

**Republic of Madagascar: Technical
Assistance Report-Government
Finance Statistics**



REPUBLIC OF MADAGASCAR

TECHNICAL ASSISTANCE REPORT—GOVERNMENT FINANCE STATISTICS

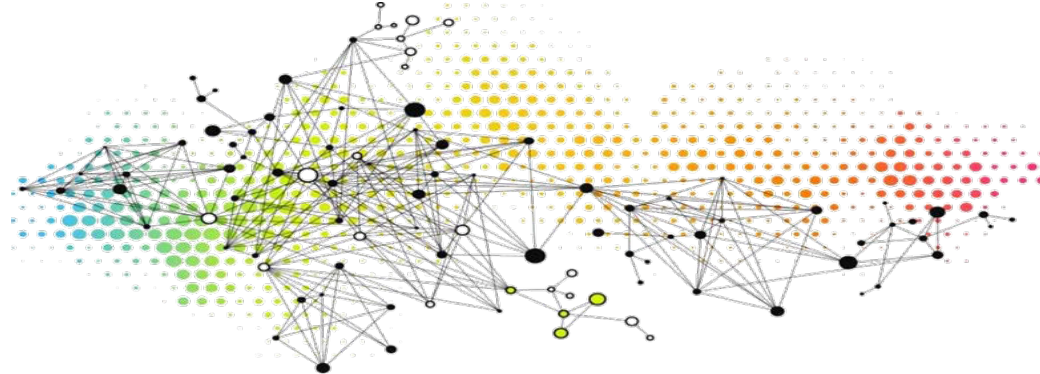
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REPORT ON GOVERNMENT FINANCE STATISTICS (FEBRUARY 26 – MARCH 9, 2018)

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Glossary

ACCT	Central Treasury Accounting Agency
AONT	Other Net Treasury Operations
CNaPS	National Social Protection Institute
CRCM	Civilian and Military Retirement Fund
CTD	Decentralized Subnational Governments
DDP	Public Debt Directorate
DE	Studies Directorate of the General Directorate of the Treasury
DGT	General Directorate of the Treasury
EPA	Administrative Public Entities
EPIC	Industrial and Commercial Public Entities
EPN	National Public Entities
EPP	Enterprises in which the government holds a non-controlling interest
GFS	Government Finance Statistics
GFSM	Government Finance Statistics Manual
GFSY	Government Finance Statistics Yearbook
IMF	International Monetary Fund
INSTAT	National Statistics Institute
OGT	Comprehensive Treasury Operations
PSMFP	Strategic Plan to Modernize Government Finances
SDDS	Special Data Dissemination Standard
SFT	Statement of Sources and Uses of Cash
SOAP	Statement of Government Operations

SUMMARY OF MISSION RESULTS AND PRIORITY RECOMMENDATIONS

1. This mission's goal was to have the Malagasy authorities adopt the methodology of the *Government Finance Statistics Manual (GFSM) 2014* for their own needs. The desired outcome of adopting the manual is to develop a set of government finance statistics (GFSs) that are consistent with current international standards in order to conduct a macroeconomic analysis of government finance.

2. In general, swift progress is being made on developing the Malagasy annual government finance statistics according to the *GFSM 2014*:

- The authorities are properly following up on the succeeding missions, mainly by improving data sources.
- The *GFSM 2014* base tables on transactions, including the Statement of Government Operations (SOAP) and its three detailed tables, as well as the table of expenditures by function, have already been prepared for 2010-2016 and submitted to the IMF Statistics Department (STA).
- Skills were also strengthened by having two managers from the Studies Directorate (DE) (the unit in charge of the GFSs) from the General Directorate of the Treasury (DGT) attend the GFS course. This event was held in Washington in June 2017 and was organized by the Capacity Development Institute. Upon their return, in-house training of DE employees was arranged.
- The regulatory framework for preparing and disseminating the GFSs is under way and an Interministerial decree should be adopted very soon.
- The collection of source data on the operations of the National Public Entities (EPNs) and Decentralized Territorial Governments (CTDs) has begun; this will expand the institutional scope covered by the statistics beyond the scope of general government (budgetary central government).

3. The mission's work covered all the topics mentioned above, and in particular:

- Proofreading of the draft decree;
- Preparation of the GFSs: Statement of Government Operations (SOAP) and detailed tables for 2017;
- Adaptation of the Table of Comprehensive Treasury Operations (OGT) to the *GFSM 2014* analytical framework and classifications;
- Identification of the scope of the central government and the expansion of statistics to the extrabudgetary units (including social security) and local government;
- A detailed breakdown of Other Net Treasury Operations (AONT);
- Update of the work plan for 2018.

4. At the request of the authorities, the mission also made an educational presentation to 25 employees of units that supply data. During the presentation, the most important points of the project to adopt the *GFSM 2014* were presented and expectations in terms of submitting core data were addressed.

5. As of now, progress has been limited mainly to reorganizing core sources, which is usually the first stage in implementing the *GFSM 2014*. As is the case in many other countries, the lack of an accrual government accounting system is an impediment to adopting the more complex features of the *GFSM 2014*. In this respect, progress in the future will thus depend on advances in accounting reforms.

6. Nonetheless, there is no obstacle to reproducing on an annual basis the monthly work that has already been done. The DE stated that it is prepared to begin to prepare the OGTs immediately (now based on the *GFSM 1986*), and monthly based on the *GFSM 2014* based on sources that are now being used. **Under these circumstances, there is nothing to prevent the Malagasy authorities from adopting the *GFSM 2014* analytical framework and classifications for their own analytical and forecasting needs—at least not on the technical level—on a date they deem appropriate.**

7. Therefore, the mission raised the question of adopting the *GFSM 2014* for the needs of the authorities and their own needs and to submit them to AFR and to the IMF office in Antananarivo (in addition to sending them to the Statistics Department). At the appropriate time, this would quite simply be a matter of replacing the current OGT table with a presentation consistent with the *GFSM 2014* analytical framework and classifications. In this regard, the mission met with a mission from the IMF Fiscal Affairs Department, which was also in Antananarivo. That mission supported the transition to the *GFSM 2014*. According to a mission recommendation, the adoption of the above-mentioned decree was identified by the authorities as a priority action item for the PSMFP.

8. The mission recommends scheduling the adoption of the *GFSM 2014* analytical framework and classifications at an appropriate date (for example, at the end of the current program with the IMF). Additional recommendations, mainly technical in nature, and a work plan, have in fact already been discussed with the team from the DE, and they are included later in this report in the section entitled “Detailed Technical Assessment and Recommendations.”

9. The authorities requested holding the next mission before October 2018, and the second half of September was set aside tentatively.

PRIORITY RECOMMENDATIONS

To contribute to progress in the above-mentioned areas, the mission recommended a detailed action plan for 2018, with the following priority recommendations:

Table 1. Priority Recommendations

Scheduled completion date	Priority recommendation	Institutions in charge
June 30, 2018	<i>Continue the work of drawing up the draft decree in order to adopt it before the end of the year</i>	DE
December 31	<i>Prepare memoranda of understanding between the DEs and suppliers of core data</i>	DE
June 30, 2018	<i>Review the file for establishing the SOAP and the detailed tables for 2017 prepared by the mission and submit them to the IMF Statistics Department</i>	DE
March 31, 2018	<i>Begin processing the accounting balances of the EPNs and CTDs to expand the statistical scope</i>	DE
June 30, 2018	<i>Prepare a version of the table of OGTs that is consistent with the GFSM 2014 analytical framework and classifications based on the work begun by the mission and send it to the Office of the Minister for consideration</i>	DE

Other recommendations, mainly technical in nature, are provided below in the action plan in the section entitled "Detailed Technical Assessment and Recommendations."

CURRENT STATUS AND OUTLOOK FOR GOVERNMENT FINANCE STATISTICS IN MADAGASCAR

A. Current Status

10. The DE produces two types of GFSs:

(1) The Table of Comprehensive Treasury Operations (OGT), which is an economic tool for the monthly financial operations of the budgetary central government, structured overall according

to the *GFSM 1986* analytical framework and prepared on a basis similar to a cash basis. The analytical framework for this table is the one in the *GFSM 1986*: revenue, grants, expenditures and financing. For a variety of justifiable reasons, the sources that are used are not a consistent accounting whole, which is one reason for the discrepancy between the revenue balance and expenditures and financing balance.¹ Revenue is recorded on a cash basis and expenditures are recorded on a commitment basis. The balance that results is adjusted by the change in spending arrears to obtain the cash-base balance. This table and the source tables from which it is constructed provide most of the statistical information sent to the office of the resident representative and to the missions of the Africa Department (AFR) on government finance operations in Madagascar.

(2) The annual GFSs in the MFSP 2014 format also cover budgetary central government. These statistics are now prepared using the same sources as the sources used for the OGT table, and the basis for recording revenue and expenses is the same. However, once the accounting reforms are complete, they should be prepared on an accrual or similar basis. At this time, these statistics are intended for use only for publication in the Government Finance Statistics Yearbook (GFSY) by the IMF Statistics Department.

11. The adoption of the *GFSM 2014* for the Malagasy authorities' own needs will require developing a new OGT table consistent with the analytical framework and classifications in this manual, which will lead to merging the two types of above-mentioned statistics production.

B. Adoption of the New Analytical Framework and New Classification

12. The current standards for disseminating data and in particular the Special Data Dissemination Standard (SDDS) recommend:²

- Preparing annual GFSs that cover all government entities;
- Preparing monthly GFSs on budgetary central government operations.

13. In compliance with these dissemination standards, the mission's recommendations are therefore as follows:

- Continue and strengthen the work already begun on the monthly GFSs on budgetary central government operations (namely general government, which is the field the OGTs currently enter); and

¹ The various sources used are identified in detail in the source sheet ("OGT" sheet) of the Excel file that prepares the GFSs (SOAP and detailed tables), prepared by the MDG OGT GFS 2015-2017 mission.

² Madagascar is currently participating in the General Data Dissemination System.

- Limit the work of expanding the statistics field beyond the general government field to the annual GFSs.³

14. In addition to meeting the needs of the Malagasy authorities, this approach should also meet the needs of:

- The Africa Department (monthly economic data available relatively quickly that cover the same field as now); and
- The Statistics Department (for the annual data to be published in the *GFSY* and monthly data (or quarterly data to be published in *International Financial Statistics*).

15. As already emphasized, the monthly statistics on general government operations can now be presented according to the *GFSM 2014* analytical framework and classifications, and the DE confirmed that it is ready to make the transition without delay by producing an OGT table according to the new format in parallel with the current table. In order to assist the authorities to make this transition, and at the request of the DE, the mission developed a draft OGT table that is consistent with the *GFSM 2014*. Once the changes it deems relevant are made, this directorate should submit it to senior management for review. This table, which essentially follows the SOAP format, can be adapted to Malagasy practices and specific features by introducing sub-headings.

16. In addition to applying to all government entities, it would be desirable to base the annual GFSs on finalized core sources (for example, balances or certified financial statements). This will be of particular importance for annual general government operations statistics to ensure better classification after the operations to close the accounts are completed.

C. Expansion of the Statistical Field

17. The DE already has core data to expand the statistical field of the central government, in particular for the consolidated balance sheets for the EPAs and CTDs. Processing these sources could be an activity for the next mission. The SOAP would be set up for the EPAs and CTDs.

18. The DE also obtained core information on the operations of the National Social Protection Institute (CNaPS), which on its own forms the social security subsector. This information is in PDF format only and is presented as “Program Budgets” that contain figures on the execution of previous fiscal years. However, it is clear that it would be

³ This distinction between annual statistics and intra-annual statistics would in any case be imposed by the lesser availability of monthly or quarterly sources. For this reason, the progress in the other aspects of the *GFSM 2014*, such as recording accrued statistics, should initially be done yearly.

preferable to obtain documentation of an accounting nature (balance or financial statements). Therefore, the mission recommends that the DE contact the CNaPS to obtain core accounting data on an annual basis.

19. Once the GFSs are prepared for the EPAs, CNaPS and CTDs, the consolidation operations could be planned in order to obtain consolidated GFSs for the central government (general government and EPA), and then for all government entities.⁴

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

Priority	Measure/benchmark	Hypothetical risks/ Verifiable indicators	Scheduled completion date	Actual completion date	Level of progress
Result: <i>Regulatory framework</i>					
High	Submit the decree to the appropriate authorities for comments, corrections and adoption.	The decree has been adopted.	June 30, 2018		Advanced
Medium	Have the DE and the MEP-INSTAT sign a memorandum of understanding.	The memorandum of understanding has been signed.	December 31, 2018		
Medium	Prepare and have the DE and core data suppliers sign memoranda.	- Awaiting adoption of the decree on the GFSs. -The memoranda of understanding have been signed.	December 31, 2018		

⁴ It will not be necessary to wait for data from the other entities (such as the EPICs) to be entered in order to consolidate the data; it just means that for a certain time the statistics will not provide total coverage.

Priority	Measure/benchmark	Hypothetical risks/ Verifiable indicators	Scheduled completion date	Actual completion date	Level of progress
Result: Compare the classifications of core sources and the GFSM 2014					
High	Prepare a table of correspondence between the accounting nomenclature and the GFSM 2014 nomenclature.	Special attention should be paid to the class 4 accounts and, to a lesser degree, the class 5 accounts. -The correspondence table has been prepared.	December 31, 2018		
Result: prepare data on the field of the current OGTs (budgetary central government)					
Medium	Prepare an outline for presenting data for core data suppliers.	- Awaiting adoption of the decree on the GFSs. - The outlines/ report forms have been produced.	December 31, 2018		
High	Prepare the Statement of Sources and Uses of Cash (SFT).	- The SFT has been produced.	December 31, 2018		
Result: Identify and expand the institutional field					
Medium	Survey and classify the government units.	The list of government entities by	March 31, 2018		A list of EPNs and enterprises in which the

Priority	Measure/benchmark	Hypothetical risks/ Verifiable indicators	Scheduled completion date	Actual completion date	Level of progress
		subsector has been prepared.			government holds an interest has been prepared. They should be classified as the sources become available and are processed.
High	Expand the coverage of the GFSs (<i>GFSM 2014</i> base) to the detailed operations of the entire central government (EPN and CNaPS) for which sources are available.	-According to the adequacy of source data - the OGTs and GFSs are applied to an expanded field.	December 31, 2018		Source data on the EPAs are available. Their adequacy still needs to be evaluated and their bridge tables still have to be prepared.
High	Expand the coverage of the GFSs to the detailed operations of the CTDs.	- According to the adequacy of source data - the OGTs and GFSs are applied to an expanded field.	December 31, 2018		Source data on the CTDs are available. Their adequacy still needs to be evaluated and their bridge

Priority	Measure/benchmark	Hypothetical risks/ Verifiable indicators	Scheduled completion date	Actual completion date	Level of progress
					tables still have to be prepared.
High	Expand the coverage of the GFSs to the CNaPS.	-Obtain sources of an accounting nature that can also be processed. - Sources are available and the SNPs for the CNaPS have been produced.	December 31, 2018		
<i>Other aspects</i>					
High	Prepare the capital and reserve accounts of the general government (budgetary central government)	- A draft capital and reserve account has been prepared.	December 31, 2018		Provider sources or services have been identified.
High	Submit the report form to the IMF Statistics Department.	The completed GFS questionnaire has been submitted to the Statistics Department.	June 30, 2018		The GFSs that were prepared during the mission should be reviewed and, if necessary, completed.

A. Regulatory Framework

20. In accordance with recommendations from previous missions regarding the probable need to define the institutional and regulatory framework that governs the production and dissemination of GFSs in Madagascar, the DE drew up a draft decree in 2017. At this directorate's request, the mission re-read the draft, the statement of reasons and

the note to the senior authorities that accompanies it, and found them to be generally satisfactory. Nonetheless, it proposed a certain number of changes whose purpose is to strengthen the scope of the draft.⁵ In doing so, it hoped to meet the DE's expectations. It also noted that having a regulation that governs statistics work is a good practice in this area. Annex I presents the draft decree after the mission's modifications.

Recommended measures:

- Finalize and adopt the draft decree on the regulatory framework for the production and dissemination of government finance statistics.

B. Implementation of the Last Mission's Recommendations

21. Following the GFSs status report during the last multisectoral mission in January 2016, the December 2016 mission began preparing a procedure in Excel format to classify the source data used to prepare the OGT table based on GFSM 2014 criteria. This was used to prepare the SOAP and the detailed tables of revenue, expenditures and transactions on assets and liabilities. In addition to this main work, this mission also addressed matters of delineating the scope of the central government and its subsectors, the extension of the field actually entered by the statistics, and the recording base. The key recommendations from the December 2016 mission and the follow-up by the authorities are described below:

- Prepare a work program for 2017 based on the mission Action Plan and the PSMFP;

Action taken: a work program for 2017 was prepared based on the December 2016 mission's Action Plan and the PSMFP, and the results that were achieved were reviewed during this mission.

- Review the correspondence table prepared during the mission and complete it if needed;

Action taken: the correspondence table that was prepared during the mission was reviewed, as well as the bridge table; both were used to revise the statistics that had already been prepared for 2010-2014, to prepare statistics for 2015 and 2016 and send them to the IMF Statistics Department.

- The 2010-2014 GFSs are to be revised during the mission using the mission's 2015 revisions. These data are to be reported to the Statistics Department;

Action taken: the SOAP and Tables of Revenue, Expenditures and Transactions on Assets and Liabilities, as well as the functional classification of the expenditures, were revised (2010-

⁵ Among other things, this consisted of highlighting the specific features of the GFSs compared to the other government finance figures.

2014) or prepared again (2015 and 2016), and they were sent to the IMF Statistics Department in November 2017. The Statistics Department submitted comments on them immediately, and the DE answered by return mail.

- Begin the work of delineating the scope of the government entities and their subsectors;

Action taken: A list of EPNs was prepared.

- Evaluate the availability of statistical sources on the entities above and beyond general government; on an experimental basis, begin producing GFSs on the most important entities;

Action taken: the consolidated balance sheets for all the EPAs and CTDs are available, and the DE has actually obtained them and submitted them to the mission. The mission did not have enough time to process the large number of headings involved. The DE expressed its wish to begin this work during 2018.

- Begin production of annual GFSs for the budgetary central government (general government) based on the final accounts.

Action taken: The annual production of annual GFSs based on the final accounts is not possible at this time because the details in the final balance are insufficient.

C. Institutional Coverage and Expansion of the Field

22. The entirety of Malagasy central government consists of the central government, i.e. the general government (general budget, two annex budgets and the Treasury Special Accounts) and about 200 EPNs (including a social security institute—the CNaPS—which alone comprises the social security subsector) and the CDTs. The public sector is completed by the addition of financial and nonfinancial public enterprises.

23. The current OGT table is limited to central government operations in the strict sense of the term, namely general government budgetary and cash operations. It excludes the operations of the EPNs (Administrative Public Entities (EPA) and Industrial and Commercial Public Entities (EPIC) and the CTDs. These entities are included only indirectly, and only to the extent of the budget transfers they receive and their correspondent accounts. In other words, this means that their own resources and their own expenditures are not included in the statistics. No detailed classification of expenditures financed through budget transfers can thus be made. As long as these entities do not contract debt and do not accumulate arrears, this omission has no impact on the central government deficit, but it is nonetheless an obstacle to an accurate analysis of their impact on public finances and the national economy.

24. The authorities gave the mission the list of EPNs: it shows 120 EPAs, 56 EPICs and 28 other entities (enterprises in which the general government holds a non-controlling interest (EPPs)), consisting mainly of chambers of commerce and other entities such as the Madagascar Road Authority, the Road Maintenance Fund and the National Distance Learning Center). If we add to the list the entities in which general government holds a majority interest or controls them, we obtain the public sector (see MDG SECTEUR PUBLIC file that accompanies this report).

25. One document, available on the MFB website, shows 53 public financial and nonfinancial enterprises, consisting of the following:

- 13 enterprises wholly or almost wholly owned by the general government;
- 9 in which the government owns a majority interest, but well below 100 percent;
- 30 in which it owns a minority or negligible interest;
- One for which the government's interest is not indicated.

26. According to the financial interest criterion, there are thus 22 of these enterprises that meet the definition of public enterprise.⁶ On this basis, the entire public sector consists of:

- General government;
- EPAs, EPICs, including the CNaPS, as well as the chambers of commerce, the Road Authority, the Road Maintenance Fund and the Distance Learning Center;
- CTDs;
- 22 public enterprises.

27. Because the composition of the above-mentioned public sector is based on legal criteria, it may be advisable to define it in greater detail according to macroeconomic criteria and its subsectors. For this purpose, the commercial institutional entities (certain EPICs) should be excluded from the scope of the central government, and the noncommercial institutional entities should be kept in this field or, for government enterprises, they should be included. However,

- Given the other priorities in play, there is no need to immediately rework the EPICs as long as the data sources are not available, since doing so would have no impact on the statistics. Therefore, this should be done gradually, case by case, as data sources become available and usable.
- For the EPPs, the chambers of commerce should consider two possibilities: mainly according to the origin of their financing: central government in the subsector at the origin of their

⁶ Instead of the financial interest criterion, the control criterion is usually considered more robust. Because this criterion can be more difficult to apply and requires adequate basic documentation, it is not taken into consideration in this document.

financing, or in the enterprise and near-enterprise sector as a nonprofit institution that serves enterprises if the latter provide the majority of the financing. The function and mode of financing for the Road Authority, the Road Maintenance Fund and the Distance Learning Center, should be clarified in order to determine the sector to which they belong.

- Regarding government enterprises, the percentage of their noncommercial activity compared to their total activity should in principle be estimated so that enterprises with a majority of noncommercial activity could potentially be reclassified in the central government field. In the immediate future, such an analysis may be justified for the most urgent situations.

28. It should be noted that the January 2016 multisectoral mission report included in an annex a simplified approach to analyze the public sector and the DE can refer to it.⁷ It will also be necessary to ensure that the definition of the public sector and its subsectors is consistent with the definition used by the National Statistics Institute (INSTAT) for national accounting purposes, and with the central bank for monetary statistics and the preparation of the Net Government Position.

29. Based on the above-mentioned list, the mission prepared the institutional table of Malagasy government entities in Annex II. After it is checked, it can be sent to the IMF Statistics Department for publication (or updating) in the GFSY.

Recommended measures:

- *Consider reclassifying some EPICs and government enterprises only if data sources are available and usable so that work that would have no impact on the statistics can be avoided;*
- *Clarify the nature and financing of the EPPs for classifying them with the central government or enterprise sector;*
- *Periodically review and revise the enclosed institutional table to make any needed reclassifications.*
- *Approach the CNaPS to obtain accounting sources that can be used electronically.*

D. Capital and Reserve Account

30. In order to begin work on preparing an annual capital and reserve account, initially limited to the scope of general government, a meeting was held with the various units that are potential providers of the required core data. These are the Central Treasury Accounting Agency (ACCT) and the Public Debt Directorate (DDP - external and domestic debt units). The mission reviewed the various components of the capital and reserve account as they are defined in the GFSM 2014 in order to evaluate possibilities to obtain source data. After

⁷ The list of sector entities in the SECTEUR PUBLIC file that accompanies this report was formatted in accordance with this approach.

these discussions, it also turned out that some items can now be obtained now using stock amounts from the consolidated balance sheet, while the rest come directly from the units involved.

Assets

Cash and deposits: this is the cash balance of the government accountants and deposits in the central bank and the other financial institutions. This information is available in the ACCT and provided in the incoming and outgoing balances of the consolidated balance sheet. If applicable, a distinction should be made between deposits denominated in ariary and deposits denominated in foreign currencies.

Debt instruments: It is unlikely that the Malagasy government has a portfolio of debt instruments (bonds and debentures). However, this statement should be verified.

Credits: These are loans that the general government extends to third parties (individuals or legal entities). Only budgetary loans are included in the balance. The other loans consist mainly of loans passed through [to domestic borrowers] by the government [and which ultimately derive from the government's own external borrowing, and the DPP monitors them. These claims should be valued in ariary at the exchange rate on the date the capital and reserve account is established.

Equities and investment funds: The listing of this item is incomplete in the balance. However, the General Government Financial Interest Unit in the ACCT has an inventory of interests in government enterprises, parastatals or semipublic companies. However, there is no valuation for them.

Pension insurance and standard guarantee systems: not applicable because the Malagasy government does not provide insurance services and does not make standard guarantees.

Derivatives: The Malagasy government does not currently hold derivatives.

Other receivables: According to the DE, since the tax system is a reporting system, and since tax due notices are not issued, there would be no reason to record a tax debt. However, it would seem that this just means that such receivable revenue is not recorded in the accounting books. Therefore, the matter arises of how to consider situations in which taxpayers fail to meet their obligations because they do not file their tax returns. There should also be a check to determine if some class 4 suspense accounts with debit balances do not constitute receivable accounts; the same is true for class 5 accounts with debit balances, such as checks awaiting deposit and others that should be included in receivables. This information—of an accounting nature—is available in the balance and from the ACCT.

Liabilities

Cash and deposits: The amounts on the credit side of the correspondent accounts and other similar accounts constitute liabilities in the form of deposits. No cash needs to be recorded here since the Malagasy government does not issue coins. This information—of an accounting nature—is available in the balance and at the ACCT.

Debt instruments: These are securities (bonds and debentures) issued by the Malagasy government and the DPP monitors them. Initially they can be valued at their face or issue value and subsequently changed to nominal value.

Credits: This item is comprised of various components of the bilateral and multilateral external debt and the domestic contractual debt (including the different types of commitments to the central and other banks). As regards the external debt, the valuation in ariary will depend on the exchange rate in effect on the date the capital and reserve account is established. Source data for the external and domestic debt are available in the DPP.

Equities and investment funds: Not applicable.

Derivatives: Not applicable since the Malagasy government does not issue derivatives.

Pension insurance and standard guarantee systems: These are the commitments of the Civilian and Military Retirement Fund, which is a nonautonomous employer retirement regime of the central government. Since the contributors (namely civil servants and other categories of participants in the CRCM) acquire rights to future retirement benefits, the central government acquires the obligations in return. Contributions, regardless of whether they are actual or allocated, should be recorded as a government liability in this item and pension payments that decrease this type of liability. The estimate of commitments for civil and military pensions is based on actuarial calculations and should in principle be obtained from the CRCM. If the CRCM does not have this information, this item should be ignored initially.

Other accounts payable: This item consists of all pending government payments, namely accrued and unpaid amounts, including payment arrears (payments pending beyond a certain statutory or regulatory time frame). Core data are comprised of entries in various class 4 and class 5 credit accounts and in the ACCT.

31. For the CNaPS and the other entities (such as the EPICs), which use accrual basis accounting, balance sheets will provide most of the required information. However, some adjustments will be necessary, in particular with regard to asset valuation and depreciation.

Recommended measures:

- *Collect source data on the above-mentioned financial assets and liabilities and prepare a first draft of the financial capital and reserve account, if need be based on raw data that has not been reprocessed.*
- *To the extent possible, adjust certain data to process them according to the rules in the GFSM 2014, such as the case of valuing general government interests in the enterprises and stocks of external debt.*

E. The OGT According to the GFSM 2014

32. At the request of the DE, the mission prepared a draft of the OGT table according to the GFSM 2014 analytical framework. The standard lines in this table of revenue and expenditures are extracted from the SOAP or the detailed tables of revenue, expenses and transactions on assets and liabilities. Even though the totals of external and domestic financing are consistent with the *GFSM 2014*, their components, whose classification is “hybrid,” (see explanation below), are obtained directly from the OGT table or their sources. The classification system that underlies this version of the OGT Table is therefore consistent with that of the *GFSM 2014*. This proposal for the new OGT table is presented on the OGT GFSM 2014 sheet in the file entitled MDG OGT GFS 2015–2017, which accompanies this report.⁸

Total revenue

1. In the current OGTs and the *GFSM 2014*, total revenue includes grants. The only difference in this respect is the terminology: revenue and grants for the OGT and revenue (it is understood that grants are included) for the *GFSM 2014*. The proposed new version of the OGTs adopts the manual’s terminology.
2. In the OGT, the proceeds from these divestitures of assets is part of total revenue. In the *GFSM 2014*, divestitures are excluded from revenue and are subtracted from acquisitions of nonfinancial assets.

Tax revenue

33. In terms of the definition, the difference between OGT and GFSM 2014 tax revenue is equal to the social contributions that do not constitute tax revenue in the manual. As regards the current field in the OGT, this difference is zero, since the budgetary central government does not collect social contributions because it excludes the CNaPS and because retirement contributions from civil servants are to be recorded as increases in liabilities.

⁸ This new version of the OGT table is completed at the same time as the current table and with the SOAP, which of course is very similar.

34. According to the GFSM 2014, tax revenue should be calculated net of VAT refunds and other reimbursements. To show gross tax revenue in the OGT 2014, simply create two subitems as follows:

- Tax revenue (*GFSM 2014*)
 - Gross tax revenue
 - VAT refunds and other tax revenue.

Nontax revenue

35. Even though the nontax revenue category does not exist in the GFSM 2014, it is easy to calculate as the difference between total revenue and tax revenue. More precisely, nontax revenue in the *GFSM 2014* equals grants and other revenue (property revenue, sales of goods and services, fines and confiscations and other transfers received).

36. For the total, the difference between nontax revenue in the OGT and the GFSM 2014 therefore applies only to the treatment of divestitures of nonfinancial assets.

Expenditures

37. Total expenditures are calculated using the GFSM 2014 headings, and they consist of expenses and acquisitions net of nonfinancial assets and thus are different than the total of current OGTs in the amount of divestitures of nonfinancial assets and loans minus collections which are reclassified in financing. Expenditures include an operation category that consists of goods and services and transfer expenses as defined in the current OGTs. The acquisitions, net of nonfinancial assets, are broken down according to the origin of the resources (external or domestic).

Financing

38. The domestic and external financing totals are also obtained from the headings in the GFSM 2014, and breakdowns are presented on a “hybrid” basis, i.e. by type of creditor and by instrument in accordance with the current presentation. These breakdowns are entered directly from the OGT or its sources.

Recommended measures:

- *Submit the draft of the new version of the OGTs to management for consideration.*

F. Application of Accruals

39. The recording of accruals covers two aspects:

- Time of recording; and
- Recording of nonmonetary flows, including nonmonetary transactions and other economic flows.

40. In general, the time of recording will be determined based on the time used in the data sources. Given the DE's limited resources, the mission does not at this time recommend adjusting the core data to estimate the accrual as can be done. In this regard, the changeover to recording statistics to accruals (or moving away from the cash basis) should therefore follow the trend in government accounting.

41. Since nonmonetary transactions may be relatively substantial, an effort to identify them could be useful. They may be operations in kind, operations on debts, other economic flows and certain charges (such as the transfer of economic ownership of assets in public-private partnerships or leasing operations). There again, the trend in government accounting will play a decisive role. Meanwhile, possible nonmonetary operations can be identified based on information on economic and financial developments, including reading the notes in the budget laws or economic notes.

42. For the CNaPS and the other entities (such as the EPICs), which use accrual accounting, the accounting sources will supply most of the required information. However, some adjustments will be necessary, as in the case of assets valued at historic cost, which should be valued based on market prices.

G. Review of Statistics for 2010–2016

43. The mission reviewed the 2010-2016 GFSs that were submitted to the IMF Statistics Department in late 2017 based on the questions this department raised and the replies from the Malagasy authorities. In general, the mission confirms the explanations that were given but wishes to add a few clarifications.

- **Regarding coverage of the statistics** – the institutional scope is budgetary central government, and this applies to all the years of data that were submitted. Therefore, EPN operations are not captured by the statistics, except for the change in their deposit balance as Treasury correspondents. Unlike what the reply from the authorities would lead one to believe, this balance does not “consist of their total revenue and total expenditures,” but only of deposits and withdrawals. No other EPN operations are recorded in the consolidated balance sheet.
- **Regarding the basis for recording revenue** – Revenue is recorded at the time it is collected, regardless of fiscal year.

- **Breakdown of taxes on income, profit and capital gains** – This breakdown is not available.
- **Discontinuity in the series of taxes on transfers due to death, estates and grants** – The amounts in question would also include the transfers mentioned and recording taxes, but no breakdowns are available. The disappearance of amounts for these taxes in 2016 and the appearance of amounts for taxes on financial and capital transactions is unclear. This reclassification can in principle be justified only by a change in the predominant category in the amounts in question. In this regard, it would be useful to verify the exact nature of the recording taxes in question, as these can in general be taxes on capital financial transactions when the act that generates them is a transaction, or from administrative fees when the act that generates them is an administrative procedure accompanied by a service, as well as recording taxes when an enterprise is created. If these taxes of different types are at issue, a breakdown would be desirable.
- **Social security contributions for 2008** – This is an error. Since the statistical scope is budgetary central government, there can be no revenue from social security contributions. After revisions, the data still show social security contributions for 2008.
- **High amount for residual sales of noncommercial entities for 2010** – This amount includes the fee for operating the iron deposit that Société WISCO paid to the Malagasy government in an amount equivalent to \$100 million. This fee was reclassified as rent.
- **Charge of social assistance benefits for one single year** – This recording is mainly for student scholarships that were reclassified as other miscellaneous current charges (2821).
- **Employer social benefits limited to 2015 and 2016** – the amounts for the other years were included in the revised version of the questionnaire. The nature of these benefits still needs to be clarified.
- **Nature of the other current charges not classified elsewhere (2821)** – These are mainly student scholarships, dues to international organizations and current expenditures not classified elsewhere.
- **Increase in the equity asset item and shares of investment funds beginning in 2012** – This higher figure is due to the increase in the government’s interest in Air Madagascar as part of restructuring the enterprise (in the amount of 25 billion ariary per year from 2012 to 2105 and 115 billion in 2016) when the enterprise’s tax debt was consolidated.
- **Amount for the insurance, pension and standard guarantee system limited to 2016** – these are fund retirement operations to pay pensions for civil servants (Civilian and Military Retirement Fund). The amounts for the other years were indeed included in the revised version of the questionnaire. However, in addition to manifesting excessive variability, all of these amounts are negative, which reflects insufficient actual recording of contributions. Given this insufficiency and the lack of actuarial estimates, there is a proposal to allocate an amount of the contributions to charges for remuneration in order to balance these operations, and to increase commitments for retirement. Thus: the remuneration received in exchange for rights to future pensions thus acquired would be recognized; the ability/need

for better financing would be evaluated; and the inconsistency between flows and stocks would decline.

H. Proposals for Work for the Next Mission

44. The authorities expressed the desire to hold the next mission before October 2018, and the last week of September was chosen tentatively. This mission's work will entail continuing and delving into greater detail on the topics addressed earlier in this report, and more particularly:

- Expanding the scope of central government to include the EPAs based on the consolidated balance sheet for these entities;
- Expanding the scope to include the CTDs based on the consolidated balance sheet for these subnational government entities;
- Expanding the scope to include the CNaPS, subject to the availability of usable source data.
- The detailed classification of the AONTs.

45. This mission's objective is to establish statistics for the consolidated set of government entities.

Annex I. Key Officials Met During the Mission

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Annex II. Draft Decree



MINISTRY OF FINANCE AND THE BUDGET

DECREE No.

**On the production and dissemination of
Government Finance Statistics.**

THE PRIME MINISTER, HEAD OF THE GOVERNMENT

- *Having regard to the Constitution;*
- *Having regard to Organic Law No. 2004-007 of July 26 on the Budget Law;*
- *Having regard to Decree No. 2016-250 of April 10, 2016, appointing the prime minister, head of the government;*
- *Having regard to Decree No. 2016-265 of April 15, 2016 amended and supplemented by Decree No. 2016-460 of May 11, 2016, No. 016-1147 of August 22, 2016, No. 2017-148 of March 2, 2017, and No. 2017-262 of April 20, 2017, appointing the members of the government;*
- *Having regard to Decree No. 2017-590 of July 17, 2017 amending and supplementing certain provisions of Decree No. 2016-265 of April 15, 2016, appointing the members of the government;*
- *Having regard to Decree No. 2017-121 of February 21, 2017, establishing the duties of the Ministry of Finance and Budget and the general organization of his ministry; In the Council of Government,*

ORDERS:

Art. 1: Prepare and disseminate statistics on the operations of government entities under the General Directorate of the Treasury in the Ministry of Finance and Budget through the unit in charge of these statistics. These statistics are comprised of the Comprehensive Treasury Operations (OGT) and government finance statistics (GFS) pursuant to Article 3 of this decree.

Art. 2: If need be, the unit in charge of the GFSs works in collaboration with the National Statistics Institute in its capacity as coordinator of the National Statistics System and with the other institutions that produce macroeconomic statistical data. such as Banky Foiben' i Madagasikara and the Ministry in charge of the Economy and Planning.

Art. 3: Under this decree, the GFSs constitute a set that is separate from the other government finance figures, such as those that come from government accounting (budgetary or general), and therefore they must be prepared in compliance with international statistical standards in terms of institutional and transactional coverage, recording basis, analytical framework and classification, and data dissemination. The reference methodologies are the Government Finance Statistics Manual and the IMF Public Debt Statistics Manual.

Art. 4: In compliance with Article 3, the scope of the GFSs covers the government entities sector entirely. These are: budgetary central government, noncommercial public entities (administrative public entities, industrial and commercial public entities, social security entity, etc.), and subnational governments (regions, communes and provinces). It may if necessary be expanded to public financial and nonfinancial enterprises.

Art. 5: Data suppliers (organizations covered by the scope as defined by Article 4) are required to submit the information and detailed data that the unit in charge of the GFSs requires to prepare the statistics.

Memoranda of understanding between the unit in charge of the GFSs and core data suppliers set the procedures for reporting these data, including reporting frequencies and deadlines.

Art. 6: The unit in charge of the GFSs is required to disseminate them according to the frequencies and deadlines and in accordance with the international dissemination standards (General Data Dissemination System or Special Data Dissemination Standard). These will be published on the website of the General Directorate of the Treasury and of the Ministry in charge of Finance and Budget.

Art. 7: The Minister of Finance and Budget is in charge of implementing this decree which, due to the urgency, and in accordance with the provisions of Article 6 of Order No. 62-041 of September 19, 1962 on the general provisions of domestic law and international private law, will immediately come into effect as soon as it is published by radio program broadcast or posting, regardless of whether or not it is published in the Official Gazette.

Antananarivo, [date]

**BY THE PRIME MINISTER,
HEAD OF THE GOUVERNEMENT**

MINISTER OF FINANCE AND BUDGET

MAHAFALY Solonandrasana Olivier

ANDRIAMBOLOLONA Vonintsalama

Annex III. Madagascar, Institutional Table of the General Government Entities Sector

(see comments below)

Units of General Government (The OGTs cover the operations of subsector 2.1 mentioned below.)

Central Government

2.1 Budgetary central government

- General budget institutions and operations (operation and investment): Office of the President, Ministries and State Secretaries, legislative and judicial bodies (National Assembly, Senate, Supreme Court, Court of Cassation, Council of State, Accounting Office, the courts, etc.), Civilian and Military Retirement Fund.
- Specific budget (Postal Service and National Printing Office)
- Treasury special accounts

2.2 Extrabudgetary central government*

National Public Entities (central government entities whose resources consist mainly of budgetary transfers (in administrative public entities or EPAs) and industrial and commercial public entities) or EPICs; enterprises in which the government holds a non-controlling interest (EPPs, chambers of commerce, the Road Authority, the Road Maintenance Fund and the Distance Learning Center); Project accounts.

Social Security Funds*

- 3.1 National Social Protection Institute (CNaPS)

State governments

- 4.1 Not applicable

Local Governments*

- 5.1 Decentralized subnational governments (CTDs), consisting of 22 regions and roughly 1,549 municipalities.

* The asterisk indicates that the statistics do not currently cover the unit or group of units.

Comments:

1. The presentation of this institutional table is in the "new" format of the government finance statistics questionnaire for 2015 (see letter of October 27, 2014 from Ms. Claudia Dziobek, who at that time was Chief of the Government Finance Division of the IMF Statistics Department). In this format, the institutional table ranks second for metadata to be supplied, which explains the use of the "2" numbering above.

2. This table is prepared based on legal and administrative criteria. Since these criteria may not correspond to the economic criteria, it may be necessary to reclassify them.

Annex IV. Files That are an Integral Part of this Report

1. Excel file for preparing the GFSs: [MDG GFS 2015-2017](#)

This file consists of the following sheets:

- The source file, entitled OGT, which includes the OGT broken down according to the detailed sources and the classification of nomenclatures according to the *GFSM 2014*;
- The SOAP sheet, which presents the Statement of Government Operations;
- Three sheets that consists of the Revenue, Charges and Transactions on Assets and Liabilities tables.
- A file entitled OGT GFSM 2014, which presents a proposed OGT table consistent with the *GFSM 2014*;

2. [SECTEUR PUBLIC](#), an Excel file that provides the list of the different entities in the public sector: general government, EPA, EPIC, EPP and enterprises in which the government holds an interest.