the Ministry of Finance and the Budget, coordinated the Partnership Framework over the 2008-2009 period.			

II. KEY DATES

Project Concept Note Approved by Ops. Com. 13 February 2008	Appraisal Report Approved by Ops. Com. 4 June 2008	Board Approval 2 July 2008	
Restructuring(s) : None			
	Original Date	Actual Date	Difference in Months [Actual-Original]
EFFECTIVENESS	August 2008	13 August 2008	0
MID-TERM REVIEW	April 2010	Not conducted	0
CLOSING DATE	December 2010	15 April 2010	Not applicable (NA)
	Scheduled Date of Disbursement	Actual Date of Disbursement	Exemption from Conditions
TRANCHE 1:	August 2008	5 September 2008	0
TRANCHE 2 :	June 2009	Not disbursed	NA
TRANCHE 3 :	June 2010	Not disbursed	NA

III. RATINGS SUMMARY

CRITERIA	SUB-CRITERIA	RATING
PROGRAMME OUTPUT	Achievement of outputs	1
	Achievement of outcomes	1
	Timeliness	N/A

	OVERALL PROJECT OUTPUT	1
BANK PERFORMANCE	Design and Readiness	3
	Supervision	3
	OVERALL BANK PERFORMANCE	3
BORROWER PERFORMANCE	Design and Readiness	3
	Implementation	1
	OVERALL BORROWER PERFORMANCE	2

IV. RESPONSIBLE BANK STAFF

POSITION	AT APPROVAL	AT COMPLETION
Regional Director (ORSB)	Mr. F.BLACK	Mr. F.BLACK
Sector Director (OSGE)	Mr. G.NEGATU	Mr. G.NEGATU
Division Manager (OSGE.2)	Mrs. M. KANGA	Mrs. M. KANGA
Task Manager (OSGE.2)	Mr. M. MALLBERG	Mr. MALLBERG
Assistant Task Manager (ORSB)	Mr. XUEREB	Mr. XUEREB
PCR Team Leader		Mr. M. MALLBERG
PCR Team Members		Mr. S. RANDRIATSIFERANA, MGFO, Mrs. E. RAZANASAMY, MGFO

B. PROGRAMME BACKGROUND

The programme was satisfactorily implemented until December 2008, when the IMF suspended its programme review for the following reasons: (i) failure to electronically clear a set of goods entering the territory of Madagascar; (ii) non-compliance with the public procurement code and procedures in the procurement of the presidential aircraft; (iii) arrears of duties and taxes on crude cooking oil imports; (iv) the law establishing the National Hydrocarbons Import Corporation. Under the circumstances, the TFPs held discussions within the Partnership Framework and the Malagasy authorities to seek a solution to the suspension of IMF's programme review. Furthermore, since 26 January 2009, Madagascar has been rocked by a severe socio-political crisis that led to the economic crunch, inflationary tension for certain commodities, particularly foodstuffs, a drop in budget expenditure and a significant increase in poverty in all its dimensions¹. After close to 2 months of demonstrations by the opposition, the latter was rallied by part of the armed forces and thus constrained the President-elect, Marc Ravalomanana, to resign on 17 March 2009. Since then, the country is ruled by the High Transition Authority (HAT) chaired by the former Mayor of Antananarivo and former Leader of the Opposition, Andry Rajoelina, and his de facto government. The Parliament (National Assembly and Senate) was dissolved after the HAT had taken the reins of power. The international community condemned such undemocratic change of power and suspended part of its assistance. Numerous international and national mediation attempts have been futile thus far. As a result of the continued crisis and unlikelihood of a quick resolution, the Malagasy authorities submitted to the Bank on 15 April 2010, a request for cancellation of the undisbursed balance of the operation worth UA 30 million. Due to the crisis besetting the country, almost all measures proposed in PRBSP II could not be implemented.

PRBSP II was designed as a targeted continuation of PRBSP I, which had been implemented satisfactorily², as justified by the pride of place given to the pursuance of public finance management and the water sector, while taking into account one of the lessons learnt from the implementation of PRBSP I. The Completion Report on the latter operation recommended that future operations be better targeted so as to increase their impact. In addition, PRBSP II was designed as supplementary to budget support granted by other donors and to Bank-financed projects in the governance and water and sanitation sectors. The programme was prepared, appraised and monitored through the Partnership Framework chaired by the Bank over the period under review, so as to strengthen cooperation and coordination between donors and the authorities. The objective of the budget support programme was to contribute to the implementation of the Madagascar Action Plan (MAP) to reduce poverty in line with MDGs. The programme focused particularly on reforms in governance/public finance management, decentralization/deconcentration, and the water and sanitation sector.

In November 2006, Madagascar adopted a new Poverty Reduction Strategy, the MAP 2007-2012, which was prepared in a participatory manner and took into account the lessons learnt from the implementation of the previous Poverty Reduction Strategy Paper (PRSP). Commitments in the MAP concerned the following eight (8) themes: (i) Governance Accountability; (ii) Linked Infrastructure; (iii) Transformation of Education; (iv) Rural Development; (v) Health, Family Planning and HIV/AIDS

¹ There are no official data for economic analysis. The World Bank (Note of 25 August 2010) indicates that growth was estimated between -4.6% (Central Bank) and 0.6% (Finance Law 2010) in 2009.

² See Completion Report of PABRP-I ADF/BD/IF/2008/153

Control; (vi) Strong-Growth Economy; (vii) Environment; and (viii) National Solidarity. The MAP was an ambitious programme, aimed at reducing the poverty rate by 20 percentage points in five years, so as to attain 50% in 2012. Furthermore, the programme was designed in conformity with sector strategies and action plan on water and sanitation, governance, as well as public finance and transparency in the extractive industries and decentralization. Furthermore, it was consistent with the Bank's strategy which had the following pillars: (i) "Rural Infrastructure Development" and (ii) "Governance Improvement".

In addition, the Bank is active in the area of governance with a UA 5.86 million project, support for EITI implementation financed with FAPA resources for USD 600 000 (the support was not given because of the crisis) and two projects in the water and sanitation sector financed for UA 58.9 million. The operation, through its support for EITI implementation, was also complementary to the Mining Investment Project for which the Bank's private sector had provided financing of USD 150 million.

C. PROJECT OBJECTIVES AND LOGICAL FRAMEWORK

1. State the Project Development Objective(s) (as set out in the Appraisal Report)			
The programme's objective was to contribute to the implementation of the MAP, so as to reduce poverty in Madagascar, in line with the MDGs. The expected outcome was a reduction in poverty (poverty rate dropped from 67.5% in 2006 to 61% in 2008, to 58% in 2009 and to 55% in 2010 and an annual growth rate above 7% over the 2008-2010 period). The aim of the programme was to provide support for: (i) strengthening public resource management; and (ii) the water and sanitation sector so as to strengthen public resource management and improve access to basic services in the water and sanitation sectors.			
2. Describe each reform and/or conditions precedent to each disbursement and indicate how each will contribute to the achievement of programme development objectives			
The political crisis led to suspension of the programme by the Bank. The authorities were unable to implement the scheduled measures. Only a few measures scheduled for 2008 and the conditions precedent to the first disbursement could be fulfilled. At this stage, it is difficult to assess the impact of the implementation of some reforms and the fulfilled conditions on development objectives. Consequently, the reforms and conditions did not contribute to implementation of programme objectives. The crisis and suspension of assistance, and in particular, the suspension of budget support, had a profound impact on Madagascar's economy and social development (See section D).			
3. Provide brief assessment (up to two sentences) of the programme objectives, along the following 3 dimensions. Insert a working score, using the scoring scale provided in Appendix 1.			
CHARACTERISTICS OF PROGRAMME OBJECTIVES		ASSESSMENT	SCORE
RELEVANT	a) Relevant to the country's development priorities	The Programme's objectives were relevant to the development priorities set forth in the MAP.	4
ACHIEVABLE	b) Objectives considered achievable in terms of contributions to the programme and proposed time frames.	During formulation of PRBSP II, the country was in the deepening phase of its reforms programme. The programme was ambitious: 23 measures to be implemented in 2008; 30 measures to be implemented in 2009, and 29 measures to be implemented in 2010. The measures were technically feasible. Furthermore, the programme also attracted adequate financing, and its initial implementation time frame (3 years) was sufficient. It was designed in close collaboration with the Partnership Framework partners. Consequently, the objectives may be deemed achievable.	3
CONSISTENT	c) Consistent with the Bank's national or regional strategy.	The programme's objectives were also consistent with the Bank's Results-Based Country Strategy Paper.	4

4. Present the Logical Framework.

A. Support for Strengthening Public Resource Management

A.1 Strengthening Public Finance

OUTPUTS	MEASURABLE INDICATORS
Satisfactory implementation of Priority Action Programme (PAP) 2008	The number of PEFA indicators on budget preparation and execution (indicators 1-17) equivalent to or higher than B increased from 9 to 13 in 2010
Satisfactory implementation of PAP 2009	
Satisfactory implementation of PAP 2010	
A.1.1 Improving the Quality of Public Procurement	
Formulation of 2009-2012 Public Procurement Action Plan (PARMP) in consultation with users, and adoption by Cabinet Meeting (2008)	PEFA PI-19 rise to C+ in 2009 and to B in 2010

Implementation of PARMP (2009)	
Implementation of PARMP (2010)	
Finalization of study on SIGMP and establishment of SIGMP (2008)	SIGMP put in place and operational
Operation of SIGMP (2009)	
Operation of SIGMP (2010)	
Conduct of public procurement audits in five (5) priority Ministries (Education, Health, Agriculture, Public Works and Energy and Mines) (2009)	Audits are conducted
Conduct of public procurement audits in ten (10) priority Ministries /Institutions, including the five (5) priority Ministries (Education, Health, Agriculture, Public Works and Energy and Mines): The conduct of audits in the five priority Ministries is a condition precedent to disbursement of the third tranche (2010).	Audits are conducted
Conduct of public procurement audits in 10 EPA / EPIC, including FER, SAMVA and OMH (2009)	Audits are conducted
Conduct of public procurement audits in 10 EPA/EPIC (2010)	
Design 2009 - 2010 recruitment plan for Internal and External Control Institutions (2008)	The human resources of Internal and External Control Institutions are strengthened in accordance with the 2009-2010 recruitment plan
Adopt 2009- 2010 recruitment plan for Internal and External Control Institutions, and start its implementation (2009)	
Pursue the implementation of the 2009-2010 recruitment plan (2010)	
Provide DGCF with adequate resources to fulfill its mission (2009)	The DGCF has adequate resources to fulfill its mission (. PI20=B in 2010 PI21=B in 2010
Provide DGCF with adequate resources to fulfill its mission (2010)	
Adopt the Circular on Prioritization and Standardization of Financial Control (2008)	The Circular on Prioritization and Standardization of Financial Control is adopted
Provide the Treasury Squad with adequate resources to carry out a minimum of 50 control missions (2009)	The Treasury Squad conducted 50 audits in 2009
Provide the Treasury Squad with adequate resources to carry out a minimum of 50 control missions (2010)	The Treasury Squad conducted 50 audits in 2010
The DGAI carries out at least 1 audit mission in each of the 22 regions (2009)	The DGAI carried out at least 1 audit mission in each of the 22 regions in 2009
The DGAI carries out at least 1 audit mission in each of the 22 regions (2010)	The DGAI carried out at least 1 audit mission in each of the 22 regions in 2010.
The Treasury transmits quarterly reports on the monitoring of restitution orders following irregularities noted by inspectors to the Minister of Finance and the Budget (MFB), as well as to the IGE (2008)	Quarterly reports on the status of recovery of repayments are transmitted beginning 3rd quarter of 2008
The Treasury transmits quarterly reports on the monitoring of restitution orders following irregularities noted by inspectors to the Minister of Finance and the Budget (MFB), as well as to the IGE (2009)	Quarterly reports on the status of recovery of repayments are transmitted beginning 3rd quarter of 2008
The Treasury transmits quarterly reports on the monitoring of restitution orders following irregularities noted by inspectors to the Minister of Finance and the Budget (MFB), as well as to the IGE (2010)	Quarterly reports on the status of recovery of repayments are transmitted beginning 3rd quarter of 2008
Conduct a diagnosis and programme for external control (2008)	Analysis is available
Implementation of external control reforms programme (2009)	Satisfactory implementation of external control reforms programme in 2009
Implementation of external control reforms programme (2010)	Satisfactory implementation of external control reforms programme in 2010
Undertake an in-situ audit and that of the General Pay Office of Antananarivo (PGA) by the Court of Auditors (CoA) (2008)	An organizational audit of the accounts of the PGA was conducted.
Finalize an in-situ audit of the accounts of the General Pay Office of Antananarivo (PGA) by the CoA (2009)	An organizational audit of the accounts of the PGA was conducted.
Appoint members of the Budgetary and Financial Discipline Council (CDBF) before end 2008, and operationalize the CDBF by providing it with a General Directorate and appropriate human and operating resources (2009)	% of rulings by the CDBF: 2009 : 25% 2010 : 50%
The CDBF is operational. Provide the CDBF with operating resources to fulfill its mission (2010)	
Associate the Court of Auditors more with the preparation of the 2009 Budget to help it acquire adequate resources to fulfill its mission, including at least 5 in-situ management audits (CGP) and at least 5 in-situ court audits (CJP) in 2009 (2008)	Appropriation of resources to the Court of Auditors has improved
Associate the Court of Auditors more with the preparation of the 2010 Budget, to	The Court of Auditors carried out 5 CGP

help it acquire adequate resources to fulfill its mission, including at least 10 in-situ management audits (CGP) and at least 10 in-situ court audits (CJP) in 2010 (2009)	and 5 CJP in 2009 ;
Associate the Court of Auditors more with the preparation of the 2011 Budget to help it acquire adequate resources to fulfill its mission (2010)	The Court of Auditors has carried out 10 CGP and 10 CJP in 2010
Provide the TFs with adequate resources to carry out at least 72 CGPs and at least 100 CJP (2009)	2009: CGP: at least 72 ; CJP: at least 100 ;
Provide the TFs with adequate resources to carry out at least 72 CGPs and at least 100 CJP (2010)	2010; CGP: at least 72; on-site CJP: at least 100
The MFB prepares and forwards the draft 2006 Budget Review (BR) to the Court of Auditors (2008)	2008: 2006 BR submitted;
The MFB prepares and forwards the draft 2007 Budget Review (BR) to the Court of Auditors (2009)	2009: 2007 BR submitted / 2009 PEFA PI26 i: D+
The MFB prepares and forwards the draft 2008 Budget Review (BR) to the Court of Auditors (2010)	2010: 2008 BR submitted/ 2010 PEFA PI26i: C
The MFB considers and forwards the draft 2005 and 2006 Budget Reviews (BR) to Parliament (2008)	End 08: 2005 and 2006 BR submitted to Parliament
The MFB considers and forwards the draft 2007 Budget Review (BR) to Parliament (2009)	2007 BR submitted to Parliament; PEFA PI26 ii: D+ ;
The MFB prepares and forwards the draft 2008 Budget Review (BR) to Parliament (2010)	2008 BR submitted to Parliament; PEFA PI26 ii: C
The Court of Auditors audited accountants to ensure that annual audits cover at least 50% of expenditures (2008)	The Court of Auditors audited accountants to ensure that annual audits cover at least 50% of expenditures
The Court of Audit audited accountants to ensure that annual audits cover at least 60% of expenditures (2009)	2009 PI26 i : D+
The Court of Audit audited accountants to ensure that annual audits cover at least 75% of expenditures (2010)	2010 : PI26i: C
A2 Establishment of the Extractive Industry Transparency Initiative (EITI)	
Implement the work programme for EITI (2008)	Madagascar is “fully compliant” according to the EITI International Secretariat
Implement the work programme for EITI (2009)	
Implement the work programme for EITI (2010)	
Put in place multi-actor observatory structures in each operation site (2008)	The multi-actor observatory (Gov’t, Civil society and private sector) is put in place and is operating normally
Render the multi-actor observatory operational (2009)	
Keep the multi-actor observatory operational (2010)	
Put in place and operationalize BAMs in the 5 priority regions (2009)	Mining administration offices (BAM) in are in place in 5 regions
Keep BAMs functional in the 5 priority regions (2010)	
Put in place a CoM at national and regional levels (concerned regions) (2009)	A Chamber of Mines (CoM) is established at national and regional levels
Keep a CoM functional at national and regional levels (concerned regions) (2010)	
A.1.3 Strengthening the Decentralization-Deconcentration Process	
Undertake training in budget preparation and execution for deconcentrated units in the 22 regions (2008)	Over 200 persons are trained annually
Undertake training in budget preparation and execution for deconcentrated units in the 22 regions (2009)	Over 200 persons are trained annually
Undertake training in budget preparation and execution for deconcentrated units in the 22 regions (2010)	Over 200 persons are trained annually
Operationalize the LDF (2008)	Increase the LDF (internal own resources) budgetary allocation by 15% in 2009 and in 2010
Increase the LDF budgetary allocation by 15% (2009)	
Continue to increase the LDF (internal own resources) budgetary allocation. (2010)	
Put in place a reporting system for budget information on LDF and PIP resources from the Decentralized Local Governments (CTD) (2008)	PEFA PI 8, iii: C in 2009 and C+ in 2010
The reporting system for budget information on LDF and PIP resources from the Decentralized Local Governments (CTD) is operational (2009)	
Assess the reporting system for budget information from CTDs and draw up an action plan to strengthen it. (2010)	
B Supporting the Water and Sanitation Sector	

Finalize the formulation of NDWSSP and its adoption by the Cabinet Meeting (2008)	NDWSSP adopted by the Cabinet Meeting
Implementation of the NDWSSP (2009)	
Implementation of the NDWSSP (2010)	
Creation of trades training centre under the supervisory authority of the Ministry in charge of Water Resources (2008)	2008: the training centre is created
Equipping of the training centre and recruitment of trainers and required staff (2009)	2009: the training centre is equipped and the trainers are in place
Train the staff of DEPA and regional artisan repairers and NGOs (2010)	2010: the centre is undertaking training courses
Initiate the recruitment of 26 new staff for the sector (3 by RWSSP and 2 at central level) (2008)	The recruitment process begins
26 new staff members are recruited for the sector. Assign the new recruits, train and provide them with adequate resources (2009)	2009: 26 new staff members are recruited for the sector (3 by region of the RWSSP and 2 at central level)
Specific training and provision of material resources. Maintain staff assigned to regions (2010)	2010: Training provided. The staff assigned to regions are maintained
Creating conditions that are conducive to farm tenancy (preparer TORs, standard documents and contracts, etc.) (2008)	The conditions are created.
Launching of at least 40 invitations for expression of interest (IEI) for 80 pilot councils (10 councils in each of the 8 regions of RDWSSP).	2009 : Invitations for expression of interest (IEI) for 80 pilot councils are launched
Signing of tenancy agreements with farmers in at least 40 of the 80 councils concerned	2010: Tenancy agreements are signed in the 80 councils
Finalization of competitive bidding documents and competition for consultants for the formulation of a national inventory	Competitive bidding documents are available and competition of consultants launched
Finalization of the national inventory	2009: Inventory finalized
Updating of DEPA Database	2010 DEPA database updated
Expected Outcomes	Measurable Indicators
Internal control is strengthened	IP20 = C+ in 2008; IP20 = B in 2010 ; IP21 = B in 2008 ; IP21 = B+ in 2010
External control is strengthened	IP26 = D+ in 2008 ; IP 26 = C in 2010 ; IP27 = C+ in 2008 ; IP27 = B in 2010
The public procurement system is more effective	IP19 = C in 2008 ; IP19 = B in 2010
Deconcentrated and decentralized services are strengthened	Over 200 persons are trained annually in the deconcentrated and decentralized services (2008-2010)
The management of extractive resources is more transparent	Increased transparency in the management of extractive resources
Resources transferred to decentralized/ deconcentrated services have been increased	The proportion of the Investment Budget executed at the decentralized/ deconcentrated level is higher than 6% annually
The sustainability of access to water and sanitation is strengthened	37% of the rural population has access to drinking water in 2010; 51% of the rural population has access to sanitation in 2010

5. For each dimension of the **logical framework**, provide a brief assessment (in not more than two sentences) of the extent to which the logical framework contributed to achieving the under-mentioned objectives.

CHARACTERISTICS OF LOGICAL FRAMEWORK		ASSESSMENT	SCORE
LOGICAL	(a) Present a logical causal chain for achieving the project development objectives.	The logical causal sequence for the achievement of development objectives is fairly established.	3
MEASURABLE	(b) Express objectives and outcome in a way that is measurable and quantifiable	Most objectives and outcomes are clearly stated and quantifiable. However, some indicators for the measurement of outputs in the logical framework are absent, and the assessment of outcomes depends on the conduct of third-party studies (PEFA) outside the programme, which complicates the assessment of the programme in the absence of this type of studies.	2
DETAILED	(c) State the risks and key assumptions.	The risks and key assumptions have been identified and presented in the logical framework and appraisal report. However, an in-depth analysis of risks related to political governance and the implementation of the programme would have been useful.	3

D. OUTCOMES AND OUTPUTS

I. ACHIEVEMENT OF OUTPUTS

In the table below, assess **Outcomes with respect to Expectations**

MAJOR REFORMS MEASURES		
Expected Outcomes	Actual Outcomes	Score
Satisfactory implementation of the Priority Actions Programme (PAP) 2008	PAP 2008 was formulated and partially implemented	2
Satisfactory implementation of the Priority Actions Programme (PAP) 2009	PAP 2009 was formulated, but not implemented	1
Satisfactory implementation of the Priority Actions Programme (PAP) 2010 (The number of PEFA indicators on budget preparation and execution (indicators 1-17) equivalent to or higher than B increased from 9 to 13 in 2010)	PAP 2010 was neither formulated nor implemented. It is not possible to report on the trend of PEFA indicators, given that the PEFA study scheduled for 2010 has not been conducted due to the crisis.	1
A.1.1 Improving the Quality of Public Procurement		
Formulation, in consultation with users, of the 2009-2012 Public Procurement Action Plan for public procurement reform, and adoption by the Cabinet Meeting (2008)	The 2009-2012 action plan was drawn up and adopted by the Cabinet Meeting.	4
Implementation of the 2009-2012 Public Procurement Reform Action Plan (2009)	In spite of numerous constraints, the Public Procurement Reform Action Plan was partially implemented, albeit with some delay	2
Implementation of 2009-2012 Public Procurement Reform Action Plan (2010) (PEFA PI-19 rise to C+ in 2009 and to B in 2010)	In spite of numerous constraints, the Public Procurement Reform Action Plan was implemented to a certain extent, even though with some delay. Available information shows that indicator PI19 is stable at C+.	2
Finalization of study on SIGMP and establishment of SIGMP (2008)	The study was conducted. However, SIGMP has been operational only since January 2010	2
Operation of SIGMP (2009)	SIGMP could only be used in 2009	1
Operation of SIGMP (2010)	SIGMP is operational and is used since January 2010	2
Conduct of public procurement audits in the five (5) priority Ministries (Education, Health, Agriculture, Public Works and Energy and Mines) (2009)	No audit was conducted in 2009	1
Conduct of public procurement audits in the ten (10) priority Ministries	No audit was conducted in 2010. However, ex-	1

/Institutions including the five (5) priority Ministries (Education, Health, Agriculture, Public Works and Energy and Mines): The conduct of audits in the five priority Ministries is a condition precedent to disbursement of the third tranche (2010).	post controls for 2010 procurements have been scheduled in 24 Ministries, State institutions (Presidency, Prime Minister's Office, and High Transition Authority (HAT)/Senate.	
Conduct of public procurement audits in 10 EPA / EPIC including FER, SAMVA and OMH (2009)	No audit was conducted	1
Conduct of public procurement audits in 10 EPA/EPIC (2010)	No audit was conducted	1
A.1.2 Strengthening of Internal and External Controls		
Design a 2009 - 2010 recruitment plan for Internal and External Control Institutions (2008)	The 2009 - 2010 recruitment plan for Internal and External Control Institutions was not formulated	1
Adopt the 2009- 2010 recruitment plan for Internal and External Control Institutions and starts its implementation (2009)	The recruitment plan was not formulated, and consequently not implemented	1
Pursue implementation of the 2009-2010 recruitment plan (2010)	The recruitment plan was not formulated, and consequently not implemented	1
Strengthen internal control		
Provide DGCF with adequate resources to fulfill its mission (2009)	The Directorate General of Financial Control (DGCF) does not have adequate (human or financial) resources to perform its duties	1
Provide DGCF with adequate resources to fulfill its mission (2010)	The Directorate General of Financial Control (DGCF) does not have adequate (human or financial) resources to perform its duties	1
Adopt the Circular on Prioritization and Standardization of Financial Control (2008)	The Circular on Prioritization and Standardization of Financial Control is adopted	4
Provide the Treasury Squad with adequate resources to carry out a minimum of 50 control missions (2009)	The Treasury Squad does not have adequate resources to fulfill its mission. A small number of missions were fielded.	1
Provide the Treasury Squad with adequate resources to carry out a minimum of 50 control missions (2010)	The Treasury Squad does not have adequate resources to fulfill its mission. A small number of missions were fielded.	1
The DGAI carries out at least 1 audit mission in each of the 22 regions (2009)	The DGAI does not have adequate resources to fulfill its mission. No mission was fielded.	1
The DGAI carries out at least 1 audit mission in each of the 22 regions (2010)	The DGAI does not have adequate resources to fulfill its mission. No mission was fielded.	1
The Treasury transmits quarterly reports on the monitoring of restitution orders following irregularities noted by inspectors to the Minister of Finance and the Budget (MFB), as well as to the IGE (2008)	The Treasury did not transmit quarterly reports on the monitoring of restitution orders, following irregularities noted by inspectors, to the Minister of Finance and the Budget (MFB), as well as to the IGE	1
The Treasury transmits quarterly reports on the monitoring of restitution orders following irregularities noted by inspectors to the Minister of Finance and the Budget (MFB), as well as to the IGE (2009)	The Treasury did not transmit quarterly reports on the monitoring of restitution orders, following the irregularities noted by inspectors, to the Minister of Finance and the Budget (MFB) as well as to the IGE	1
The Treasury transmits quarterly reports on the tracking of restitution orders following the irregularities noted by inspectors to the Minister of Finance and the Budget (MFB), as well as to the IGE (2010)	The Treasury did not transmit quarterly reports on the monitoring of restitution orders, following irregularities noted by inspectors to the Minister of Finance and the Budget (MFB), as well as to the IGE	1
Strengthening of External Control		
Design an external control reforms diagnosis and programme (2008)	The external control reforms diagnosis and programme were not designed.	1
Implementation of the external control reforms programme (2009)	The external control reforms diagnosis and programme were not designed. Consequently, the external control programme was not implemented.	1
Implementation of the external control reforms programme. (2010)	The external control reforms diagnosis and programme were not designed. Consequently, the external control programme was not implemented.	1
Conduct an on-site audit and that of the General Pay Office of Antananarivo (PGA) by the Court of Audit (CoA) (2008)	No audit of the General Pay Office of Antananarivo (PGA) was undertaken.	1

Finalize an in-situ audit of the accounts of the General Pay Office of Antananarivo (PGA) by the CoA (2009)	No audit of the accounts of the General Pay Office of Antananarivo (PGA) was conducted	1
Appoint members of the Budgetary and Financial Discipline Council (CDBF) before end 2008, and render the CDBF operational by providing it with a General Directorate and appropriate human and operating resources (2009)	Members of the Budgetary and Financial Discipline Council have not been appointed, and the CDBF is not operational and does not have appropriate human and operating resources.	1
The CDBF is operational. Provide the CDBF with operating resources to fulfill its mission (2010)	The CDBF is not operational.	1
Associate the Court of Auditors more with the preparation of the 2009 Budget, to enable it acquire adequate resources to fulfill its mission, including at least 5 in-situ management audits (CGP) and at least 5 in-situ court audits (CJP) in 2009	The Operating Budget (2009 Finance Law) of the Court of Auditors increased significantly between 2008 and 2009 (226%). It was not possible to obtain information on the amount actually received by the Court of Auditors. In spite of such an increase, the Court of Auditors could not fulfill its in-situ missions.	1
Associate the Court of Auditors more with the preparation of the 2010 Budget, to enable it acquire adequate resources to fulfill its mission, including at least 10 on-site management audits (CGP) and at least 10 on-site court audits (CJP) in 2010 (2009)	The Budget of the Court of Auditors increased between 2009 and 2010 (28.9%). It was not possible to obtain information on the amount actually received by the Court of Auditors. In spite of such an increase in its operating budget, the Court of Auditors could not fulfill its on-site missions.	1
Associate the Court of Auditors more with the preparation of the 2011 Budget, to enable it acquire adequate resources to fulfill its mission (2010)	It was not possible to obtain information on the 2011 budget of the Court of Auditors. It is likely that the budget will be scaled down due to the crisis and limited revenue	1
Provide the Financial Tribunals (TF) with adequate resources to carry out at least 72 CGPs and at least 100 CJP (2009)	Financial Tribunals (TF) were not provided with adequate resources. It was not possible to obtain information on the number of on-site management audits and court audits conducted.	1
Provide the Financial Tribunals (TF) with adequate resources to carry out at least 72 CGPs and at least 100 CJP (2010)	Financial Tribunals (TF) were not provided with adequate resources. It was not possible to obtain information on the number of on-site management audits and on-site court audits conducted.	1
The MFB prepares and forwards the draft 2006 Budget Review (BR) to the Court of Auditors (2008)	The Ministry of Finance and the Budget forwarded the draft 2006 Budget Review (BR) to the Court of Auditors.	4
The MFB prepares and forwards the draft 2007 Budget Review (BR) to the Court of Auditors (2009)	The Ministry of Finance and the Budget did not forward the draft 2007 Budget Review (BR) to the Court of Auditors.	1
The MFB prepares and forwards the draft 2008 Budget Review (BR) to the Court of Auditors (2010) (PI 26 increased from D in 2008 to C in 2010)	The Ministry of Finance and the Budget did not forward the draft 2008 Budget Review (BR) to the Court of Auditors. According to information received, indicator PI26 was evaluated at D.	1
The MFB considers and forwards the draft 2005 and 2006 Budget Reviews (BR) bill to Parliament (2008)	The draft 2005 and 2006 Budget Reviews are under consideration. They were not sent to Parliament (which is no longer operational on account of the political crisis rocking Madagascar)	1
The MFB considers and forwards the draft 2007 Budget Review (BR) bill to Parliament (2009)	The draft 2007 Budget Review was not forwarded to the Court of Auditors. Consequently, the Court of Auditors could not consider the said draft budget review. Parliament is no longer operational on account of the crisis rocking Madagascar.	1
The MFB considers and forwards the draft 2008 Budget Review (BR) bill to Parliament (2010)	The draft 2008 Budget Review was not forwarded to the Court of Auditors. Consequently, the Court of Auditors could not consider the said draft budget review. Parliament is no longer operational on account of the crisis rocking Madagascar	1

The Court of Auditors audited accountants to ensure that annual audits cover at least 50% of expenditures (2008)	It was not possible to obtain accurate information from the Court of Auditors on the scope of annual audits conducted by accountants. However, close to 90% of 2007 management accounts were forwarded to the Court of Auditors. Only 50% of 2007 management accounts were transmitted. Given the considerable delays recorded in the transmission of management accounts, it is likely that annual audits cover at least 50% of expenditures.	1
The Court of Auditors audited accountants to ensure that annual audits cover at least 60% of expenditures (2009)	Given the considerable delays recorded in the transmission of management accounts, it is likely that annual audits cover at least 50% of expenditures.	1
The Court of Auditors audited accountants to ensure that annual audits cover at least 75% of expenditures (2010)	Given the considerable delays recorded in the transmission of management accounts, it is likely that annual audits cover at least 50% of expenditures.	1
A2 Establishment of the Extractive Industry Transparency Initiative (EITI)		
Implement the work programme for EITI (2008)	The work programme for the implementation of the Extractive Industry Transparency Initiative (EITI) was partially implemented in 2008, but with considerable delay.	1
Implement the work programme for EITI (2009)	The work programme for the implementation of the EITI was only partially implemented in 2009. A first audit was conducted and made available.	1
Implement the work programme for EITI (2010)	The work programme was partially implemented. A Multi-Stakeholder Group (MSG) was established. However, the process is registering significant delay, and Madagascar risks no longer being considered eligible for the initiative by the EITI secretariat in 2011.	1
Put in place multi-actor observatory structures in each operation site (2008)	Multi-actor observatory structures were not created in each operation site.	1
Render the multi-actor observatory operational (2009)	Multi-actor observatory structures were not created in each operation site.	1
Keep the multi-actor observatory operational (2010)	Multi-actor observatory structures were not created in each operation site.	1
Put in place and operationalize BAMs in the 5 priority regions (2009)	The Mining Administration Office (BAM) was not put in place	1
Keep BAMs functional in the 5 priority regions (2010)	The Mining Administration Office (BAM) was not put in place	1
Put in place a CoM at the national and regional levels (concerned regions) (2009)	The Chamber of Mines was not put in place	1
Keep a CoM functional at the national and regional levels (concerned regions) (2010)	The Chamber of Mines was not put in place	1
A3 Strengthening the Decentralization-Deconcentration Process		
Undertake training in budget preparation and execution for deconcentrated units in the 22 regions (2008) (Over 200 persons are trained annually)	Training sessions in budget preparation and execution were undertaken. A total of about 1800 persons received 3-day training in December 2008 and January 2009.	3
Undertake training in budget preparation and execution for deconcentrated units in the 22 regions (2009) (Over 200 persons are trained annually)	Besides the training conducted in January 2009, no other training was organized	1
Undertake training in budget preparation and execution for deconcentrated units in the 22 regions (2010) (Over 200 persons are trained annually)	No training was organized.	1
Operationalize the LDF (2008)	The LDF was operationalized in 2008. However, its operating capacity was very	2

	limited.	
Increase the LDF budgetary allocation (internal own resources) by 15% (2009)	The LDF budgetary allocation was not increased	1
Continue to increase the LDF (internal own resources) budgetary allocation (2010)	The LDF budgetary allocation was not increased.	1
Put in place a reporting system for budget information on LDF and PIP resources from the Decentralized Local Governments (CTD) (2008)	No reporting system for budget information on LDF and PIP resources from the Decentralized Local Governments (CTD) has been put in place.	1
The reporting system of budget information on LDF and PIP resources from the Decentralized Local Governments (CTD) is operational (2009)	No reporting system for budget information on LDF and PIP resources from the Decentralized Local Governments (CTD) has been put in place.	1
Assess the reporting system for budget information from CTDs and draw up an action plan to strengthen it (2010)	No reporting system for budget information on LDF and PIP resources from the Decentralized Local Governments (CTD) has been put in place.	1
<i>B Supporting the Water and Sanitation Sector</i>		
Finalize formulation of NDWSSP and its adoption at the Cabinet Meeting (2008)	The NDWSSP was neither finalized nor validated by the Cabinet Meeting.	1
Implementation of the NDWSSP (2009)	The NDWSSP could not be implemented	1
Implementation of the NDWSSP (2010)	The NDWSSP could not be implemented	1
Creation of a trades training centre under the supervisory authority of the Ministry in charge of Water Resources (2008)	Creation of a trades training centre within the Ministry in charge of Water Resources: an existing centre, the National Centre for Rural Engineering Studies and Applications (CNEAGR), under the supervisory authority of the Ministry of Agriculture, Livestock and Fisheries, was transformed into the National Centre for Water, Sanitation and Rural Engineering (still CNEAGR) in 2009 and placed under the supervisory authority of the Ministry of Water Resources. New training modules were introduced and the new staff of the Ministry of Water Resources as well as the regional directors and staff of this ministry received training relating particularly to (i) national public procurement Rules and Procedures, (ii) leadership, (iii) management and (iv) project design and monitoring-evaluation. However, the centre did not receive new equipment following this change.	2
Equipping of the training centre and recruitment of trainers and necessary staff (2009)		
Train the staff of the DEPA and regional directorates and artisan repairers of the private sector and NGOs (2010)		
Initiate the recruitment of 26 new staff for the sector (3 by RWSSP and 2 at central level) (2008)	No progress has been made under this heading. Indeed, in September 2008, a list of 26 staff was drawn up and scheduled to be incorporated into the general budget. This incorporation did not occur, all the more so because only 36 budget headings were created for the 60 staff scheduled since 2006 by the World Bank's budget support.	1
26 new staff members are recruited for the sector. Assign the new recruits, train and provide them with adequate resources (2009)	The 26 staff members were not recruited	1
Specific training and provision of material resources. Maintain staff assigned to regions (2010)	The 26 staff members were not recruited	1
Sustaining rural DWSS structures		
Creating conditions that are conducive to wide-scale farm tenancy (preparer TORs, standard documents and contracts, etc.) (2008)	An inventory of farm tenant-managed infrastructure, as well as a study on their financial return was conducted by the Ministry of Water Resources with the technical and financial assistance of an international NGO. They revealed the following: (i) the absence of reliable technical data on existing infrastructure and (ii) the financial return was too low to be	2

	of interest to the private sector. A campaign for the preparation of reliable technical documents on farm tenancy management centres, as well as a study on the reorganization of such centres to boost their financial return, are ongoing and financed with own resources of the ministry and the European Union ACORD programme. TORs for farm tenancy management should also ensue from the above-mentioned study.	
Launching of at least 40 invitations for expression of interest (IEI) for 80 pilot councils (10 councils in each of the 8 regions of RDWSSP).	No IEI was launched	1
Signing of tenancy agreements with farmers in at least 40 of the 80 councils concerned	No tenancy agreement was signed	1
Formulation of a national inventory of various DWSS structures and updating of DEPA database	An inventory of water supply and sanitation structures was formulated by the ministry in the three major river basins of southern Madagascar, with UNDP financial and technical assistance. Given that district-based inventories had been formulated by various local NGOs, the consolidation of information was delayed due to disparity in the data collected. An inventory of the three major river basins of the north will soon be launched with the remainder of UNDP GoalWash financing. The ministry has put in place an on-going control system in the ten (10) inter-regional directorates recently established for the purpose of updating the sector database.	1
Finalization of competitive bidding documents and competition of consultants		
Finalization of the national inventory		
Updating of DEPA database		
OVERALL OUTCOME SCORE [corresponds to the average assessment score]		1
		Check here to override auto-calculated score
Give reasons for overriding the auto-calculated score		
Insert new score or re-enter the auto-calculated score		

II OUTPUTS

1. Using the monitoring data available, assess expected outputs for each major activity. Import the expected outputs from the logical framework in Section C.		
OUTPUTS		Assessment Score
Expected	Actual	
Internal control is strengthened (IP20 = C+ in 2008; IP20 = B in 2010; IP21 = B in 2008; IP21 = B+ in 2010)	Internal control has declined over the programme period. Such decline is due especially to the socio-political crisis rocking the country. PEFA indicators IP 20 and IP21 are assessed at D and D ³ respectively.	1
Internal control is strengthened (IP26 = D+ in 2008; IP 26 = C in 2010; IP27 = C+ in 2008; IP27 = B in 2010)	Internal control has regressed over the programme period. PEFA indicators IP26 and IP27 are assessed at D and D respectively.	1
The public procurement system is more efficient (IP19 = C in 2008; IP19 = B in 2010)	The public procurement system did not improve significantly over the programme period. PEFA indicator IP 19 is assessed at C+	2
Deconcentrated and decentralized services are strengthened (Number of persons trained at decentralized and deconcentrated level is higher than 200 annually (2008-2010))	The deconcentrated and decentralized services have not been strengthened significantly over the programme period. Besides the training of about 1800 persons end 2008/beginning 2009, no training was conducted.	1

³ See Annex IV for details on this analysis. The PEFA analysis is strictly indicative and may not be considered a complete PEFA assessment. The analysis was based on information gathered during the completion report preparation mission.

The management of extractive resources is more transparent	Despite efforts to improve the management of extractive resources over the programme period, low progress has been recorded. Madagascar was not considered as EITI-“compliant” and risks losing its eligibility status in the course of 2011.	1
Resources transferred at the decentralized/deconcentrated level have increased (Share of the investment budget executed at the decentralized/deconcentrated level is above 6% per year)	Limited resources were transferred to the decentralized/deconcentrated services. No increase has been recorded.	1
Sustainability of access to water and sanitation is enhanced (37% of the rural population having access to drinking water in 2010; 51% of the rural population having access to sanitation in 2010)	The DEPA was upgraded to the Ministry of Water Resources in July 2008, which bears testimony to the importance newly given to the water and sanitation sector just prior to the crisis. The water and sanitation sector institutions have not recorded any progress over the programme period. In 2009, access to water at the national level was estimated at 42.10% and at 56.17% in urban areas and at 38.19% in rural areas. Access to sanitation is estimated at 49.24% at the national level, 66.49% in urban areas and 44.49% in rural areas. It is difficult to confirm the accuracy of the figures presented and it is very unlikely that the improvements recorded are as a result of the interventions of the authorities. They may likely be related to the interventions of donors and NGOs.	1
OVERALL OUTPUT SCORE [corresponds to the average assessment score]		1
		Check here to override auto-calculated score
Give reasons for overriding the auto-calculated score		
Insert new score or re-enter the auto-calculated score		

2. Impact on Poverty and the Social Situation:

The socio-political crisis has had significant impacts on growth and poverty reduction: despite limited availability of data, growth is estimated between 0.6% and -4.6% in 2009⁴. The expected growth in 2010 indicates economic recovery in some sectors as compared to 2009 (vehicle import, cement sale, tourism (but lower than 43% of the 2008 level) and sale of power and electricity – particularly in the industrial sector). However, the construction and textile sectors have not experienced any growth, and the increase in economic activity in the other sectors may likely not offset the slump in activity in these two crucial sectors (it is estimated that the textile sector lost 25 000 jobs in the first half of 2010). At this juncture, inflation seems to be held at close to 9% in 2009 and 2010. The informal sector grew by 13% in 2009, particularly in urban areas, due to rising unemployment. The impact of an exceptional agricultural season (a 40% increase in rice production between 2007 and 2009) probably contributed to mitigating the impact of the crisis. Hence, it is difficult to assess the impact of the crisis on poverty. There is a likely increase in urban poverty due to the drop in formal economic activity, which led to a significant increase in unemployment. It is possible that the rural poverty trend will be less unfavourable than in urban areas, on account of the favourable performance of the agricultural sector and particularly the increase in rice production (rice accounts for 40% of poor household consumption).

3. Risks to sustained achievement of outputs

The risks affecting the achievement of some programme outputs are as follows: (i) lack of short or long-term solution to the crisis; (ii) decline in the institutional capacities of the Malagasy administration, and particularly in public finance management, which also risks being compounded should the crisis persist; (iii) sustained deterioration of social and economic development with an attendant increase in poverty and slump in economic activity; and (iv) persistent sharp drop in development assistance and foreign direct investment flows.

E. PROJECT DESIGN AND READINESS FOR IMPLEMENTATION

1. Indicate the extent to which the Bank and Borrower ensured that the Programme was commensurate with the Borrower's capacity to implement it, while ensuring that it is well designed and that the mechanism necessary for its implementation has been put in place. Consider all aspects of programme design.

The programme was prepared in close collaboration with the Bank, Technical and Financial Partners and officials of the Malagasy administration concerned. Lessons drawn from the implementation of the first Poverty Reduction Budget Support Programme were well taken into account during programme design and preparation. PRBSP-II also benefitted from the analyses of numerous studies available during its design, including: (i) the Country Financial Accountability Assessment (CFAA), (ii) the Country

⁴ See note on Madagascar's economic situation, 25 August 2010, World Bank

Procurement Analytical Review (CPAR), (iii) Public Expenditure Review, and (iv) the Public Expenditure and Financial Accountability (PEFA) report. In addition, reports and strategies on public finance management, decentralization and the water and sanitation sector were used. A coordination mechanism (Partnership Framework) was operational, and programme implementation institutions were clearly defined. As part of programme preparation and appraisal, institutional capacities were well taken into consideration through numerous coordination meetings between the Bank and the administration. Furthermore, the staff of the administration were closely involved in the preparation of the Matrix of Implementation Measures and the Logical Framework.

2. Briefly evaluate each dimension of project design and implementation readiness (not more than 2 sentences)

PROJECT DESIGN AND READINESS FOR IMPLEMENTATION DIMENSIONS		ASSESSMENT	Working Score	
REALISM	(a) Due to its complexity, the project is underpinned by an analysis of the country's capacity and political commitment.	The programme objectives were ambitious at appraisal. Its complexity was well taken into consideration through analyses of its capacity and political commitment.	3	
RISK ASSESSMENT AND MITIGATION	(b) Project design includes adequate risk analysis	The programme conducted a solid risk analysis with clearly stated assumptions. However, better political risk analysis and broader-based and in-depth governance analysis, and especially its political dimension, could have been conducted.	2	
USE OF COUNTRY SYSTEMS	(c) Project procurement, financial management, monitoring and/or other systems are based on systems already in use by government and/or other partners.	The country system was used for budget support.	4	
For the under-mentioned dimensions, provide separate working scores for Bank performance and Borrower performance:			Working Score	
			Bank	Borrower
CLARITY	(d) Responsibilities for programme implementation are clearly defined.	Responsibilities for programme implementation were clearly defined in the appraisal report	3	3
MONITORING READINESS	(e) Indicators and monitoring schedule are adopted.	The Borrower did not have the time to ensure ownership of indicators and monitoring schedule because of the crisis that broke out. Nevertheless, the Bank monitored the implementation of indicators.	3	2
BASELINE DATA	(f) Baseline data were available at programme design	Yes, especially in the MAP, sector-based strategies and the PEFA report on which the programme is based.	3	3

F. IMPLEMENTATION

1. State the major characteristics of programme implementation

The programme was implemented in a fairly satisfactory manner during the first year. The outbreak of the crisis at end 2008/beginning 2009 tremendously disrupted implementation of the programme which could not be completed. The Bank participated in the joint review mission of October 2008. In addition, the Bank was responsible for coordinating the Partnership

Framework, and organized follow-up meetings on a regular basis throughout 2008 and 2009. The country office, which had been very active, played a very crucial role in the preparation, appraisal and monitoring of programme implementation. Consultation meetings amongst donors were organized on a regular basis over the 2009-2010 period. No joint review mission could be organized in the course of 2009 and 2010. Conditions precedent to disbursement of the second and third tranches of budget support were not fulfilled. In agreement with the Malagasy administration, PRBSP-II was cancelled, when it was deemed very unlikely that the said conditions could be fulfilled.

2. Comment on the role of other partners

The Programme was not co-financed. On the contrary, it received parallel financing and each donor (World Bank, European Union, France and other bilateral donors) played an active role in monitoring the implementation of the programme. The Bank assiduously ensured the coordination of relevant donors through its country office and during field supervision missions.

3. Harmonization. State whether the Bank made explicit efforts to harmonize instruments, systems and/or approaches with other partners.

The Bank endeavoured to harmonize intervention instruments. Prior to the outbreak of the crisis, the Bank adopted a proactive approach whereby it assumed leadership for the creation of a reforms matrix common to all donors. However, the crisis disrupted the favourable dynamics, which had been initiated.

4. For each dimension of project implementation, assess the extent to which the project achieved the following objectives.

PROJECT IMPLEMENTATION DIMENSIONS		ASSESSMENT		Working Score
SCHEDULE COMPLIANCE	(a) Extent of project adherence to original closing date. If the number on the right is: below 12, score 4	Difference in months between the original closing date and the actual closing date or date of achievement of 98% disbursement	The gap between the original closing date and the actual closing date is less than 12 months. However, given that the programme was suspended and cancelled, it is not possible to carry out an objective assessment of schedule compliance.	N/A
	between 12.1 and 24, score 3	N/A		
BANK PERFORMANCE	Bank complied with:			
	Environmental safeguards	The programme was classified under environmental category III and its implementation did not raise any environmental issues.		3
	Fiduciary arrangements	Fiduciary arrangements were in compliance with the Bank's budget support rules.		3
	Project agreements	The Bank complied with the arrangements of the Grant Agreement.		3
	Bank supervision was satisfactory in terms of the skills mix and the practicality of solutions.	Supervision missions were undertaken by the task manager in close cooperation with the country office. Given the circumstances, monitoring was of high quality.		3
	Bank supervision of project management was satisfactory.	Two supervision missions were undertaken during programme implementation (one in 2008 and one in 2009). Relevant recommendations were made. In addition to supervision, the Bank played an active role in the Partnership Framework.		4
The Borrower complied with:				
BORROWER PERFORMANCE	Environmental protection measures	The programme was classified under environmental category III. No environmental impact occurred.		4
	Fiduciary arrangements	Fiduciary arrangements, particularly the auditing of the programme by the Court of Audit as well as national procurement rules, were not monitored		1
	Conditions and triggers	Only conditions precedent to disbursement of the first tranche were fulfilled.		1
	The Borrower heeded the Bank's conclusions and recommendations made during project supervision	To a certain extent, the Borrower complied with the Bank's conclusions and recommendations. However, performance in this area is not satisfactory.		1
	For decision-making purposes, the Borrower collected and used	No information was used for making decisions.		1

	information from the monitoring process.		
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G. COMPLETION

1. Was the PCR submitted on schedule in compliance with Bank policy?			
Date of last disbursement (Cancellation date) MM/DD/YY	Date PCR was sent to pcr@afdb.org MM/DD/YY	Difference in Months	WORKING SCORE (auto-calculated) If the difference is 6 months or less, the score is 4. If the difference is above 6 months, the score is 1.
15/04/2010	October		4
Briefly describe the PCR process			
<p>The completion report preparation process began with the fielding of a Bank mission comprising the task manager in charge of Madagascar for a one-week period (3 to 15 August 2010). The mission received technical support from the Country Office. In addition to collecting information, it held discussions with the responsible structures in the Ministry of Finance and other sector-based Ministries responsible for the implementation of various programme components. During these discussions, the mission obtained the remarks of the Coordination and Monitoring Unit on the difficulties encountered in the implementation of the programme and on the lessons that should be drawn by both the Bank and the Government for future operations related to reform programmes. In addition, the mission held discussions with some donors involved in budget support. Peer review was conducted on schedule by: (i) Mrs. Mélanie Xuereb de Prunelé (OSGE2); (ii) Mrs. Shirley Chinien (OSGE1); (iii) Béatrice Alperre (OSGE1); (iv) Alex Mend (OSAN); and (v) Mohammed Ould Tolba (OSAN). Furthermore, the Country Office and Country Team made remarks and observations, which have been taken into account and included in the completion report.</p>			

H. LESSONS LEARNT FROM THE APPRAISAL

Summarize the key lessons the Bank and Borrower may eventually learn from project's outputs
<p>The key lessons to be drawn from programme implementation are as follows: (i) in the programme preparation, an in-depth analysis of the political risk, governance, and in particular, the political dimension of governance, is necessary and should not be under-estimated. The design of a risk analysis framework, including its political dimension, for Bank operations should be considered; (ii) The Bank lacks an appropriate instrument for the management of programmes and fiduciary risks against a backdrop of crisis, and should prepare a set of safeguards to be triggered in such a case; (iii) In the case of high-risk countries, the Bank should consider reviewing the preparation of programmes so as to finance annual budget support operations under multi-annual programmes; (iv) The Bank should pursue efforts to ensure better coordination with the other partners within the Budget Support Partnership Framework. In spite of considerable progress made, such coordination may still be improved; (v) step up the Bank's presence on the ground to ensure sustained monitoring of programme implementation. The Bank has played a key role in the programme, but could further enhance dialogue on budget support if the Bank's Country Office had been provided with additional human resources for the conduct of studies on a more regular basis; and finally, (vi) At the programme design level, monitoring indicators should be well chosen to ensure that they are verifiable.</p>

All working scores are auto-generated by the computer from the relevant section in the PCR		
CRITERIA	SUB-CRITERIA	Working Score
PROJECT OUTCOME	Achievement of Outcomes	1
	Achievement of Outputs	1
	Timeliness	N/A
	OVERALL PROJECT OUTCOME SCORE	
BANK PERFORMANCE	Design and Readiness	
	Project objectives were relevant to the country's development priorities	4
	Project objectives are achievable with the project inputs and in the expected time frame	3
	Project objectives were consistent with the Bank's country or regional strategy	4
	Project objectives were consistent with the Bank's corporate priorities	4

	The logical framework presents a logical causal chain for achieving the project's development objectives.	3	
	Objectives and outputs, as presented in the logical framework, are measurable and quantifiable	2	
	The logical framework states the risks and key assumptions	3	
	Project complexity was matched with country capacity and political commitment	3	
	The project design includes adequate risk analysis	3	
	The procurement, financial management and monitoring systems and/or other processes were based on those already used by the Government and/or other partners.	4	
	Project implementation responsibilities were clearly defined	3	
	Necessary project implementation documents (e.g. specifications, design, procurement, etc.) are ready at appraisal.	3	
	Monitoring indicators and plan were adopted	3	
	Baseline data collection is completed or on-going	3	
	PROJECT DESIGN AND READINESS SUB-SCORE	3	
	Supervision:		
	Bank compliance with:		
	Environmental safeguards	4	
	Fiduciary arrangements	3	
	Project agreements (conditions and triggers)	3	
	Bank supervision was satisfactory in terms of the skills mix and feasibility of solutions	3	
	Bank oversight of project management was satisfactory	3	
	The PCR was submitted on a timely basis	4	
	SUPERVISION SUB-SCORE	3	
OVERALL BANK PERFORMANCE SCORE	3		
BORROWER PERFORMANCE	Responsibilities for project implementation are clearly defined	3	
	Necessary project implementation documents (e.g. specifications, design, procurement, etc.) were ready at appraisal.	3	
	Monitoring indicators and plan are adopted; baseline data collection is completed or on-going.	2	
	PROJECT DESIGN AND READINESS SCORE	3	
	Environmental safeguards	4	
	Fiduciary arrangements	1	
	Project agreements (conditions and triggers)	1	
	Borrower was responsive to Bank supervision findings and recommendations made during project supervision	1	
	Borrower collected and used monitoring information for decision-making	1	
	IMPLEMENTATION SUB-SCORE	1	
OVERALL BORROWER PERFORMANCE SCORE	2		

J. PROCESSING

STEP	SIGNATURE AND COMMENTS	DATE
Sector Manager Clearance		
Regional Director Clearance		
Sector Director Approval		

Scale for Working Scores and Ratings

SCORE	EXPLANATIONS
4	Highly Satisfactory - Fully implemented, with no shortcomings
3	Satisfactory – Most objectives achieved despite a few shortcomings
2	Average - Project partially implemented. Almost as many shortcomings and achievements
1	Poor - Very few outputs, with serious shortcomings
NA	Not Applicable

ANNEXES OF PRBSP-II COMPLETION REPORT

ANNEX I

PROGRAMME COST AND FINANCING BY SOURCE

Source of Finance	Amount (in million)	Financing Instrument
ADB/ADF	UA 60	Budget Support Loan
World Bank	USD 120	Reforms Support Loan
European Union	EUR 86.5	Grant
France	EUR 16.05	Grant
Germany	EUR 10.5	Grant

All donors suspended their budget support after the crisis broke out.

INPUTS OF THE AFRICAN DEVELOPMENT BANK

MISSION	MISSION DATE	TEAM MEMBERS & SPECIALISTS
Preparation	28 November to 14 December 2007	- Michel MALLBERG, Senior Economist OSGE.2 - Mélanie Xuereb, Country Economist
Appraisal	17 February to 7 March 2008	- Michel MALLBERG, Senior Economist OSGE.2 - Mélanie Xuereb, Country Economist - Abderrahmane Outaguerouine, Senior Water and Sanitation Engineer
Supervision	October 2008	- Marlène Kanga, Division Manager, OSGE.2 - Sylvie Condé, Resident Representative, MGFO - Michel MALBERG, Senior Economist , OSGE.2 - Mélanie Xuereb, Country Economist
Supervision	October/November 2009	- Mélanie Xuereb, Country Economist
Completion	3 to 15 August 2010	- Michel Mallberg, Principal Economist, OSGE.2 - Mr. S. RANDRIATSIFERANA, MGFO, - Mrs. E. RAZANASAMY, MGFO

INDICATORS	SUPERVISION RATINGS				
	---	---		26.09.2008	This report 20.10.2009
	A. PROJECT IMPLEMENTATION				
Compliance with loan conditions precedent to entry into force	-	-	-	3	3
Compliance with General Conditions	-	-	-	3	3
Compliance with Other Conditions	-	-	-	3	3
B. PROCUREMENT PERFORMANCE					
Procurement of Consultancy Services	-	-	-		
Procurement of Goods and Works	-	-	-		
C. FINANCIAL PERFORMANCE					
Availability of Foreign Exchange	-	-	-	3	1
Availability of Local Currency	-	-	-	3	1
Disbursement Flows	-	-	-	3	1
Cost Management	-	-	-	3	1
Performance of Co-Financiers	-	-	-	3	2
D. ACTIVITIES AND WORKS					
Adherence to implementation schedule	-	-	-	3	1
Performance of Consultants or Technical Assistance	-	-	-		
Performance of Contractors	-	-	-		
Performance of Project Management	-	-	-	3	1
E. IMPACT ON DEVELOPMENT					
Likelihood of achieving development Objectives	-	-	-	3	1
Likelihood that benefits will be realized and sustained	-	-	-	3	1
Likely contribution of the project towards an increase	-	-	-	3	1
Current Rate of Return	-	-	-		
F. OVERALL PROJECT ASSESMENT					
Current Supervision Average	-	-		3	1.54
Current Trend over time					2.23

KEY ECONOMIC AND FINANCIAL INDICATORS 2007-2010

Recent information is not available on account of the crisis.

Indicative Analysis of PEFA Indicators

On account of the socio-political crisis rocking Madagascar, the public finance review in accordance with PEFA methodology slated for 2010, was not conducted. Consequently, the PCR preparation mission collected as much information as possible for the conduct of an indicative analysis of PEFA indicators, which had been chosen to measure the outcomes of PRBSP II. The analysis below is rough, and may not be considered a reference as if a complete and independent analysis in accordance with PEFA methodology had been conducted.

PI-19 Competitive Procurement, Optimal Utilization of Resources and Public Procurement Controls

- i) Use of a competitive method for public procurement of an amount exceeding the national threshold set for low-value procurements:

The Public Procurement Regulatory Agency (ARMP) publishes public procurement data on its Website (www.arpmp.mg). Data analysis shows that a huge proportion of public procurement is indeed posted on this Website. However, some data are absent from the site, such as the procurement of the presidential aircraft in 2008, which, on account of its violation of public procurement procedures, was one of the reasons for suspension of the IMF baseline programme in 2008/2009. Only data transmitted to the ARMP are published on its Website. Hence, while it is likely that procurements made in violation of standard procedures are not forwarded to the ARMP, it is impossible to find some data on the website. In the absence of ex-post audits of procurements, it is difficult to ensure quality of data forwarded to the ARMP Website. Available data show that negotiated procurements accounted for 15.37% of all procurements in 2007, 13.85% of all procurements in 2008, and 19.80% of all procurements in 2009.

SCORE = B : Available data on public procurement reveal that more than 50% but less than 75% of procurements of an amount above the set threshold are awarded through open competitive bidding, even though the data may be inaccurate.

- ii) Justification for resorting to less competitive procurement methods:

It was not possible to obtain information on the justification for resorting to less competitive procurement methods. Consequently, in accordance with PEFA methodology, the score is D.

- iii) Existence and operation of a claims registration and processing mechanism:

A claims registration and processing mechanism has been existing, and is operational since 2007. An appeals manual was issued, and is available on the ARMP Website. Appeals decisions may be found on the ARMP Website. In all, 24 appeal decisions were made and 28 appeal requests received.

Score = B: A public procurement process-related claims registration and processing mechanism (provided for by law) is operational,

Hence, the overall score is C+ (B + D + B)

PI-20 Effectiveness of Internal Non-salary Expenditure Control

The following dimensions should be considered. Methodology is M1.

- i) Effectiveness of expenditure commitment control measures:

Discussions held between the mission and the departments concerned reveal that the commitments control systems are subject to common violations. Hence, it seems that a sizable portion of the budget was executed in accordance with unjustified procedures of urgency. Deposit accounts are used very frequently and the more so for 20-25% of expenditures.

- (ii) Completeness, relevance and clarity of other internal control rules/procedures:

Internal control rules and procedures provide for a series of basic rules for the processing and registration of transactions. The introduction of internal control of commitments has improved the system, but the General Directorate of Financial Control seems to be equipped for its implementation. It was not possible for the mission to assess the rate of comprehension of the rules. Some rules and procedures seem to be excessive, whereas other control measures are deficient in areas of lesser importance.

- (iii) Extent of compliance with transaction processing and registration rules:

Apparently, the rules are not complied with. The use of simplified procedures of urgency in unjustified situations is a great cause for concern.

Consequently, the overall score is D.

PI-21: Effectiveness of the Internal Control System

The following dimensions should be considered. Methodology is M1.

- i) Coverage and quality of internal control.
- ii) Frequency and dissemination of reports.
- iii) Scope of follow-up by the authorities responsible for internal control findings.

Under the current circumstances, there seems to be little or no internal control. Reports are either nonexistent or very irregular. Internal control recommendations are generally discarded (barring a few exceptions).

Hence, the overall score is D.

PI-26. Scope, Type and Monitoring of Internal Audit

The following dimensions should be considered. Methodology is M1.

- i) Scope of audit conducted (including compliance with audit standards)
- ii) Timely presentation of audit reports to Parliament.
Evidence of monitoring the recommendations made by auditors.
- iii) It was not possible to gather accurate information on the scope of the audit conducted, including compliance with audit standards. However, available information reveals that audits were conducted on structures of the central administration accounting for less than 50 % of overall expenditures. The audits seem to ignore issues of great importance.
- iv) Audit reports were not presented to Parliament.
- v) There is little evidence on response or follow-up.

Hence, the score is D.

PI-27 Consideration of the Annual Finance Law by the Legislature

The following dimensions should be considered. Methodology is M1.

- (i) Scope of consideration by Parliament.
- (ii) Extent to which Parliament's procedures are well established and complied with.
- (iii) Adequacy of time given to Parliament for consideration of the finance bill concerning detailed estimates and, if need be, budget aggregates at the start of the budget preparation process (time allotted for the entire process).
- (iv) Rules governing budget amendments during the year without prior approval by Parliament.

Currently, there is no active Parliament in Madagascar. There are procedures for consideration of the budget by Parliament, although incomplete and partially observed. In the past, Parliament typically had very little time (often less than one month) to consider the Finance Law. Parliament has never made any amendments to the budget. Rules governing budget amendments in the course of the fiscal year may exist, but they are rudimentary and unclear.

Hence, the score is D.

LIST OF DOCUMENTS USED

1. PRBSP-II Appraisal Report
2. PCR Format for support operations to Budget Supports and Balance of Payments
3. Madagascar Action Plan
4. Supervision Report of October 2008 and October 2009
5. Madagascar: Economic Recovery Agenda, 2010
6. Public Finance Appraisal Report in accordance with PEFA Methodology (2008)