

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



REPUBLIC OF MADAGASCAR

TECHNICAL ASSISTANCE REPORT—GOVERNMENT FINANCE STATISTICS

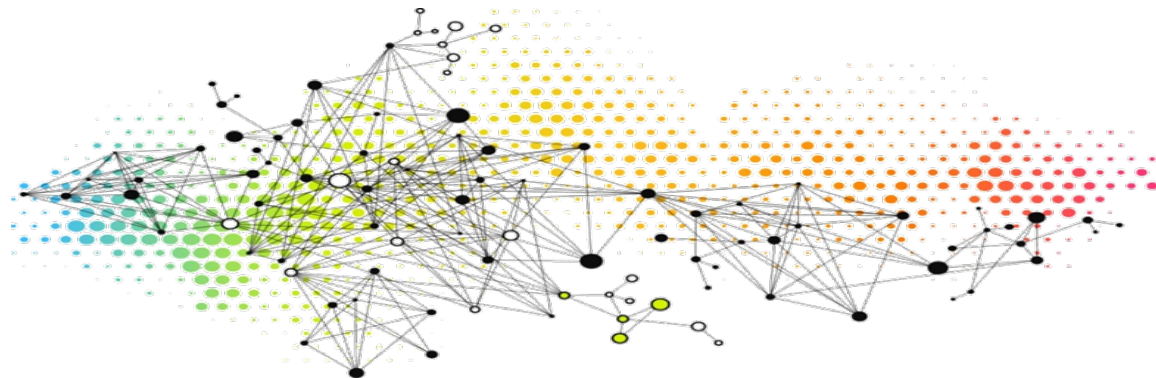
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REPUBLIC OF MADAGASCAR

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REPORT ON THE GOVERNMENT FINANCE STATISTICS MISSION (OCTOBER 26–NOVEMBER 13, 2020)

Prepared by Vincent Marie

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CONTENTS

Glossary	<u>3</u>
SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS	<u>4</u>
A. Introduction	<u>4</u>
B. Findings	<u>4</u>
C. Mission Work	<u>5</u>
D. Outlook	<u>5</u>
DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS	<u>7</u>
A. Draft Action Plan for 2021	<u>7</u>
B. Recommended Follow-up to the Mission's Work	<u>12</u>
C. Next Mission	<u>20</u>
D. Officials Met During the Mission	<u>21</u>
TABLES	
1. Priority Recommendations	<u>6</u>
2. Preliminary Statement of the Non-Consolidated Operations of the General Government Sub-Sectors	<u>22</u>
APPENDICES	
I. Notes on the Bridge Table and on the Development of the CTD GFS	<u>24</u>
II. Comments on the Bridge Table and the Preparation of the CNAPS GFS	<u>33</u>
III. Consolidation: Identification of Intra- and Inter-Sectoral Flows	<u>36</u>
IV. Excel Files Prepared by the Mission and Forming an Integral Part of this Report	<u>40</u>

Glossary

AFR	IMF African Department
AONT	Other Net Treasury Operations
BA	Annex budgets
BG	General Budget
CFC	Consumption of Fixed Capital
CNaPS	National Social Security Fund
CTD	Decentralized Subnational Governments
DE	Research Directorate
DGT	Treasury Directorate General
EPA	Administrative Public Entities
EPIC	Industrial and Commercial Public Agencies
GFS	Government Finance Statistics
<i>GFSM 2014</i>	<i>Government Finance Statistics Manual 2014</i>
<i>GFSY</i>	<i>Government Finance Statistics Yearbook</i>
IMF	International Monetary Fund
MEF	Ministry of Economy and Finance
OGT	[Table of] General Treasury Operations
<i>PSDSG</i>	<i>Public Sector Debt Statistics guide</i>
PSMFP	Strategic Plan to Modernize Government Finances
SGO	Statement of Government Operations
STA	IMF Statistics Department

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

A. Introduction

1. At the request of the Ministry of Economy and Finance (MEF) and in consultation with the Africa Department (AFR) of the International Monetary Fund (IMF), a remote Government Finance Statistics (GFS) mission from the Statistics Department (STA) took place in Madagascar from October 26 to November 13, 2020. The objective of this mission was to continue supporting the authorities in their project to adopt international GFS standards based on the methodology of the *Government Finance Statistics Manual 2014 (GFSM 2014)* and the *Public Sector Debt Statistics Guide (PSDSG)* and to improve GFS in general.

B. Findings

2. Since 2016 under the EDDI2 project¹, the Malagasy authorities have made significant progress in GFS. The quality of data from the budgetary central government has improved, and:

- Reporting of GFS to the IMF Statistics Department is routine, and the annual GFS questionnaire on budgetary central government operations is complete and has been reported to the IMF's Statistics Department;
- The recording of Other Net Treasury Transactions (AONT) on a gross rather than net basis is largely done;
- The availability of basic accounting sources is now on a solid footing and substantial improvements have been made to them, which makes it possible to envisage the short-term compilation of consolidated GFS for the entire Malagasy general government.

3. Two key targets had to be postponed following a change of government in 2020:

- Improving the regulatory framework by adopting a text governing compilation and dissemination of GFS; and,
- The adoption of the analytical framework and classifications of the *GFSM 2014* as a means of compiling and presenting the official national GFS and, more specifically, the table of General Treasury Operations (OGT).

¹ Enhanced Data Dissemination Initiative 2 of the UK Department for International Development.

C. Mission Work

4. The mission's work focused on:

- Improving the bridge tables partially developed during the previous mission between the accounting nomenclatures of the Administrative Public Entities (EPA), the Decentralized Subnational Governments (CTD) and the National Social Security Fund (CNaPS) and the statistical nomenclature of the *GFSM 2014*;
- The preparation of GFS for the EPAs, CTDs, and CNaPS from the accounting balances of these three sub-sectors;
- Consolidation of these GFS to prepare consolidated GFS for all general government sub-sectors;
- Compilation of a financial balance sheet;
- Reviewing and updating the action plan with the goal of developing and reporting these consolidated statistics by mid-2021.

5. **The mission also reiterated the need to establish a regulatory framework for the compilation and dissemination of GFS and the organization of work.** The adoption of such a framework for GFS, in the form of a specific text provided for in the Malagasy Statistics Law², would be a unique initiative in all the countries that have benefited from EDDI2 support.

D. Outlook

6. **The implementation of the *GFSM 2014* reference methodologies is progressing well and the development of Madagascar's GFS is on track.** The preparation of a first set of consolidated GFS for all general government sub-sectors by mid-2021 is feasible.

7. In general, **the authorities have a clear vision** of the path to follow in order to develop Madagascar's GFS and their **technical skills are good**, particularly with regard to mastering statistical methodology and its application. As is generally the case in other countries, there are **difficulties in the ability to interpret and process certain accounting procedures**, which will require close cooperation with the relevant departments.

² See Section B.1. below.

8. On the basis of the above considerations, two priorities for improving GFS appear to be evident:

- **In the immediate future, review and complete the work of the mission** with a view to preparing, by mid-2021, the Statement of Operations and the detailed tables of revenues, expenses and transactions in assets and liabilities of each of the general government sub-sectors as well as the consolidated statement for of all these operations;
- **Consolidate achievements by assessing the adequacy of the work organization and procedures used:** in this respect, the authorities could also aim to:
 - Formalize working procedures by establishing a regulatory framework for the compilation and dissemination of GFS that facilitates the DE's role as coordinator and strengthens its authority with respect to source data providers, particularly with respect to units that do not report to the DGT or MEF.
 - A systematization of the work already done to facilitate and standardize regular data compilation.

9. In order to contribute to progress in the above areas, the mission recommended a plan of action for 2021 that is presented below in the detailed technical assessment with the recommendations in Table 1 below listed as priorities. These three priority actions are also discussed at greater length in the next section of this report.

10. The mission would like to thank the Research Directorate (DE) of the Treasury Directorate General (DGT) for the close cooperation it received and, in particular, for the prompt provision of documents which, in the circumstances of remote work, was essential for the success of the mission.

Table 1. Republic of Madagascar: Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
Q2 2021	Review and complete the mission's work in order to produce a first set of consolidated GFS for the entire Malagasy general government.	DE, CNaPS
Q2 2021	Pass a law defining the institutional and administrative framework for the compilation and dissemination of GFS.	MEF, DE, and other partners in macroeconomic statistics
Q2 2021	Systematize GFS compilation procedures based on experience already gained	DE and partners in GFS

11. Further details on the priority recommendations and corresponding actions/milestones are available in the action plan under the “Detailed Technical Assessment and Recommendations” section.

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

A. Draft Action Plan for 2021

Priority	Action/Milestone	Hypothetical risks/ Verifiable indicators	Target Completion Date	Actual Completion Date	Note:
Outcome: <i>Regulatory framework</i>					
High	1. Relaunch the adoption of a decree on the compilation and dissemination of GFS	The decree has been adopted.	March 31, 2021		This action item is part of the PSMFP. A first version of the draft text has already been prepared and submitted to the hierarchical authorities, who have made comments. It is currently under review.
High	2. Have the DE and MEP-INSTAT sign a memorandum of understanding.	The memorandum of understanding has been signed.		Monday, December 31, 2018	INSTAT and the DE are now part of the same parent ministry, namely the Ministry of Economy and Finance.

Priority	Action/Milestone	Hypothetical risks/ Verifiable indicators	Target Completion Date	Actual Completion Date	Note:
High	3. Establish and sign protocols between the DE and source data providers.	- Depends on the adoption of the GFS decree. - Memoranda of understanding have been signed. See below the section on work organization (actions 15 and 16).	March 31, 2021		The aim is to ensure the regular provision of interim and final data sources and the necessary collaboration in the preparation of the data.
Outcome: Compare the nomenclatures of core sources and the GFSM					
High	4. Review and complete the bridge tables prepared by the mission between the various government charts of accounts and the <i>GFSM 2014</i> nomenclature.	Bridge tables have been checked and completed.	March 31, 2021		The drawing up of bridge tables is advanced. Certain issues relating to the treatment of Class 1 and provisions need to be resolved in close collaboration with the relevant accounting departments.
High	5. Ensure consistency between the various bridge tables.	A single consolidated bridge table exists, or mechanisms have been put in place to ensure consistency between separate tables.	March 31, 2021		The existence of separate bridge tables presents the risk of inconsistencies between the statistics of the different sub-sectors.
Outcome: Consolidation and completion of the GFS questionnaire					

Priority	Action/Milestone	Hypothetical risks/ Verifiable indicators	Target Completion Date	Actual Completion Date	Note:
High	6. Consolidation: Identify and quantify the flows between the different levels of government.	Intra- and inter-governmental flows are identified and recorded in a whom-to-whom table (see Annex 1 of the GFS questionnaire).	March 31, 2021 for the central government - June 30, 2021 for all sub-sectors		The aim is to identify and quantify the most important inter-governmental flows.
High	7. Assembling and filling in the tables of revenues, expenses and transactions on assets and liabilities of the GFS questionnaire, followed by their submission to the IMF.	The GFS questionnaire for the consolidated general government is completed and has been submitted to the IMF Statistics Department.	June 30, 2021		This involves making consolidation adjustments to obtain statistics for the consolidated central government and for the consolidated data of the three levels of government.
Medium	8. Preparation of a financial balance sheet for the budgetary central government and completion of Table 6 of the GFS questionnaire.	A balance sheet is prepared and reported to the IMF Statistics Department.	September 30, 2021		The consolidated balance sheet or the financial statements of the CGAF can be used as a source of data for a statistical balance sheet.
Medium	9. Consistency between debt statistics and debt liabilities in the financial balance sheet.	Debt liabilities are consistent with the debt statistics.	October 30, 2021		The consistency between the debt liabilities in the balance sheet and the debt statistics is an important element of data quality.
High	10. Reporting of debt statistics in the IMF GFS	Central government debt statistics are	June 30, 2021		

Priority	Action/Milestone	Hypothetical risks/ Verifiable indicators	Target Completion Date	Actual Completion Date	Note:
	questionnaire (Tables 6 and 7).	reported to the IMF.			
Medium	11. Preparation of the cash flow statement for budgetary central government in Statement II of the GFS Questionnaire.	The government's cash flow statement is prepared and reported to the IMF.	September 30, 2021		
Outcome: <i>Identification and expansion of the institutional coverage</i>					
High	12. Develop relevance indicators for the field covered by using statistics: weight of the 44 EPAs already covered in relation to all the EPAs (based on staff numbers, for example).	The weight of the entities covered relative to all has been assessed.	March 31, 2021		Since the coverage of some sub-sectors is not absolutely complete, it is important to be able to assess the degree of representation of the entities already captured. Low representation would increase the importance of extending the statistical scope.
Medium	13. Expanding of the institutional coverage to other EPAs and non-market EPICs, according to relevance (e.g. on the basis of an indicator similar to the one mentioned in the previous action).	The process of sorting between market and non-market EPICs has begun. The GFS for non-market EPICs are prepared.	Ongoing		The extension of the institutional coverage is part of the PSMFP. The relevance of the inclusion of EPICs will depend on their weight in relation to the central government as a whole.
Outcome: <i>Organization of work and other aspects</i>					

Priority	Action/Milestone	Hypothetical risks/ Verifiable indicators	Target Completion Date	Actual Completion Date	Note:
High	14. Assessment of the data preparation process and organization of work.	The current working methods used to produce the GFS are being assessed with a view to improving them.	June 30, 2021		The aim is to consolidate the achievements in order to make the compilation and dissemination of GFS a routine exercise.
High	15. Within the context of the above-mentioned protocols (Action 3) and as appropriate, establish mechanisms and schedules for spontaneous reporting of baseline data.	Reporting mechanisms and schedules are in place.	March 31		To make the practice of communicating basic data routinely: accounting balances, financial statements, statement of additional information, annexes to financial statements, activity reports.
High	16. Within the context of the above-mentioned protocols (Action 3) and as appropriate, develop baseline data submission and supplementary information questionnaires for baseline data providers.	Specific questionnaires and forms are prepared and offered to accountants in certain data-providing departments.	June 30, 2021		In some cases, specific additional information may be required. For example, when consolidating data or processing certain accounts or account groups in the trial balance.
Medium	17. Adoption of <i>GFSM 2014</i> for the OGT.	The OGT adopts the statement of operations format and classifications	TBD		This involves adopting the <i>GFSM 2014</i> analytical framework and classifications for the

Priority	Action/Milestone	Hypothetical risks/ Verifiable indicators	Target Completion Date	Actual Completion Date	Note:
		from the <i>GFSM 2014</i> .			OGT. This is a declared objective of the Malagasy authorities.
Medium	18. Drafting of a Concepts, Sources and Methods document.	The document in question has been drafted as is updated over time.	Pending effective implementation of GFS and OGT according to the <i>GFSM 2014</i> .		This action item is part of the PSMFP. It is also of great importance. The only reason it is given medium priority is that such drafting cannot be done in the short term.
N.B.: The time frame for this action plan is limited to 2021. Beyond that, work will need to be undertaken to adopt the more complex aspects of the <i>GFSM 2014</i> and the <i>PSDSG</i> methodology, such as the application of accrual accounting.					

B. Recommended Follow-up to the Mission's Work

12. The technical topics discussed, and the work done during the mission have already been briefly mentioned in the above summary. This section deals with the suggested follow-up to this work to be done by the DE, aspects of which are discussed in more detail in the appendices to this report.

1. Regulatory framework for statistics

13. At the closing session, the DE Director confirmed the intention of the authorities to conclude the process of adopting the regulatory framework for GFS initiated more than two years ago, while inquiring about the need for a specific text in addition to the already existing national statistical law.³ According to the mission, in addition to being a good practice recommended by international standards, the formulation of a regulatory framework may be necessary if, as in many other countries, GFS are not specifically covered by the statistical law, which is indeed the case in Madagascar. In fact, Law 2018-004 recognizes this situation by mentioning in its Article 54 the need to resort to a specific text for the GFS: "the attributions of the other statistical authorities of the National Statistical System in terms of information collection, compilation and

³ Law n°2018-004 on the organization and regulation of statistical activities.

publication of statistics are defined in the texts related to each authority". Article 55 specifically mentions GFS as being covered by Article 54.

14. It is recalled that the draft regulatory framework was already prepared some time ago and reviewed during a previous mission. It was also commented on by the MEF at the time. In view of the advanced stage of the work, there is no need to revisit these aspects in the present report.

Recommendations

- *Finalize the process of adopting and promulgating a text governing the compilation and dissemination of GFS, as provided for in Article 54 of the Malagasy Statistics Law. **The adoption of a regulatory framework for GFS will be a unique initiative in all countries that have been supported under EDDI2.***

2. Preparation of Data

1. General Remarks

15. The mission's work focused on the preparation of GFS for the EPAs, the CNaPS and CTDs, with the ultimate objective of producing a consolidated statement operations for all general government sub-sectors.⁴ In all three cases, the data sources are the accounting balances (consolidated balances for the various EPAs and CTDs covered).

16. For each of the three sub-sectors, the statement of operations and the underlying detailed tables are prepared through two Excel files:

- A mapping file that establishes, once and for all,⁵ the classification and the configuration of trial balance accounts⁶ according to *GFSM 2014 criteria*, and;
- A data compilation file that processes the source data for 2019 (or any other fiscal year) based on the above bridge table to which it is electronically linked.

⁴ The previous missions focused on the OGTs (budgetary central government operations covering the General Budget, the Annex Budgets and AONTs).

⁵ This means that this matching applies to any past or future fiscal year as long as the coding and nomenclature of the existing accounts remains unchanged. The addition of new accounts is possible, as well as, of course, modifications of the coding and the configuration.

⁶ To be more specific in the cases of the CTDs and CNaPS, the match is based on the 2019 trial balance accounts.

17. **Appendix IV** provides a list of the working files provided to the DE, which is familiar with how they function.

II. Improvement of bridge tables between accounting nomenclature and the GFSM 2014 statistical nomenclature.

18. **Appendices I and II of this report discuss the main issues encountered in the development of the bridge table for CTDs and CNaPS.**⁷ It is essential that these tables be reviewed by the authorities, who will, among other things, have to take into account the remarks accompanying these classifications. In particular, the DE will have to verify the accuracy of the classifications and the validity of the assumptions made for the classification of certain accounts and, where necessary, revise them. Lastly, as explained in the following paragraphs, the records relating to provisions, equity and depreciation require special consideration.

19. **Two groups of accounts have not been processed:** provisions and equity accounts:

- According to *GFSM 2014*, **provisions** should not be recorded in the statistics and should therefore in principle be excluded from the accounting treatment of the balance. In order to preserve statistical identity, this exclusion must be done without disrupting the accounting balance of all other accounts. This exclusion is complex to perform and requires familiarity with accounting practices relating to the recording of provisions and their reversals and, possibly, access to the details of the underlying records. It will therefore be necessary for the DE to work closely with the relevant accounting departments to eliminate all the records in question in a balanced way.
- The entries made to the **equity accounts** are purely accounting in nature and do not reflect economic flows (they are mainly routine transactions). They too must therefore be excluded from the statistics. However, their exclusion has the same potential for accounting and statistical imbalance as in the case of provisions. The exclusion of entries made to book equity and its counterparts should therefore be done in close cooperation with the accounting departments concerned.

20. **It would be desirable to introduce mechanisms to facilitate the treatment of provision accounts and accounts 10 to 15** in the future by requesting additional information from the producers of accounting data sources on the balanced set of records relating to provisions and equity accounts and their equivalents.

Recommendation

- *Verify the accuracy of the classifications made by the mission and verify the validity of the assumptions made for the classification of certain accounts; if necessary, make revisions.*

⁷ For EPAs, the correspondence table is based on the PCOP-EPA. The treatment of their consolidated balance does not raise any issues that are not already addressed in the CNaPS and CTD correspondence tables.

- *Proceed with the elimination of accounting records concerning provisions, reversals, and their counterparts in the balance sheet accounts while preserving the accounting balance for the remaining trial balance. This task will probably require close collaboration with the relevant accounting departments.*
- *Eliminate the accounting records of the class 1 equity accounts (accounts 10 to 12) and the offsetting entries in the other parts of the balance sheet in order to preserve the accounting balance. As in the case of provisions, the cooperation of the relevant accounting departments will be required.*
- *Introduce mechanisms to standardize the treatment of provision accounts and class 1 accounts (10 to 12).*

21. According to GFSM 2014, consumption of fixed capital (CFC) is considered to be a transaction and, as such, should be recorded in the statistics. This is the equivalent of depreciation of intangible and tangible fixed assets in business accounting. As there are significant differences between the two concepts, particularly in their calculation, depreciation allowances should in principle be replaced by a proper estimate of the CFC. This replacement is probably neither a priority at this time nor feasible without the mobilization of significant resources.⁸ Consequently, the DE has two alternatives. Use the accounting records for depreciation and amortization and their counterpart in the fixed assets accounts for GFS, or simply eliminate these records and present the statistics for non-financial assets on a gross basis. Since the elimination of the allowances and their equivalents would present similar difficulties to the exclusion of the provisions mentioned in the previous paragraph, the mission recommends the first approach. Even if the accounting data do not meet the GFSM 2014 criteria, they still provide an estimate of CFC expenses, and appropriately reduce the total assets of the government involved.

Recommendations

- *Use depreciation as a substitute for the CFC until the economic calculation of the CFC is feasible.*

III. Compilation of statistics

22. Once the data compilation file is prepared to receive the source data (by copying and pasting the balances for each sub-sector), the statistical tables are filled in automatically. The DE is already familiar with the data processing process as it is similar to the process used to process the OGT table data. The fact that the bridge files are separate from the data establishment files requires familiarity with the management of links between files, which should not present any

⁸ The estimation of the CFC requires the prior valuation at market value (or equivalent) of the non-financial assets concerned.

particular difficulties. The consistency of the GFS is verified by the statistical identity at the bottom of the statement of operations and the various consistency tables that accompany the detailed tables.

IV. Consolidation

23. Once the GFS of the general government sub-sectors have been established, they should be consolidated. In general, the consolidation process consists of (1) aggregating the statistics of the different sub-sectors and then (2) eliminating transactions (mainly transfers) (1) within, and (2) between, these sub-sectors.

24. There are two types of consolidation: intra-sector consolidation and inter-sector consolidation.

- **Intra-sectoral consolidation** consists of eliminating transactions within the same sub-sector, including **within** each of the accounts of the same sub-sector. **A sub-sector account is defined here as a separate grouping** of institutional units within the same sub-sector. In the format adopted by the GFS questionnaire and the *Government Finance Statistics Yearbook*, only the central government sub-sector includes sub-sector accounts: (1) the budgetary account (comprising, in Madagascar, the General Budget, the Annexed Budgets and the AONTs) and (2) the account of extra-budgetary units (the EPAs and, in principle, the non-market EPICs). The consolidation of the budgetary and extra-budgetary account results in the consolidated central government statistics. Intra-sectoral consolidation may also involve transactions between the various CTDs. It does not cover the social security sub-sector, which in Madagascar comprises only one entity.
- **Inter-sectoral consolidation** consists of eliminating transactions between the different general government sub-sectors: central government, CNaPS and the CTDs.

25. The consolidation column of the annual GFS questionnaire used to eliminate transactions between governments does not distinguish between intra-sectoral transactions between OGTs and EPAs and inter-sectoral transactions. Therefore, the elimination of these two types of transactions should appear in the "consolidation" column of the questionnaire. However, because there is no consolidation column for internal consolidation of OGTs, EPAs and CTDs, the elimination of their internal transactions will not be apparent in the annual GFS questionnaire.

26. The DE has started the process of collecting data on transfers between different units of the general government. This work is still in its infancy and should be given priority since it is the basis for the consolidated GFS output of all operations in this sector. The DE will have to continue this work while endeavoring to resolve any differences between the declarations of amounts received (or to be received) and amounts paid (or to be paid).⁹ **Appendix 3** elaborates on this further.

⁹ Preliminary data on intergovernmental transfers already collected by the DE suffer from large discrepancies between payments and receipts.

Recommendations

- *Identify intra-sectoral transactions, i.e. **internal transactions** for budgetary accounts, extra-budgetary accounts, as well as transactions **between** these accounts.*
- *Eliminate transactions internal to the budgetary accounts to obtain the consolidated GFS for the transactions in those accounts.*
- *Eliminate the internal transactions of the extra-budgetary account to obtain the consolidated GFS for the transactions of this account.*
- *Eliminate **transactions between** the budgetary and extra-budgetary accounts to obtain consolidated GFS for the central government.*
- *Identify and eliminate internal transactions within the CTDs in order to obtain the consolidated GFS of the local government sub-sector.*
- *Identify inter-sectoral transactions between the three general government sub-sectors.*
- *Aggregate the GFS of the three general government sub-sectors.*
- *Eliminate intersectoral transactions between the aggregate statistics of the three general government sub-sectors in order to obtain the consolidated statement of operations of the Malagasy general government.*

V. Compilation of a financial balance sheet

27. As with the preparation of the statement of operations and its detailed tables, which must begin with a reorganization of the trial balance by classifying the accounts, the first step in compiling a balance sheet is to classify the different types of assets and liabilities listed in the balance sheet (or, where appropriate, the balance sheet items), with other aspects, such as valuation and operational coverage, to be dealt with later.

28. Depending on the nature of the data sources, two situations may arise. The balance sheet can be compiled either from the trial balance or from the balance sheet.

- The trial balance includes opening and closing balances that can be used to prepare two stock positions, one at the end of the current year and one at the end of the previous year. Since the classification of these stock positions must be the same as the classification of the transactions in the period to produce the statement of operations, there is no new bridge table required. It will only be necessary to replace the flow codes with stock position codes

(e.g. replace 3212, change in currency and deposits, with 6212 for the stock of currency and deposits at a given date).¹⁰

- In cases where the balance sheet is not available (as is generally the case for public industrial and commercial establishments (EPIC), which the DE has indicated that it will also cover in the statistics in the future), it will be necessary to have recourse to the balance sheets. The reorganization of the balance sheet items to be carried out will be relatively simple insofar as certain groupings that comply with or are close to the criteria of the *GFSM 2014* are already carried out there. For the other items, it will be necessary to have recourse to more detailed information or to the accounting departments of the entities concerned in order to classify the accounts that are grouped there.¹¹

29. It is recommended that the DE immediately prepare a first draft of the financial balance sheet for each sub-sector. The issues of valuation and operational coverage can be addressed at a later stage:

- The market valuation recommended in the *GFSM 2014* differs from the accounting standard, which is based on historical costs. This concerns mainly government holdings in public and parastatal companies (given the size of the amounts involved) but also debt securities.
- The operational coverage of the statement of operations may differ from that of the financial balance sheet. This phenomenon occurs when, in order to complete the scope of transactions, the data sources have been supplemented with non-accounting information. In Madagascar, as in some other countries, this is particularly true of the OGTs, including some debt and grant transactions that are not all recorded in the trial balance. The addition of these operations will have to be done on a case-by-case basis at the level of the balance sheet in cooperation with the various services concerned.¹²

Recommendation

- *Carry out the necessary regrouping of the outstanding amounts in trial balances of the Treasury, EPAs, CTDs and CNaPS in order to draw up their respective financial balance sheets*

¹⁰ By adding a column to the bridge table dedicated to asset and liability stock positions codes. The SUMIF function needed to calculate the financial assets account items will have to be integrated into Table 6 of the GFS questionnaire of the classification assistant.

¹¹ It will also be useful to consult the bridge table between the balance sheet and the chart of accounts, which is presented in each of the guides that accompany the various charts of accounts consulted by the mission (see Appendix I). To the extent that these tables have been revised or updated since the publication of these guides, the DE will need to acquire the version of these tables. Consultation of the latter will make it possible to assess the degree of homogeneity of balance sheet items with a view to making any reclassifications and to clarify the content of certain items whose economic nature is not clear.

¹² It is recalled that alternative sources of data for the balance sheet were discussed at a meeting that brought together the main departments managing the various elements of the State's portfolio.

and then the consolidated financial balance sheet of the Malagasy general government. The principles of flow consolidation discussed above for transactions also apply to stock positions.

VI. Other economic flows

30. In order to cover the entire analytical framework of the GFSM 2014, the statement of other economic flows must be filled in.¹³ This aspect, which is not a priority, can await the resolution of the other issues mentioned above and be examined during future missions. For all intents and purposes, it is simply recalled here that it is in principle possible to extract most of these flows from the balance sheet in which holding gains or losses are recorded in the form of foreign exchange gains or losses, gains or losses on disposals of assets and revaluations. For other changes in volume, additional information may be required (in the Supplementary Information Statements or from extra-accounting information) to the extent that the accounting records do not permit the isolation of such events.

VII. Broadening the institutional scope

31. The current scope of the Malagasy GFS is limited to budgetary central government transactions. It is recalled that the operations of the Malagasy general government are carried out by the general budget, the annexed budgets and the Treasury's special accounts for the budgetary central government, by the EPAs and non-market EPICs for the extra-budgetary central government, by the CNaPS, which alone constitutes the Malagasy social security sub-sector,¹⁴ and by the CTDs for the local government. The present mission should in principle lead in the relatively near future to the compilation of statistics covering at least 44 EPAs, CNaPS and CTDs (the exact scope of which remains to be specified), including their consolidation.

32. The extension of the scope to the extra-budgetary central government is likely to be a resource-intensive project. In order to better assess the progress made in this area and the relevance of a further extension (and therefore the priority to be given to it), it would be useful to develop an indicator of the importance of the operations of the covered EPAs in relation to the budgetary central government total operations. A simple indicator could be constructed on the basis of the number of employees of the entities concerned or their personnel costs.

33. In the eventual perspective of including non-market EPICs in GFS (and notwithstanding the priority aspect raised in the previous paragraph), it would be useful to start sorting out non-market EPICs from market EPICs and to complete the list of extra-budgetary central

¹³ This situation can be found in Table 9 of the government finance statistics questionnaire.

¹⁴ The two social insurance schemes for civil servants are attached to the Treasury as special accounts and are not part of the social security sub-sector. The entry of their transactions in the statistics must therefore be integrated with the GFS for the OGTs.

government in the institutional table by adding those that have been identified as non-market. The other EPICs will then be classified as public companies.

Recommendations

- *Construct a simple indicator of the weight of the EPAs in Malagasy government finances based on staff numbers or expenditure. The aim is to assess the significance of the 44 EPAs covered by this mission as well as the significance of the remaining EPAs.*
- *Construct a similar indicator for EPICs in order to assess the priority to be given to a further extension of the statistical scope of the Malagasy general government.*

VIII. Systematization of Procedures

34. The implementation of the above-mentioned monitoring activities should make it possible to envisage in the relatively near future the compilation of consolidated GFS for 2019 for all of Madagascar's general governments. This first result, which will have required the mobilization of significant resources over several years involving different actors in different fields, will have to be reproduced for each subsequent fiscal year (and then at more frequent intervals, albeit on a smaller scale).¹⁵ Consequently, it would be desirable to learn from this first experience in order to systematize and standardize the process of developing GFS. The reflection will have to cover, among other things, the organization of the DE's work, including the sharing of its staff's skills, the relations with other services such as the providers of source data and the technical services (accounting and IT). This is not to prejudge the need for improved working practices, but simply to emphasize that, based on the experience of many countries, it is desirable at this stage to evaluate the current GFS compilation process in order to improve it if necessary. This reflection on the systematization of this statistical activity could be done in the wake of the adoption of the text framing the compilation and dissemination of GFS provided for by the Statistics Act (see above), but without necessarily having to wait for this adoption, as well as in the context of the preparation of GFS for 2020.

C. Next Mission

35. The DE has expressed an interest in a future mission, which could cover the topics mentioned in the previous section. It would therefore be desirable for the follow-up that could be carried out by the DE to be substantial enough to facilitate significant progress during this next mission. This monitoring should focus on areas that are not directly within the mission's remit, such

¹⁵ The compilation of sub-annual GFS for total government is unlikely to be feasible for long. In this respect, it is recalled that the monthly dissemination of GFS on budgetary public administration is sufficient to meet the criteria of the Special Data Dissemination Standard (see <https://www.imf.org/external/pubs/ft/sdds/guide/2013/sddsguide13.pdf>, table 2.1).

as those relating to accounting aspects or where access to information is not immediate, in particular¹⁶:

- The exclusion of records relating to provisions and equity accounts (accounts 10 to 12) and their counterparts, while taking care to preserve the accounting balance of the rest of the trial balance in order to satisfy statistical identity, and;
- Identification of transfers between different units of government in order to eliminate them in consolidation.

D. Officials Met During the Mission

Name	Institution
(Mr) RANJALAHY Ihajambolatiana	Director General of the Treasury, DGT
(Mrs.) RANDRIANIRINA Hanitra Olivia	Director of Research, DE
(Mrs.) RANDRIAMAROLAFY Odile	Head of department at the DE, Treasury Inspector
(Mr) RAKOTOBE Tahina Herilalaina	Research Officer, Treasury Inspector
(Mrs.) RAVELOJAONA Mireille Harivola	Research Officer
(Mr) ANDRIANANTENAINARINORO Oely Hasina	Research Officer, Treasury Inspector
(Mr) ANDRIANASOLO Hoby Miarantsoa	Research Officer
(Mr) HERINIAINA Lahady Eugene	Research Officer
Lahady Eugen HERINIAINA	Research Officer
(Mr) Lovanandrianina RAKOTOMAMONJY	Head of Accounting, CNaPS
(Mr.) Hiaja RAKOTOARISON	Finance Director, CNaPS
(Mr.) Manan'lala ANDRIANTSALAMA	IT Director, CNaPS

¹⁶ The completion of these two objectives should enable the ED either to carry out the consolidation of the Malagasy general government itself or, if this objective cannot be achieved, to gather sufficient information to carry out this consolidation during the next mission.

Table 1. Republic of Madagascar: Preliminary Statement of the Non-Consolidated Operations of the General Government Sub-Sectors

Table 2.a In Ariary

		2019			
		ACB	EPA	CTD	CNaPS
		<i>(In Ariary)</i>			
TRANSACTIONS AFFECTING NET WORTH:					
1	Revenue	7,490,632,291,557	26,550,956,734	117,663,625,838	334,812,915,654
11	Tax revenues	5,374,959,911,557	0	58,576,390,728	0
111	Income, profit and capital gains taxes	1,428,749,683,004	0	36,564,965,098	0
112	Payroll and labour taxes	0	0	0	0
113	Property taxes	0	0	10,252,230,391	0
114	Taxes on goods and services	3,030,618,626,460	0	11,653,785,730	0
115	Taxes on foreign trade and international transactions	890,852,151,146	0	0	0
116	Other tax revenues	24,739,450,947	0	105,409,510	0
12	Social security contributions	305,544,900,000	0	0	286,867,403,545
13	Donations	1,586,813,000,000	22,591,552,458	32,104,605,122	0
14	Other revenue	223,314,480,000	3,959,404,276	26,982,629,987	47,945,512,109
2	Expenses	5,171,333,712,522	19,671,835,972	64,034,552,145	268,632,786,372
21	Employee remuneration	2,494,610,826,893	10,691,518,084	50,366,683,653	27,209,591,621
22	Use of goods and services	345,510,151,750	8,668,449,837	14,339,979,162	19,728,670,201
23	Consumption of fixed capital	0	30,581,473	0	18,032,746,343
24	Interest	355,997,157,518	129,600	0	0
25	Grants	784,483,200,000	9,500,000	53,000,000	0
26	Donations	426,521,700,000	0	1,050,505,767	0
27	Social benefits	707,099,635,650	0	3,262,541	200,687,584,642
28	Other expenses	57,111,040,710	271,656,978	-1,778,878,978	2,974,193,565
GOB	Gross operating balance (1-2+23+NOBz)	2,319,298,579,035	6,909,702,235	53,629,073,693	84,212,875,625
NOB	Net operating balance (1-2+NOBz) c/	2,319,298,579,035	6,879,120,762	53,629,073,693	66,180,129,281
TRANSACTIONS IN NON-FINANCIAL ASSETS:					
31	Net acquisition of non-financial assets	2,854,586,000,000	2,621,020,579	20,521,401,195	253,959,934,830
311	Fixed assets				
312	Change in inventory				
313	Valuable items				
314	Non-produced assets				
NLB	Financing capacity / need (1-2+NOBz-31)	-535,287,420,965	4,258,100,183	33,107,672,498	-187,779,805,549
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):					
32	Net acquisition of financial assets	112,199,000,000	8,267,832,560	58,170,973,092	697,366,553,798
321	Domestic	95,815,000,000	8,267,832,560	58,170,973,092	621,095,113,368
322	Foreign	16,384,000,000	0	0	76,271,440,430
33	Net accumulation of liabilities	676,210,422,569	4,114,424,906	859,875,274	30,483,140,896
331	Domestic	21,108,422,569	4,114,424,906	859,875,274	30,483,140,896
332	Foreign	655,102,000,000	0	0	0
NLBz	Overall statistical discrepancy: NLB vs. Financing (32-33-NLB)	-28,724,001,604	-104,692,529	24,203,425,321	854,663,218,451

Source: Mission and MEF.

Table 2.b Percentage of GDP

		2019			
		ACB	EPA	CTD	CNaPS
		<i>(As a percentage of GDP)</i>			
TRANSACTIONS AFFECTING NET WORTH:					
1	Revenue	14.7	0.1	0.2	0.7
11	Tax revenues	10.5	0.0	0.1	0.0
111	Income, profit and capital gains taxes	2.8	0.0	0.1	0.0
112	Payroll and labour taxes	0.0	0.0	0.0	0.0
113	Property taxes	0.0	0.0	0.0	0.0
114	Taxes on goods and services	5.9	0.0	0.0	0.0
115	Taxes on foreign trade and international transactions	1.7	0.0	0.0	0.0
116	Other tax revenues	0.0	0.0	0.0	0.0
12	Social security contributions	0.6	0.0	0.0	0.6
13	Donations	3.1	0.0	0.1	0.0
14	Other revenue	0.4	0.0	0.1	0.1
2	Expenses	10.1	0.0	0.1	0.5
21	Employee remuneration	4.9	0.0	0.1	0.1
22	Use of goods and services	0.7	0.0	0.0	0.0
23	Consumption of fixed capital	0.0	0.0	0.0	0.0
24	Interest	0.7	0.0	0.0	0.0
25	Grants	1.5	0.0	0.0	0.0
26	Donations	0.8	0.0	0.0	0.0
27	Social benefits	1.4	0.0	0.0	0.4
28	Other expenses	0.1	0.0	0.0	0.0
GOB	Gross operating balance (1-2+23+NOBz)	4.5	0.0	0.1	0.2
NOB	Net operating balance (1-2+NOBz) c/	4.5	0.0	0.1	0.1
TRANSACTIONS IN NON-FINANCIAL ASSETS:					
31	Net acquisition of non-financial assets	5.6	0.0	0.0	0.5
311	Fixed assets				
312	Change in inventory				
313	Valuable items				
314	Non-produced assets				
NLB	Financing capacity / need (1-2+NOBz-31)	-1.0	0.0	0.1	-0.4
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING):					
32	Net acquisition of financial assets	0.2	0.0	0.1	1.4
321	Domestic	0.2	0.0	0.1	1.2
322	Foreign	0.0	0.0	0.0	0.1
33	Net accumulation of liabilities	1.3	0.0	0.0	0.1
331	Domestic	0.0	0.0	0.0	0.1
332	Foreign	1.3	0.0	0.0	0.0
NLBz	Overall statistical discrepancy: NLB vs. Financing (32-33-NLB)	-0.1	0.0	0.0	1.7

Source: Mission and MEF.

Appendix I. Notes on the Bridge Table and on the Development of the CTD GFS

A. Bridge Table

Introductory Remarks

This memo describes key aspects of the bridge table between the 2019 CTD consolidated trial balance accounts and the *GFSM 2014* classifications and the application of this table to the development of the GFS (statement of operations and detailed tables of revenues, expenses, and transactions in assets and liabilities).

Basic Documents

The bridge table between the CTD accounting nomenclature and the *GFSM 2014* statistical nomenclature can be found in the CORRESPONDENCE sheet of the **MDG BAL CT GFS CORRESPONDENCE 2020 10 20.xlsx** file. It was prepared on the basis of the following documents:

- The consolidated trial balance of the CTDs for 2019 in the file **CTD regions communes.xlsx**;
- The CTD chart of accounts (without comments or instructions) in the file **PCOP-CTD.xlsx**;
- The *Chart of Accounts for Government Operations consistent with International Accounting Standards (IAS/IFRS) (PCOP 2006)*;¹
- The PCOP-State Guide, the PCOP.EPA and its guide;
- Guide to the General Chart of Accounts (PCG);
- The *General Tax Code*.

Organization of the Trial Balance

The bridge between accounting and statistical nomenclatures should in principle be based on the chart of accounts rather than on the trial balance entries. It follows a well-defined structure and hierarchy distinguishing, among other things, between "items", "headings" and "accounts".² However, as the PCOP-CTD is particularly long (including all planned accounts including those not used), the bridge table was based on the 2019 trial balance which is much shorter.

¹ In the absence of a guide to the application of the PCOP-CTD, these other PCOPs were consulted.

² This distinction in terminology is not usually made here, rather it is the number of digits of the codes that is mentioned. (for example "2-digit accounts" for items).

In the version provided to the mission, the balance shows only the headings (3 digits), the accounts (4 digits) and the "sub-accounts" (more than 4 digits). If you are not familiar with the accounting code, the absence of items (two digits) makes it difficult to interpret. More confusing is the order in which the accounts in this trial balance are presented, an order that does not respect the hierarchy of the chart of accounts. These aspects complicate the classification process.

To overcome this problem, the trial balance of the **PCOP-CTD** file was first reorganized to reproduce the accounting numbering hierarchy.

The convention (also adopted by PCOP-State) that 5-digit and above accounts are sub-accounts of 4-digit accounts is not followed by the 2019 trial balance in which 4-digit accounts are independent of 5-digit accounts (and so on, with 5-digit accounts being independent of 6- or 7-digit accounts). This confusing aspect raises a number of questions about compliance with accounting practices and, at the same time, the reliability of the trial balance as a statistical data source.

Other Remarks

The exact nature of the trial balance used must be specified. This appears to be a provisional trial balance. In this case, it would be desirable to also produce final statistics from the trial balance.

Being based on the 2019 trial balance, the classifications made in the bridge table are limited to the accounts actually used for that year. This table will probably not be applicable to other years without first having to be completed by adding the missing accounts. In the long run, it will therefore be desirable to establish a generic bridge table based on the PCOP-CTD itself.

The bridge table is accompanied by a "Remarks" column in which the less obvious choices are explained, and the questions raised by the treatment of certain accounts are addressed.

Classification of Revenue (class 7)

Given the diversity of tax and non-tax revenues and the fact that the titles do not always indicate the nature of the revenue, the classification of the revenue can be complex. In order to simplify the work, it is therefore recommended to focus on the most important revenues. For 2019, the 14 types of revenue each representing more than 1% of total Class 7 revenue and covering 99% of the total overall are:

- **7020** General income tax - IR (4.14%)
- **7021** Tax on non-salaried income (15.20%)
- **7023** IS (9.09%)

- **7080** Other income taxes (6.60%)
- **7151** Property tax on built properties - IFPB (9.38%)
- **7511** Operating grants - PPE (3.58%)
- **7518** Operating grants - Other (8.53%)
- **77144** Levies and rebates on products (agricultural, forestry, livestock, mining, fishing) (6.09%)
- **7717** Rebate income (8.50%)
- **7718** Other local fees (5.26%)
- **772111** Market fee (2.95%)
- **772113** Construction permits (3.74%)
- **772118** Other (1.38%)
- **7732** Miscellaneous rentals (1.42%)

The mission's classification work therefore focused on these revenues in particular. As their nature is generally known, this classification does not pose any particular problem. The *General Tax Code* is sometimes a useful reference in this regard.

It can therefore be concluded that the classification of revenue in Class 7 does not pose a problem overall. The amounts of some revenue that may be ambiguous are generally negligible (for 2019) and not worth the investment of time and resources. Nevertheless, the relative importance of the various products in question in relation to the total of class 7 should be checked regularly.

Classification of Expenses (Class 6)

The classification of expense accounts is generally not a problem, as their classification can generally be inferred from the headings, which generally reflect the economic nature of the different types of expenses.

Classification of Fixed Assets (Class 2)

The headings in Class 2 clearly indicate the nature of the assets and there are no difficulties in classifying them. However, the mission did not carry out classification at a detailed level because the equivalent breakdowns are not available for the budgetary central government, thus preventing their aggregation. In due course, however, detailed classification can easily be carried out for the CTDs by the DE.

Classification of Financial Accounts (Class 5)

Only four financial accounts appear in the 2019 trial balance: the CTD account in the Treasury (classified as an asset under currency and deposits) and three sub-accounts of 541 relating to imprest accounts, the classification of which is discussed below. In this regard, the classification of the accounts of the CTDs' control accounts would be facilitated by an explanation of their operation and their articulation with the other accounts of the trial balance, particularly with the accounts of classes 4, following the example of the explanations found in the guide of the PCOP- State on pages 186 to 188.³

Classification of Fund Accounts (Class 1)

Only Class 1 capital grants and asset disposals accounts have been classified. In this respect, the nature of these disposal accounts needs to be clarified⁴ because, normally, it is the capital gains or losses on disposals of fixed assets that appear in class 1, with the disposals themselves being recorded in class 7 in accounts that do not appear in any of the three PCOPs (State, EPA and CTD).

The other accounts in class 1 have not been dealt with because they do not generally reflect transactions but rather record purely accounting (order) entries associated with, among other things, inventory operations at the closing of accounts.

The non-inclusion of accounts 10 to 12 in the statistics results in a difference in the statement of operation between net lending/net borrowing and financing, which must then be the same as the balance of movements in these accounts. Any other discrepancy would reflect an error in the statistical treatment of the source data.

In order to bring this statistical difference to zero, it will therefore be necessary to eliminate the offsetting entries for accounts 10 to 12. This will require additional information to be gathered from the accounting departments involved in recording the accounts and preparing the trial balance, including the final trial balance.

Classification of Class 4 Accounts

The classification of Class 4 accounts has been done at a detailed level. This approach is to be preferred when classification is carried out for the first time in order to become familiar with the particularities of the accounting sources. In fact, insofar as certain categories of two-digit accounts

³ Some differences in the numbers and titles of the control accounts in the two PCOPs limit the application of these explanations to the accounts of these CTDs.

⁴ This account also appears in the PCOP-State and EPA guides but without sufficient explanation for statistical purposes.

(items) have a homogeneous or almost homogeneous content, classification can be made at this level, which does not prevent the necessary reclassifications from being made on a case-by-case basis.

- **Accounts 40:** these are mainly creditor accounts of the supplier type, with the exception of accounts 409 which are debit accounts. After deducting the amount of the latter, the accounts 40 can therefore be classified as other accounts payable. Accounts 4092 concern imprest accounts. It would be useful to specify the nature of the transactions recorded therein and, if necessary, to illustrate their operation by means of T-accounts.⁵ These appear to be repayments of advances and on this basis (and the fact that they are 409 accounts), the amount recorded in this account has been included with the other accounts receivable. 4099, Accounts Receivable is an asset account that has also been classified as other receivables. The treatment of imprest accounts is discussed below.
- **Accounts 41:** In the 2019 trial balance, these are only accounts receivable of the debtor type, so they should be classified as other accounts receivable. Account 419, Accounts Receivable and Payable, the equivalent of 409 above, is not included in this trial balance.
- **Accounts 42:** Accounts 42 are in credit and record transactions relating to staff costs to be paid (e.g. salaries and wages, social security contributions and various deductions). These are all accounts to be classified as other domestic payables except for account 4282 (Personnel Revenue Receivable) which will eventually need to be reclassified as other receivables (it does not appear in the 2019 trial balance).
- **Accounts 43:** Accounts payable relating to transactions with CNaPS and other agencies to be classified as other accounts payable, except for 4317 which relates to accrued income but does not appear in the 2019 trial balance.
- **Accounts 44:** These accounts record "grants" and reimbursable aid receivable from foreign governments and organizations as well as repayments. The two accounts entitled grants receivable in the 2019 trial balance have been classified with other receivables. The same treatment has been given to repayments (account 4430), although their exact nature is not clear: are they retrocessions to aid recipients or reimbursements to CTDs?
- **Accounts 45:** These accounts concern correspondents and related separate accounts. In the case of the budgetary central government, these accounts record the cash transactions related to the execution of the annexed budgets, the CTDs and EPNs, and the entities and individuals that have their own financial accounts at the Treasury. (PCOP 2006, page 134 and PCOP-State Guide, page 115). They are therefore in principle credit accounts. By parallelism, the balance deposit account 453118, which does not appear in the Excel version of the PCOP-CTD, has been classified as currency and deposits on the liabilities side. As for Account 4518, Related Separate Accounts: Other, and to Account 45213, Related Separate Accounts: Other (which is also not mentioned in the PCOP-CTD), they have been included with the other accounts payable.

⁵ The explanations of imprest accounts provided in the PCOP-State Guide are insufficient for statistical purposes.

However, the notion of correspondents or related accounts needs to be clarified in the case of CTDs, as well as the exact nature of the 45 accounts. Specifically, with respect to account 453118, what deposits are involved?⁶

- **Accounts 46, Sundry Creditors and Debtors**

The 46 accounts that appear in the 2019 trial balance are 462 (deposits), 465 (accountants' debts), and 467 (other accounts receivable and payable).

- Consignments are accounts payable, to be classified as other accounts payable in *GFSM 2014*.
- Accountants' debts reflect accounts receivable to be included in other accounts receivable. This needs to be checked.
- Account 4677 (Other Payables) should be classified as Other Payables.
- Account 4691, Write-offs of Receivables, records waivers of receivables by CTDs. Assuming that these cancellations are the result of mutual agreement, they are transactions to be classified in the categories to which these claims belong, otherwise it is another change in volume. In the absence of such information, this account has been classified as other accounts receivable.

- **Accounts 47 Suspense or Transitional Accounts⁷**

- 471 Provisional allocation of revenue
 - **4711** Payments by stewards*
 - **4713** Revenue collected before the issuance of a title*
 - **4718** Other*
 - **47188** other revenue received before issuance of title* (in thousands of dollars)

These accounts have been classified as revenue in the category, 14412 (Other current voluntary transfers excluding grants in the absence of a revenue category N.E.C).

- 472 Provisional expenditure allocations
 - 4728 Other*

These accounts have been classified as expense in the category, 2821(current transfers N.E.C).

⁶ Account 45 has been omitted from the balance sheet in the PCOP-State Guide (Page 357).

⁷ The asterisk designates the accounts that appear in the 2019 trial balance consulted by the mission.

- **478** Other suspense accounts
 - **4786** Expenditure to be classified and adjusted*
 - **4787** Revenues to be classified and adjusted*

These accounts have been classified as 2821 (Expenses, Current transfers N.E.C.) and 14412 (Revenue, Other current voluntary transfers excluding grants) respectively.

Accounts 48 Prepaid Expenses or Income and Provisions

- **487** Deferred income*: This account records revenue not collected at the end of the fiscal year (see PCOP Application Guide - State, page 98). In fact, it should be more precisely revenue that has been recognized before the generating event takes place rather than late payments as the Guide suggests (which remains to be confirmed). This account is then credited against the debit to the relevant class 7 account to reduce the total amount of revenue effectively accruing to the year just ended. As these revenues are deducted, it is necessary to reduce the accounts receivable that accompanied their initial recording. This is done by classifying the 487 account as a receivable, with the amount of the credit to this account will then decrease the total of accounts receivable).

Note on the Imprest Accounts

The following accounts are used to record the transactions of the imprest accounts:

4092	Uncleared imprest accounts
409218	Uncleared imprest accounts
4711	Payment by stewards
5410	Imprest Accounts
5411	Imprest accounts Main budget
5418	Other imprest accounts

The mission does not have a clear description of how these accounts work and how they relate to the CTDs. While there is such a description of the budgetary central government imprest accounts in the PCOP-State guide (pages 186 to 188), it was not sufficient to resolve the ambiguities regarding the classification of these accounts for CTDs,⁸. In these circumstances, their classification has been made on the basis of the position or heading to which they belong.

- Accounts 4092 and 409218 have been classified as other accounts receivable by virtue of their inclusion in 409 Ordinary creditors - Accounts receivable;
- Account 4711 in other accounts receivable because it belongs to heading 471 Provisional allocation of revenue;

⁸ Partly because the headings and codes of the PCOP-CTD differ from those of the PCOP-State

- Accounts 5410, 5411 and 5418 in currency and deposit assets on the basis of their membership in item 54 which is a financial asset item classified as cash or cash equivalent in the balance sheets presented on page 154 of the PCG and page 213 of the PCOP-EPA.

A description of how these accounts work would therefore be particularly useful for the CTDs.

That being said, it is worth noting that the amounts relating to the transactions of the imprest accounts are negligible compared to the totals.

B. Compilation of GFS for CTDs

The mission developed the GFS in the file **MDG GFS PCOP CDT 2020 10 20.xls** from the bridge table mentioned above. DE officers are already familiar with the linkage between these two files and with the operation of the classification assistant used to fill in the detailed GFS tables and, from these, the statement of operations.

After opening these two files, the mission copied and pasted the 2019 trial balance (codes, headings and transactions for the period) into the SOURCE sheet of said file.⁹ The net transactions of the period are then calculated and their classification and setting are automatically carried out from the bridge table.

In the table-sheets (Table1_A, Table 2_A and Table3_A) the SUMIF function fills in the detailed tables of revenues, expenses and transactions on assets and liabilities, and the statement of operations is filled in from these.

Consistency checks have been carried out.

- The **accounting identity** of the balance is checked in the SOURCE sheet in range T359:U369. The gap is zero.
- The **statistical identity** shown at the bottom of the statement of operations between the net lending/net borrowing and the financing (the change in financial assets minus the change in liabilities) must, in this case, be equal to the balance of those Class 1 accounts that have not been processed as explained above. This identity is verified in line 46 of the statement of operations sheet. Below, on line 50, is the difference between the balance of these accounts and the statistical difference on line 46, called the "Overall statistical difference". It is zero.
- The consistency between the totals of class 7 (revenue +/- reclassifications = revenue), class 6 (trial balance expenses +/- reclassifications = expenses) and class 2 (non-financial assets +/-

⁹ Since the order in which the accounts in the SOURCE sheet are listed does not have to match the order in the correspondence table, the original order has been maintained.

reclassifications = net acquisition of non-financial assets) is verified at the top of tables 1-3. This check consists of adding to the totals of the transaction balances of each of these classes the elements that come from another class and deducting the elements to be reclassified in another class. The result must be equal to the total of the aggregate of the table. The "Difference" line at the top of tables 1, 2, and 3 that compares the result of these reclassifications with the corresponding aggregate total must equal zero.

No consistency check was performed for the change in financial assets and the change in liabilities (thus mainly with classes 4 and 5). Although this is in principle necessary, it is not considered essential since the satisfaction of the three checks mentioned above, together with the satisfaction of the statement of operations identity, provides a reasonable presumption of the accuracy of the data. However, offsetting errors may remain in the change in financial assets and the change in liabilities. It is therefore recommended that such consistency checks be introduced in the future.

C. Documents Consulted

- *General Chart of Accounts 2005 consistent with accounting standards*

IAS/IFRS, Annotated Guide to the General Chart of Accounts 2005, Ministry of Economy, Finance and Budget (PCG 2005 in the text)

- *Decree no. 2005-210 of April 26, 2005 on the 2006 Public Operations Accounting Plan (PCOP)*¹⁰

- *The application guide of the accounting plan for government operations: 2005*, Ministry of Economy, Finance and Budget (PCOP-State guide in the text)

- *Guide to the application of the chart of accounts for government operations - administrative public entities 2005*, Ministry of Economy, Finance and Budget (PCOP-EPA guide in the text)

- *PCOP CTD.xlsx* (CTD Chart of Accounts)

- *General Tax Code of the Republic of MADAGASCAR 2011*

¹⁰ Also exists as the *Chart of Accounts for Public Operations (PCOP 2006) consistent with the International Accounting Standards (IAS/IFRS)*, Ministry of Economy, Finance and Budget Both versions were consulted. There may be differences.

Appendix II. Comments on the Bridge Table and the Preparation of the CNaPS GFS

I. Bridge Table

The two files relating to the compilation of statistics on CNaPS financial operations include respectively:

- The bridge table between the CNaPS accounting nomenclature and the *GFSM 2014* statistics (CORRESPONDENCE CNaPS.xlsx).
- The procedure for compiling CNaPS statistics for the 2019 financial year from the trial balance on the basis of the above-mentioned bridge table (MDG GFS PC CNaPS.xlsx).

Introductory Remarks

The classification of accounts in the 2019 trial balance was largely done at the individual account or sub-account level, except in the case of homogeneous groups of accounts. In the latter case, the classification was done globally at the higher level (which most often corresponds to the "position"). When possible, classification at this level rather than at the account or sub-account level is a time-saver. In addition, the higher level of classification has made it possible to skip the integration into the bridge table of accounts that have newly appeared in 2019, which is an additional time saving.¹¹ The integration of new accounts is therefore only necessary in the case of non-homogeneous groups. Accounts that have not been included in the bridge table are indicated in the balance reproduced in the SOURCE sheet by the symbol #NA.

Compilation of Statistics and Consistency Check¹²

The statistics were compiled in the usual way through the classification assistant (in the SOURCE sheet of the file, which is linked to the bridge table. These statistics are presented in the Revenue Expense, Asset and Liability Transactions tables, as well as in the statement of operations in sheets in this file with the same designation.

¹¹ This integration is nevertheless desirable but not strictly necessary.

¹² See previous appendix.

Two Sets of Balance Accounts Were Not Processed:¹³

- Equity accounts 10, 11 and 12 of class 1 which do not reflect economic flows but rather adjustment transactions, and
- The accounts relating to provisions, write-offs and impairment losses, 15, 29, 39, 481, 49, 59, 68, and 78.

Since the trial balance constitutes a balanced set of accounts (equality between the total debits and credits of the period) which must be translated into a statistical balance (equality of the net lending/net borrowing and the net acquisition of financial assets minus the net incurrence of liabilities), the exclusion of the above-mentioned accounts introduces a statistical imbalance (or gap) which must in principle be strictly equal to the balance of the excluded accounts. Any discrepancy in this balance would reflect an error in the statistical treatment. This difference is calculated on line 46 of the statement of operations sheet.

Consistency Check

Statistics are subject to two types of consistency checks:

- A verification that the difference on line 46 is an exact match to the balance of accounts excluded from statistical processing.
- A verification of the consistency between the total of the main aggregates of revenue, expenses and transactions on assets and liabilities and the total of the classes of accounts from which these aggregates mainly originate.

Consistency in Relation with the Statistical Discrepancy

Until the offsetting adjustments to the above excluded accounts are made, the difference between the deficit and financing calculated on line 46 of the statement of operations sheet should be equal to the balance in those accounts. This means that the inclusion of the excluded amounts in the statistical identity must result in a zero difference as illustrated in the yellow highlighted area at the bottom of the statement of operations sheet.

This Integration is carried out in Two Stages:

1. First, the balance of the accounts excluded from class 1 is calculated in order to identify the contribution of this exclusion to the difference in line 46. The residual difference calculated on line 54 must then be exactly equal to the balance of the other excluded accounts (the allowance accounts).
2. In a second step, the balance of the individual value adjustment accounts is calculated, thereby neutralizing the remaining difference. The overall variance of line 76 is then zero.

¹³ This has been discussed in more detail in the previous appendix.

Consistency of Aggregates with Source Data

The verification of statistical identity does not preclude offsetting classification errors between revenue, expenses and transactions in assets and liabilities, hence the need to also verify the

consistency between each of these aggregates and the total of the class of account from which they mainly originate. For example, it is necessary to verify that the revenue is equal to the total of class 7 (revenue) plus the amounts reclassified from other classes and minus the amounts reclassified to other classes. These checks are performed at the top of each statistical table:¹⁴

- Between total revenue and total class 7
- Between total expenses and total class 6
- Between total non-financial assets and total classes 2 and 3.

In principle, a consistency check between the financing and the totals of classes 1 (for debts) and 4 and 5 should also be performed. This was not done due to lack of time but also because the proven verification of all other types of consistency including with respect to the overall statistical consistency implies the consistency of this last check.¹⁵

¹⁴ It is nothing more than to find the statistical aggregate in a way other than through the SUMIF function.

¹⁵ This does not preclude compensatory classification errors between different categories of assets and liabilities or, more generally, between assets and liabilities

Appendix III. Consolidation: Identification of Intra-and Inter-Sectoral Flows

This appendix identifies the various transaction flows between the different general government entities according to whether they are intra- or inter-sector transactions (table 1) and according to the nature of the transaction (table 2), the aim being to identify the total number of flows that are in principle subject to elimination in order to obtain consolidated statistics for all general governments. The purpose of this inventory is mainly didactic because, as we shall see, only a relatively small proportion of these internal transactions will be eliminated in practice. The "topology" of intra- and intergovernmental flows presented in Tables 1 and 2 should nevertheless help identify the main transactions to be eliminated.

Table 1. Republic of Madagascar: Intra and Inter-Sectoral Flows

	O	A	B	C	D	E	F
0		BG	BA	AONT	EPA	CNaPS	CTD
1	BG		INTRA	INTRA	INTRA	INTER	INTER
2	BA	INTRA	INTRA	INTRA	INTRA	INTER	INTER
3	AONT	INTRA	INTRA	INTRA	INTRA	INTER	INTER
4	EPA	INTRA	INTRA	INTRA	INTRA	INTER	INTER
5	CNaPS	INTER	INTER	INTER	INTER		INTER
6	CTD	INTER	INTER	INTER	INTER	INTER	INTRA

Table 1, which is an illustration of the transactions mentioned in paragraph 23 of this report, presents schematically the transactions within and between the various budgetary accounts (BG, BA and AONT) and extra-budgetary accounts (EPAs), as well as the transactions between the various government sub-sectors. It should read as follows. The second column (column O) shows the **origin of** the transactions (the entities that made the payments) and the second row (row 0) shows the entities that received the payments. Depending on the origin and destination of a transaction, it will be an intra- or inter-sectoral transaction.

For example:

- In line 1, the BG makes payments to the BAs, AONTs, EPAs, CNaPS and CTDs (in columns B, C, D, E and F respectively).
- In line D, EPAs receive transactions from the BG, BAs, AONTs, CNaPS, and CTDs), at least theoretically.

The transactions in **red** show intra-sectoral transactions within the budget account as defined in paragraph 23 above (i.e. transactions within the OGTs). The transactions in **blue** show intra-sectoral transactions between OGTs and EPAs, as well as between the EPAs themselves. The transactions in **green indicate intra-sector transactions between the different CTDs.**

The elimination of intra-sectoral transactions shown in red and blue provides the consolidated central government statistics.

The other flows (in **black**) are inter-sectoral transactions.

The "description" of the flows in Table 1 is provided in the list below. Each flow is also identified by these "coordinates" in Table 1: for example, the tenth flow below "transactions from BG to EPA" has the coordinate 1D, which means that the transactions originate in the BG in row 1 and are destined for the EPA in column D.

1. Transactions from BGs to BAs **(1B)**
2. Transactions from BGs to AONTs **(1C)**
3. Transactions from BAs to other BAs **(2B)**
4. Transactions from BAs to BGs **(2A)**
5. Transactions from BAs to AONTs **(2C)**
6. Transactions from AONTs to other AONTs **(3C)**
7. Transactions from AONTs to BAs **(3B)**
8. Transactions from AONTs to BGs **(3A)**
9. Transactions between EPAs **(4D)**
10. Transactions from BGs to EPAs **(1D)**
11. Transactions from BAs to EPAs **(2D)**
12. Transactions from EPA to BGs **(4A)**
13. Transactions from EPA to BAs **(4B)**
14. Transactions from EPAs to AONTs **(4C)**
15. Transactions from AONTs to EPAs **(3D)**
16. Transactions from BGs to CNaPS **(1E)**
17. Transaction from CNaPS to BGs **(5A)**
18. Transactions from BAs to CNaPS **(2E)**
19. Transaction from CNaPS to BAs **(5B)**
20. Transactions from CNaPS to AONTs **(5C)**
21. Transactions from AONTs to CNaPS **(3E)**
22. Transactions from CNaPS to EPAs **(5D)**
23. EPA Transactions to CNaPS **(4E)**
24. Transactions from BGs to CTDs **(1F)**
25. Transactions from CTDs to BGs **(6A)**
26. Transactions from BAs to CTDs **(2F)**
27. Transactions between various CTDs **(6F)**
28. Transactions from CTDs to BAs **(6B)**
29. Transactions from AONTs to CTDs **(3F)**
30. Transactions from CTDs to AONTs **(6C)**
31. Transactions from EPAs to CTDs **(4F)**
32. Transactions from CTDs to EPAs **(6D)**
33. Transactions from CNaPS to CTDs **(5F)**
34. Transactions from CTD to CNaPS **(6E)**

Table 2 shows the flows to be consolidated according to their economic nature. These streams may include:

- Acquisitions of goods and services (22) produced by other general government units, the counterpart of which is receipts from sales of goods and services (142).
- Interest payable (243) on liabilities to other levels of government, recorded as interest revenue by the creditor entity (14113).
- Grants to other levels governments (263), the counterpart of which is found in grant revenue of the recipient government (133).
- Rents (2814 in expenses and 1415 in revenues).
- Transfers not elsewhere classified (282), the counterpart in revenue of which may consist of tax revenues (11), miscellaneous fines and penalties (143), voluntary transfers receivable other than grants (144), and certain miscellaneous bonuses or allowances (145), as in the case of standard guarantees.
- Acquisition or disposal of non-financial assets between general government units (31)
- Holdings of currency and deposits as in the case of government deposits with the Treasury (3212 and 3312).
- Holdings of securities issued by another government unit (3214 and 3314).
- Appropriations when these have been granted by another government unit (3215 and 3315).
- Accounts payable and receivable between governments (3218 and 3318)

Table 2. Republic of Madagascar: Intra-and Inter-Sectoral Flows by Economic Nature

	Sales of G&S 142	Interest 14113	Donations 133	Rent 1415	Taxes 11	Fines / penalties 143	Transf. Non- donated Vol. 144 & 145	Transf. of NFA ⁺ 31	3312	3314	3315	3318
G&S purchases 22	x											
Interest 243												
Grants 263		x										
Rent 2814			x									
Other transfers 282 & 283				x	x	x	x					
Acquisition of NFA 31								x				
Currency and deposits 3212									x			
Debt securities 3214										x		
Loans (3215)											x	
Accounts Payable 3218												x

+ NFA = Non-financial asset

* The first column shows the various expenses or acquisitions of NFA payable or assets, the first line shows the revenues or disposals of NFA receivable or liabilities. The codes that accompany the headings are from the *GFSM 2014*.

Only the main categories are presented (for example, sales of goods and services can be made up of sales of market establishments (1421), administrative fees (1422) or incidental sales by non-market establishments (1423). Similarly, taxes payable may in principle have many counterparts in tax revenue. However, it is unlikely that the statistics are detailed enough to require consolidation at such a fine level.

As can be seen, the number of transactions to be **potentially** eliminated in consolidation is high (just multiply the number of flows in Table 1 by the number in Table 2 to get an idea). In reality and in practice, this number should actually be quite limited, mainly because only large amounts will have to be eliminated. These are mainly:

- Current and capital grants (often called subsidies or transfers in administrative terminology) paid by the budgetary central government to the EPAs and the CTDs;
- Interest paid by the State on debt securities held by other general governments (mainly CNaPS) and possibly interest paid to the State on loans and advances granted by it;
- Taxes paid to the State and the CTDs by other general governments;
- Of credits granted by the State, including the retrocession of external credits.

Purchases or sales of goods and services may be difficult to isolate, and other flows are generally small. However, their importance will have to be verified on a case-by-case basis.

Appendix IV. Excel Files Prepared by the Mission and Forming an Integral Part of this Report

CORRESPONDENCE PCOP MGFS 2014 EPA CTD. TEMP.xlsx: Bridge table for EPAs from the PCOP-EPA. (version submitted December 7, 2020);

MDG GFS PCOP EPA 2020 .xls: EPA Data Development File (version submitted December 7, 2020);

Gmail - MDG GFS EPA CORRESPONDENCE AND ESTABLISHMENT OF: CNaPS file transmission message.

MDG BAL CT GFS CORRESPONDENCE 2020 10 20.xlsx: Bridge table for CTDs from the consolidated balance accounts (version transmitted on 30 November 2020);

MDG GFS PCOP CDT 2020 10 20.xls: Data compilation file for CTDs; (version submitted November 30, 2020)

Gmail - MDG - FPS - CTD -CORRESPONDENCE AND DATA SETTING.pdf: Transmission message for CTD files.

CORRESPONDENCE PC MGFS 2014 CNAPS.xlsx: Bridge table for CNaPS from the balance (sent to DE on December 7, 2020);

MDG GFS PC CNaPS MISSION 2020.xlsx: CNaPS data compilation file (submitted to DE on December 7, 2020).