

# Political Economy Analyses of Countries in Eastern and Southern Africa

## Case Study – Madagascar Political Economy Analysis

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## Abbreviations

CBMT	Cadre budgétaire de moyen terme
CCOC	Collectif des Citoyens et des Organisations Citoyennes
CDMT	Mid-Term Expenditure Frameworks
CMBMT	Mid-Term Macro-Budgetary Framework
CMBMT	Cadre macro-budgétaire de moyen terme
CPIA	Country Policy and Institutional Assessment
CSO	Civil Society Organization
DAF	Financial Director
DGB	Directorate-General for Budgets
DGCF	Direction Générale du Contrôle Financier
DSSA	Direction des Secteurs Social et Administratif
DTP	Diphtheria, Tetanus and Polio
ECF	Extended Credit Facility
EU	European Union
FFKM	Conseil œcuménique des églises chrétiennes de Madagascar
FFS-GRRN	Fiduciary Fund for the Management of Natural Resources
GDP	Gross Domestic Product
IGE	Inspection Générale de l'Etat
IGF	Inspection Générale des Finances
IMF	International Monetary Fund
IRR	Initiatives à Résultat Rapide
LOLF	Loi Organiques des Lois de Finances
MDG	Millennium Development Goals
MFB	Ministry of Finance and Budget
NFD	Ny Fanjakana ho an'ny Daholobe
ONN	Office National de la Nutrition
PAGI	Programme d'Appui à la Gouvernance
PAP	Plan d'Action Prioritaire de renforcement de la gestion financière publique
PATG	Plan d'Actions Triennal Glissant
PDSS	Plan De Développement du Secteur. Santé
PEA	Political Economy Analysis
PEFA	Public expenditure and financial accountability
PFM	Public Finance Management
PIE	Plan interimaire de l'education
PIPP	Programme d'Investissement Public Prioritaire
PLF	Projet de loi de finances
PMO	Plan de <i>Mise en Œuvre</i>
PNAN	Plan national nutrition
PND	Plan National de Development
PNPS	Politique Nationale de Protection Sociale
PNS	Politique nationale de santé
PPP	Public-Private Partnership
PSNA	Politique et Stratégie Nationale de l'Assainissement

PTA	Plans d'Actions Triennales
PUP	Programme d'Urgence Présidentiel
SIGFP	Système Intégré de Gestion des Finances Publiques
SOE	State Owned Enterprises
UN	United Nations
UNDP	United Nations Development Programme
USD	United States Dollar
WASH	Water Sanitation and Hygiene

## Preface

This report is part of a series of country studies carried out by Ecorys and associates for UNICEF in Eastern and Southern Africa. The project aims to strengthen UNICEF's advocacy efforts through a better understanding of the role of political economy factors in processes and decisions around the creation and use of fiscal space for investments in children.

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The findings, interpretations and conclusions expressed in this report are those of the authors and do not necessarily reflect the policies or views of UNICEF or of the United Nations. The text has not been edited to official publication standards, and UNICEF accepts no responsibility for errors. The designations in this publication do not imply an opinion on legal status of any country or territory, or of its authorities, or the delimitation of frontiers.

# Executive Summary

**In the past 50 years, Madagascar has witnessed regular political crisis that generated periods of harsh economic recession and left the country 42 per cent poorer than when it gained its independence.** Since the end of the last political crisis in 2013, the country has started its recovery, however the upcoming 2018 elections will determine whether this post-crisis equilibrium will last or the country will fall back into political unrest and economic hardship.

**Due to its semi-presidential political system, the executive is the strongest actor involved in policymaking. Amongst the ministries, the Ministry of Finance and Budget is the most powerful actor,** stirring the whole budget process and resisting political pressure from some ministers. This power derives partly from a strong engagement of the IMF with the Ministry of Finance that has provided it with superior technical capacity and means. However, this also implies that the Ministry of Finance is dependent on the IMF and is not a strong actor vis-à-vis the donors. Compared to the Ministry of Finance, the line ministries wield no real power in the budget process, even when, like the Ministry of Health or the Ministry of Education, they are funded and supported by the donors. The legislative and the judiciary do not perform their respective roles in the budget process due to lack of capacity and means, despite recent improvements, in particular for the Court of Accounts. Non-state actors, like CSOs, are increasingly covering budget-related topics, often with the backing of donors and multilateral partners like UNICEF; although still limited, their actions are contributing to a more transparent process.

**UNICEF has several entry points to influence budget allocation and spending for children in Madagascar.** These are mostly linked to the strategic planning and budget preparation phases and they are summarized below.

- **Engage with the IMF:** The support the IMF provides to the MFB (and to Madagascar) is twofold; on the one end, there is the ECF and on the other end the technical assistance through the AFRITAC-South. In this framework, the Fund is leading the implementation of a multiannual budget process, built around a solid procedure involving all the ministries and aiming for an increased transparency of the process. AFRITAC is then the actor which has the most comprehensive understanding of both the current status of the sector and the future evolutions. Engaging with AFRITAC will allow UNICEF to both gaining a constantly up to date vision of the ongoing reform and an actor to which share the technical or procedural difficulties the current budget process causes to the line ministries.
- **Engage in the strategic planning cycle:** Next year's elections are expected to inaugurate a new strategic planning phase, provided that no political crisis arises. The drafting of a new national development strategy will provide an opportunity for UNICEF to engage with the new government on the basis of the Sustainable Development Goals to ensure that the new strategy will effectively address the many critical policy areas impacting on children wellbeing in the country. This phase is however likely to require the inputs of many other stakeholders and will be framed in a rigid framework of roundtables and negotiations.
- **Engage in the sector strategy cycle:** A more concrete set of opportunities is provided by the update and redrafting of the sector strategies that will stem from a new national development strategy. The most pressing issue seems the creations of sector strategies that are costed and that rely on a well-developed logical framework from which it is possible to define indicators that



can be effectively followed-up. UNICEF, with its recognized mandate in the social sectors, will be in a privileged position to assist the line ministries in overcoming those difficulties.

- **Support the line ministries during the budget preparation:** Engaging with the line ministries already during the preparation of the multiannual budget documents is fundamental to ensure that priorities are clearly set from the beginning and that the ministry has fully internalized the rationale of these documents whilst it interacts with the MFB. The interviews suggested that oftentimes the line ministries have no arguments against the MFB and that they rely heavily on its guidance during the drafting of the documents. Empowered line ministries would provide more effective counterparts for the MFB. This would reduce both the workload of the MFB and its strong influence in the first steps of the budget process.

**The budget execution stage offers less viable entry points. It is unlikely for an actor like UNICEF to be able to effectively act during this phase**, for example in trying to increase the execution rates or protecting child-friendly allocations from the yearly amendments to the Budget Law. The only possible actions entail supporting the line ministries in their efforts to internalize and exploit the multiannual budget framework and the strategic documents that should inspire it to then be able to effectively prioritize expenditures to safeguard strategic investments.

**Madagascar's fragile recovery and uncertain political future could further jeopardise an already scarce commitment to financing child-friendly policies.** In an environment characterized by technically weak line ministries, a strong executive and a very influent IMF, UNICEF can effectively protect and increase financing available for child friendly policies. This could be achieved by assisting the line ministries with focused technical assistance and support and by engaging with the IMF. A continued support to the CSOs engaged in budgetary topics could further help increasing the transparency of the process and public awareness.



# 1 Political and socio-economic context

This chapter highlights some of the key characteristics of the political and socio-economic context that contributed to shape present Madagascar and that are relevant for the political economy of its budget process. A thorough account of all the constraints that Madagascar is facing is provided by the World Bank's latest Systematic Country Diagnostic (2015), which articulates those around five key themes: governance, public finance, private sector development, poverty and environment and human capital. This introductory chapter is highly indebted to this document.

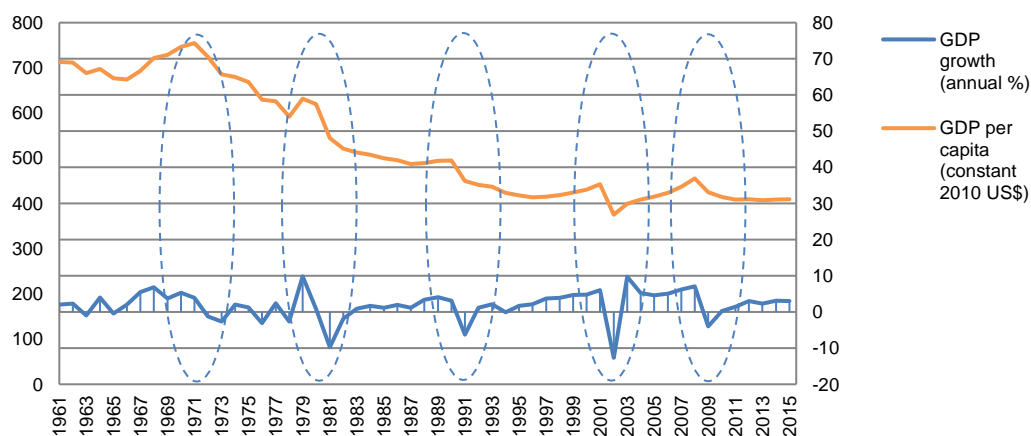
## A newly fragile state

Unlike comparable peers in terms of fragility or poverty levels, Madagascar never experienced one or more violent events like civil wars and yet it is not expected to meet any of the Millennium Development Goals. In 2010, the average Malagasy citizen was already 42 per cent poorer than in 1960 and since 2012, Madagascar has been classified as a fragile state<sup>1</sup>. Where do then lay the reasons of its poor performance and how are these of interest when mapping the budget cycle?

## Recurrent political and economic crisis

Indeed, since its independence, Madagascar was never involved in any war nor underwent any ethnic or religious crises. However, the history of independent Madagascar has been defined by frequent political crises; all former heads of state before the current president have either gained or lost power as the result of unconstitutional events. Political crises seem to happen whenever a period of sustained GDP growth is persisting, as the ovals in **Error! Reference source not found.** suggest. A causality link between sustained growth periods and political crisis cannot be statistically proven, however the pattern seems to be fairly recurrent. Most interestingly, these recurrent political crises were always followed by economic downturns that broke the previous growth cycles and eroded Madagascar's wealth.

Figure 1 GDP growth and political crisis in Madagascar<sup>2</sup>



Source: World Bank – DataBank, modelled on the Systematic Country Diagnostic (2015)

## A neo-patrimonial state with poor governance

The World Bank suggests that a possible reason for this cyclical instability stems from the neo-patrimonial nature of the Malagasy state, in which “the distinction between private and public interests would be purposely blurred”<sup>3</sup>. In such a system institutions formally exist and function, but

<sup>1</sup> According to the Country Policy and Institutional Assessment (CPIA) methodology.

<sup>2</sup> Madagascar Systematic Country Diagnostic (2015), The World Bank Group. Washington DC.

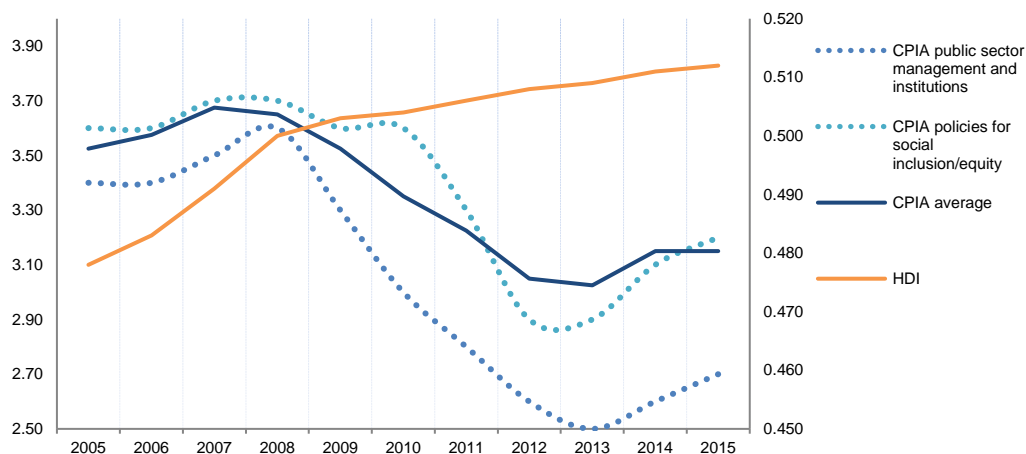
<sup>3</sup> Ibid. page25

they are captured by an elite that controls access to resources and weakens the rule of law by influencing the enforcement of justice and the legislative process. In such a regime, leaders struggle against one another to control resources and political parties are “controlled by patronage, and do not serve as a conduit for political participation, nor as a mechanism for providing public goods<sup>4</sup>”. Given that the captured state apparatus serves the interests of the elite, the country faces important shortcomings in the implementation of an otherwise generally adequate legal and regulatory framework and public finance management system. This in turn affects the level of revenues, of foreign direct investments and results in the depletion of natural and human resources. A cascading effect that in the view of the World Bank and of other partners makes Madagascar unable to exit this cyclical pattern of growth and crisis.

### Lasting impact of the 2008-2013 political crisis

Despite this recognizable pattern, not all the crises have unfolded the same way nor had the same length. The years 2008-2013 marked the longest period of enduring political uncertainty, in which the Malagasy government was not recognized by the global community and struggled to come to terms with the inner opposition. The economic impacts of this crisis were strong, although this was not the most severe economic downturn the country ever faced. GDP growth indeed only averaged 0.6 percent, compared to 6.3 per cent of the previous five-years period, halting the recovering process that was ongoing since the early 2000. Multi-dimensional indexes like the Human Development Index of the UNDP show that Madagascar’s progress clearly stagnated after 2008. However, the strongest impact was recorded on the governance indicators, suggesting how this sector is crucially intertwined to the causes of the cyclical crisis<sup>5</sup>.

**Figure 2 Evolution of the CPIA and HDI scores over the period 2005-2015**



Source: World Bank DataBank – Country Policy and Institutional Assessment. UNDP – Human Development Data.

**Error! Reference source not found.** illustrates how the country’s score in the annual Country Policy and Institutional Assessment (CPIA) declined after 2008, falling below the threshold to be classified as a fragile country since 2012. After peaking in 2007-08, Madagascar’s CPIA scores have declined across all dimensions, but particularly in the areas of public sector management and of social inclusion and equity policies<sup>6</sup>.

<sup>4</sup> Ibid. page25

<sup>5</sup> The compounded indexes like the HDI and the CPIA are fairly recent instruments and data series for Madagascar are available only for the period 2000-2015 and 2005-2015 respectively. This implies that the same exercise cannot be carried out for the previous crisis periods to deepen further the research on the causality link between governance issues and cyclical crises.

<sup>6</sup> Ibid.

## National reconciliation process and upcoming 2018 elections

The crisis ended in December 2013 when internationally recognized presidential and parliamentary elections were held. President Hery Rajaonarimampianina was elected and formed a government, which, despite a reshuffling in 2015, has held and is poised to complete the five-years term and will face elections in 2018.

In spite of the relative stability of the current government, the political situation still fuels uncertainty. Following the elections, a process of national reconciliation was initiated under the leadership of the President and with the support of the Ecumenical Council<sup>7</sup> (FFKM). The national reconciliation process was meant to draft a Reconciliation Law that would avoid future political crisis by reforming the political system. A National Conference organized by the FFKM proposed a set of recommendations, including a call for the dissolution of some of the state institutions to allow a two-years long Constitutional Assembly to draft a new constitution. This sparked tensions between the executive and legislative branches, to the point that the National Assembly called for the impeachment of the President and the dismissal of the Government. Both motions failed but tensions remained<sup>8</sup>.

The Reconciliation Law was eventually voted by the Parliament and promulgated in December, 2016<sup>9</sup>. Central in the Law is the creation of a Reconciliation Commission whose role is to decide on the four pillars of its mandate: truth, forgiveness, amnesty and national reconciliation. This entails defining the wrongdoings that took place in those years, identifying the culprits and deciding on the punishment/pardon. The text is strongly criticised by the opposition parties because it only applies to the period 2008-2013, years during which former presidents Rajoelina and Ravalomanana were in charge. This is casting a shadow on the upcoming 2018 elections; if the period limit was to hold, only these two candidates could be prosecuted, whereas the current President could not. This would entail the elimination of its two main political rivals and according to several interviewees, provoke unrest both before and after the elections.

## Key challenges for the future

After a period of relative stability and recovery from the damages brought by the last political crisis, the main challenge Madagascar is facing is the upcoming election in 2018. A smooth electoral process with the definition of a clear majority would mark a further step towards internal stability. Electoral violence would likely plunge the country in uncertainty or even, in the worst case, trigger another coup. Political unrest and instability will further harm the recovery efforts and put a strain on the already complicated path towards sustained growth, the country's other fundamental challenge. Madagascar met none of the Millennium Development Goals and lost several of the gains made in the early 2000s. The growth rate in the past years improved, but is still far from the levels required to meet its own development objectives<sup>10</sup>.

Meeting these development objectives is paramount to improve the social conditions in the country, in particular for children. Statistics are dire; according to UNICEF, about 50 percent of children under 5 years of age are undernourished and 31 percent of children under 1 year of age are not vaccinated against DTP (Diphtheria, Tetanus and Polio). The situation is worse in rural areas, often poorly connected to the rest of the country, where only 32 percent of the families can access drinking water. Schooling rates and literacy that improved dramatically during the first decade of the 2000s, are now stagnating at still worrisome levels and the cost of education is increasingly burdening the families.

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<sup>7</sup> That regroups the major churches active in Madagascar.

<sup>8</sup> Ibid.

<sup>9</sup> Loi n°2016-037 relative à la réconciliation nationale

<sup>10</sup> In the National Development Plan the Government aimed at a growth rate of : 5% for 2015, 7,0% for 2016, 8,9% for 2017, 10,4% for 2018 and 10,5% for 2019.



## 2 Political economy of the budget process

This chapter presents the political economy analysis of the budget process in Madagascar. It starts with the description of the legislative and regulatory framework in which the process takes place and then move on to describe the main institutional actors that are involved. A third section discusses the process, starting from the broad, multiannual strategic planning and proceeding progressively down to the multiannual budget process and then to the yearly budget calendar.

### 2.1 State of affairs in public finance management

This section starts with a brief description of the state of affairs in terms of public finance management in the country as well as the actions taken by the main donors in the area. This section, which sketches the public finance framework, is necessary to understand the political economy of the budget cycle and is particularly important in the light of the challenges that Madagascar is facing in terms of governance, as described in the previous chapter.

#### Overview:

- Donor support in the area of public finance management is extensive both in terms of means and actors involved.
- Donors are targeting both the expenditure and revenue side, however, there seems to be a shift from the former towards the latter.
- Line ministries receive donor support, this is however focused to some pilot ministries. The Ministry of Finance and Budget (MFB) receives the bulk of the assistance.
- Donor coordination is not optimal and despite the presence of several actors with important budgets, the International Monetary Fund seems to play the strongest role.

#### The evolution of the public finance management framework

The *Loi Organique des Lois de Finances* (LOLF) of July 2004<sup>11</sup> is at the core of the present general budgetary framework for Madagascar. This text marks the adoption of programme based-budgeting as opposed to traditional input-based line item budget. In the same year, a number of other texts were adopted and reforms pushed through, in particular the harmonization of the Chart of Accounts with the budget classification and the computerisation of the financial management through the new IFMIS, the *Système Intégré de Gestion des Finances Publiques* (SIGFP). This wave of reform and innovation has not yet been internalised by all of the government bodies at the same rate and interpretations on the purpose of a programme-based budget still differed until recent times, in spite of attempts to revive the reform dynamic in 2008 and in 2011.

It is only since 2014 that the Government started embarking again on the reform process, at first by launching the *Plan d'Action Prioritaire de renforcement de la gestion financière publique* (PAP) 2014-2015, based on the results of the 2013 PEFA assessment. Improving public finance management was then included in the national development plan<sup>12</sup> (PND), under programme 2.1. On this basis, the Government committed itself to the drafting of a Public Finance Management

<sup>11</sup> La loi organique n°2004-007 du 26 juillet 2004 sur les lois de finances.

<sup>12</sup> Plan National de Développement (2015).

Reform Strategy<sup>13</sup>, operationalized by an Action Plan<sup>14</sup> for 2017-2019 and financed by the African Development Bank.

The content of the reform strategy is summarized in the 2016 Request for an arrangement under the Extended Credit Facility between the International Monetary Fund (IMF) and Madagascar whereby “(t)he strategy will focus on arrears clearance, revenue management, public investment management, and the framework for public-private partnerships (PPPs). A centralized information system to be introduced at the Ministry of Finance will enhance transparency and reduce discretion by harmonizing data for all departments (including tax and customs), procurement, and social security. (...). Transparency of State Owned Enterprises’ (SOE) finances will also be strengthened, with ten large SOEs publishing and submitting their 2015 financial statements to the Court of Auditors by end-December 2016 (structural benchmark)”<sup>15</sup>.

### International support to public finance management reforms

The renewed interest in reforming the management of public finance was not coincidental. Since 2014 Madagascar has enjoyed a strong support from the donor community in the area of governance, and in particular in public finance. The African Development Bank is running since 2013 the USD6.32 million (UC4.8 million) worth *Programme d’Appui à la Gouvernance* (PAGI)<sup>16</sup>, that also financed the drafting of the Public Finance Management Strategy. The World Bank launched in 2016 its Public Finance Sustainability and Investment Development Policy Financing Operation<sup>17</sup>, worth USD65 million, to strengthen Madagascar’s fiscal framework and enhance the environment for investment.

The European Union (EU) committed EUR145 million in 2015 for strengthening governance and public policies; under this focal area falls the improvement of public finance management with respect to budget preparation, treasury management, internal and external control and oversight<sup>18</sup>. The EU is backing the project *Ny Fanjakana ho an’ny Daholobe* (NFD), worth EUR17 million, that supports seven pilot ministries in improving their *Plans d’Actions Triennales* (PTA) and harmonising them with the respective Mid-Term Expenditure Frameworks (CDMT)<sup>19</sup>. The EU also provided capacity building support to the drafting of the CDMT in the form of procedure guidelines. According to some interviewees, these were not well received and were deemed excessively technical by the Ministry of Finance and Budget (MFB) staff. Interestingly, no interviewee mentioned a 2015 manual on multi-annual budget preparation prepared by the UNDP, even if it is to support the implementation of this document that the MFB demanded the Union’s support<sup>20</sup>.

The IMF plays a key role in the reform of public finance management through both the 2016 Extended Credit Facility (ECF, USD304 million) and the technical support provided through AFRITAC South (AFS). The ECF supports a government programme meant at reinforcing economic governance by strengthening public financial management, as outlined in the executive summary of the ECF: “(r)eforms to strengthen governance are also central to the success of the economic program. Key actions (under the ECF arrangement) include strengthening public financial management and procurement practices, increasing budget transparency, carefully managing the

<sup>13</sup> *Stratégie de modernisation de la Gestion des Finances publiques* (currently named *Plan Stratégique de Modernisation des Finances Publiques* (PSMFP) for the period 2016-2024).

<sup>14</sup> *Plan d’Actions Triennal Glissant* (PATG).

<sup>15</sup> IMF Country Report No. 16/273 - request for an arrangement under the extended credit facility; first review under the staff monitored program. Paragraph 23, p. 14.

<sup>16</sup> Madagascar - *Projet d’appui à la Gouvernance institutionnelle* (PAGI).

<sup>17</sup> International Development Association Program Document for a Proposed Grant in the Amount Of Sdr 46.6 Million (Us\$65.0 Million Equivalent) To The Republic Of Madagascar For The Public Finance Sustainability And Investment Development Policy Financing Operation. Washington, 26 October 2016:

<sup>18</sup> Union Européenne - 11ème FED - Programme Indicatif National (2014-2020):

<sup>19</sup> Direction Générale du Budget - Note d’Information sur les Réformes Budgétaires. N.001 Octobre 2016.

<sup>20</sup> Cadre a moyen terme annexe à la loi n°2016-032 portant loi de finances pour 2017. Tome 3.



*fiscal implications of Public Private Partnerships, and reinforcing the institutions and legal framework for combatting corruption*<sup>21</sup>. In parallel, under the financing of the Fiduciary Fund for the Management of Natural Resources (FFS-GRRN) and in collaboration with the European Union, the AFS and the International Monetary Fund are supporting the “*Projet d’appui pour le développement du cadre budgétaire à moyen terme et de la transparence financière dans la gestion des ressources naturelles* “. The AFS is particularly involved in establishing a Mid-Term Budgetary Framework (CDMT), for which it has already done four missions, since the end of 2014, supporting the Ministry of Finance and Budgets (MFB) on both the update of the macroeconomic model MAROA and the problems encountered in setting up the Mid-Term Macro-Budgetary Framework (CMBMT).

### **Future developments of public finance management reforms**

The description of the donor support focusing on improving governance in general and public finance management specifically illustrates the key areas of attention and of future improvement, namely the multi-annual budgetary and expenditure frameworks which should strengthen the link between spending and costed and prioritized sector strategies. Generally speaking, it seems that the donors have been focusing in increasing the efficiency of the expenditure side. However, this situation is likely to change; during the interviews, several participants pointed out that the attention of the donors was increasingly directed towards the revenue side and the fight against corruption. Whether this means that strategies and medium-term budgetary instruments will soon be improved enough to cease being a focal area is not clear. The upcoming PEFA Assessment (2017) will probably help answering this question. For what this study is concerned, more in-depth information on the state of affairs is presented in the following sections, together with the windows of opportunity available for UNICEF at sector level.

## **2.2 The main actors in the budget process**

This section presents the main institutional actors in the budget process, starting by the executive branch and proceeding further to the legislative and the judiciary. The section aims to introduce the actors, describe their formal roles and powers as well as the informal influence they can exert. It also explains the reasons behind the leverage of actors that are considered stronger than their institutional role would suggest as well as the reasons behind the weakness of other actors the role of which is formally stronger.

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<sup>21</sup> IMF Country Report No. 16/273 - request for an arrangement under the extended credit facility; first review under the staff monitored program. Executive Summary, page 2.

### Overview:

- The executive is the strongest actor in the budget process and within the executive, other than the President, the Minister of Finance and the MFB are the strongest actors.
- The strength of the MFB stems from the strong support it received from the donors and in particular its close link to the IMF.
- The support received by the donors makes the MFB a strong actor internally, but it makes it dependent from the donors themselves, in particular the IMF.
- The IMF supports the efforts to empower the line ministries as much as wishes to make the MFB less dependent from the Fund's guidance
- The legislative and the judiciary lack the means and the capacities to provide an effective oversight. There is nevertheless evidence of improvements in the capacity of the Court of Accounts to exert its functions.
- CSOs increasingly engage in the area of public finance management and although still far from making them key actors in the process, their actions are delivering some positive results in terms of transparency.

### The Executive

The Executive is the most powerful driver and influencer of the budget cycle. The underlying institutional reason for this is Madagascar's current form of government. Madagascar is a Semi-Presidential Republic with a directly-elected President that is the Head of State and shares executive prerogatives with the Premier who in turn is the Head of the Government and chairs the Council of Ministers. The Premier is expression of the parliamentary majority and is not appointed by the President. However, the latter can dissolve the Assembly and thus the Government. The President promulgates the Budget Law whereas the Premier, chairing the Council of Ministers, approves the Draft Budget Law to be sent to the Parliament (composed by the Assembly and the Senate). Both the Presidency and the Premier's Office (*Primature*) are entrusted a budget that impacts also on sectors of interest to UNICEF (like nutrition). Relevant for this study are the Premier's program on nutrition and food security at local level as well as the President's HIV and family planning program.

### *The Ministry of Finance and Budget*

Amongst the ministries, MFB is the strongest actor in the budget cycle. This is not a situation peculiar to Madagascar, however the pre-eminence of the MFB has some specificities that differentiate it from its peers in Southern and Eastern Africa; first and foremost, the level of support it gets from the donor community and, above all, the IMF. Interviewees pointed out that the MFB can exert a strong coercive power towards the line ministries in exactly the same way the Minister of Finance can effectively rein in its government peers, Premier included. Despite having been pressured often and threatened of dismissal from the Government, the Minister of Finance kept both its post and its influence. According to one interviewee, when the President considered firing him, members from two diplomatic delegations asked for the decision to be overturned.

Despite the higher technical capacity accumulated by the MFB, there is still room for improvement and the MFB is continuously adapting both its processes (see next section), and its organisation to better fulfil its role. The latest impactful organisational change was the restructuring of the Directorate-General for Budgets (DGB) in departments (*directions*) organised around thematic areas rather than around the budget preparation and budget execution. Among the new departments, is the *Direction des Secteurs Social et Administratif* (DSSA) which is tasked with following the social sector's ministries<sup>22</sup> during both the budget preparation and execution. This

<sup>22</sup> These regroup the ministries of Water, Health, Sport, Social Protection, Education, Employment and Technical Education, Higher Education and Research and Culture.

setup provides a single entry point for the line ministries for the whole of the budget cycle and in turn allows the DSSA to build a sectoral expertise.

### *The line ministries*

The line ministries participate in the budget process, drafting their own Medium-Term Expenditure Frameworks (CDMT) and their own Draft Budgets, based on their sector strategies, when they have them, and their *Documents d'orientation économique et budgétaire*. The technical and financial capacities of the line ministries widely differ between those that received widespread donor support, like the Ministry of Health, the Ministry of Education and the Ministry of Agriculture and the others, like the Ministry of Population, Social Protection and Woman Empowerment. Such hiatus was implicitly acknowledged by the MFB when selecting the 6 pilot ministries for the introduction of the CDMT at the level of the line ministries.

### **The Legislative**

The Parliament of Madagascar is composed of two chambers, the National Assembly and the Senate that share the legislative power. The Parliament votes the Draft Budget Law during its second ordinary session (October) and is entitled a maximum of 60 days to examine the proposal and to amend it. If the Parliament fails to approve the Draft Budget in the expected delays, it can be partly enforced by decree until an agreement is reached. However, this situation never occurred since the crisis subsided at the end of 2013. The Parliament rarely amends the Draft Budget in meaningful ways, focusing mostly on increasing its own means rather than shifting or adjusting the government's spending priorities. Several interviewees suggested that the limited action of the Parliament on the Draft Budget Law is also due to the nature of the political system of Madagascar, where the Parliament never opposes the government when it comes to the budget. In this respect, the legislative is a weak actor in the budgetary process and the Senate is much weaker than the Assembly.

There is an asymmetry between the two chambers that is more *de facto* than *de iure*. Indeed, the chambers do not wield the same powers nor share the same mandate. However, what differentiates them the most is that the Senate only was re-established in 2015 after 8 years of shut down. The Senate is at present understaffed and not prepared to effectively carry out its functions. The Senators, divided in sectoral committees, examine the Draft Budget and then the Finance Committee audits the MFB. The senators have no internal staff nor a budget office to support them in the analysis and in the demands. They can ask external experts such as university professors or think tanks to support them, but only on occasional basis. This has implied so far that the Senate was not capable of amending the Draft Budget and this situation is not likely to change.

### **The Judiciary**

The Court of Accounts (*Cour des Comptes – Institut Supérieur de Contrôle*) is a part of the judicial system that depends directly from the Supreme Court. This is a peculiar adaptation of the classic French system in which the Court of Accounts is a fully independent body that is tasked to assess the implementation of the financial laws and can sanction the government. The Court of Accounts of Madagascar has only recently been able to restart its activities at full speed, respecting the two-year deadline for approving the Budget Discharge (the Court presented in 2016 a report encompassing the budget discharges of the period 2001-2016). Despite its power to review *ex officio* the execution of the budget laws, the accounts produced by the public accountants and the financial management of the state-owned enterprises, the Court of Accounts has lacked the means and the capacity to effectively fulfil its mandate.

### Other actors: civil society organisations (CSOs)

The budget process does not formally include any external actor, but public scrutiny is indeed fundamental for making it more open, transparent and accountable. This holds true for Madagascar as well, where CSOs engagement increased during the 2008-2013 political crisis and brought a growing number of organisations that deal with public finance topics. As a result, interactions between CSOs and the budgetary decision makers increased. So did CSOs' capacity for scrutiny of the government's actions. CSOs couple this advocacy and oversight efforts with information campaigns aimed at citizens, to improve the understanding of the public budget and of where and how taxpayers' money is spent. A part of these efforts is directed to the publication of the citizen's budget as a tool to enable every citizen to understand the budget. In this effort, CSOs are not alone, but can rely more and more on the support of and the affiliation to international platforms like the International Budget Partnership. Some donors are also involved and UNICEF itself already collaborates with two leading organisations in this area, CCOC and MSIS-TATAO.

## 2.3 Strategic framework

The key documents prepared during the budget process are linked (to a certain extent) to a wider strategic framework, centred on the *Plan National de Développement* (PND). This document was approved in 2014 and sets five strategical axes<sup>23</sup> onto which Madagascar would invest to achieve its national policy vision (*Politique Générale de l'Etat*). The PND was complemented in 2015 by the *Plan de Mise en Œuvre* (PMO), detailing and prioritizing the activities and projects that fall under the five axes. Ten priority actions per axis are identified in the PMO, also drawing from two other concurring strategic documents, the *Programme d'Investissement Public Prioritaire* (PIPP) and the *Programme d'Urgence Présidentiel* (PUP). The Council of Ministers also pushed through the *Initiatives à Résultat Rapide* (IRR), a group of actions to be enacted in the first 100 days to fulfil the Government's vision. The result is a galaxy of documents, priorities, actions and plans that overlap in some areas, without a clearly defined and shared logic. These documents together cover the period 2015-2020 and the upcoming 2018 elections might mark the start of a new and more participatory programming phase.

A number of contributors pointed out that the PND itself is a suboptimal document. Rather than being genuinely spearheaded and desired by the Government, the plan was apparently pushed through by the donors as an unspoken condition for enhanced support. Also, a concurring document was sponsored by each branch of the executive (the PUP by the Presidency and the IRR by the Government). This explains the chaotic intersection of PND, PUP, PIPP, IRR, the necessity of the PMO to operationalize and prioritize and the resulting misalignments of the strategies at line ministry level. Furthermore, the underlying macroeconomic assumptions turned out to be too optimistic, the reason why Madagascar requested the help of the IMF in early 2016.

### Strategic planning at sector level

Some of the line ministries also have or are preparing a sectoral strategic or policy document (or both). According to the interviewees, the capacity of the line ministries in doing so and the quality of the produced strategic documents are mostly linked to the level of support received by the donors. Unsurprisingly then, those ministries that have already in place or are preparing the soundest strategic plans are the Ministry of Health (PDSS 2015-2020, the *Politique nationale de santé* (PNS) and *Contrat national de santé* 2010, unachieved to date) and the Ministry of Agriculture (PSAEP 2015-2020), that have already finalized their plan and the Ministry of Education is finalizing the *Plan*

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<sup>23</sup> The Axis are: Ax. 1: Governance, rule of law and security; Ax. 2: Macroeconomic stability and development; Ax. 3: Inclusive growth and territorial development; Ax. 4: Upgrading human capital for development; Ax. 5: Developing natural capital and build resilience to natural disasters.

sectoriel de l'éducation 2016-2020 and there also is a *Stratégie nationale de la protection sociale 2015-2020*. The strategic documents available per sector are mapped here below.

### Health

The PDSS was drafted by the Ministry of Health in February 2015 and the costing was provided by a USAID financed project in August 2015, through the OneHealth Model<sup>24</sup>. During the interviews, the staff from the Ministry pointed out that without further donor support it would not be possible to finance the updates to the strategic documents, necessary for a better alignment with the PND on the one end and the medium-term expenditure frameworks (CDMT) on the other. According to several interviewees, at this stage the degree of coordination between the sectoral plan and the PND is far from optimal. Moreover, the implementation of the PNS is included in the PIPP.

### Education

Since 2015, following the *Plan intérimaire de l'éducation* (PIE), Madagascar embarked in the elaboration of a *Plan Sectoriel pour l'éducation* (PSE). This plan is a common effort of the three ministries involved (National Education, Higher Education and Research and Technical Education) and it is not yet finalized; the plan is supposed to cover the period 2018-2022. Only in May this year, the Minister of National Education presented the plan to the Senate. In the previous months, consultations were held at local level, always sponsored by the Ministry of National Education. According to the staff that was interviewed, the plan still needs to be costed before it can effectively be used in drafting the CDMT.

### Social Protection

Since 2015, Madagascar has adopted its *Politique Nationale de Protection Sociale* (PNPS) which defines the policy of social protection in Madagascar. It is structured around 4 axes and 13 strategic objectives. It overlaps in some areas with the PDSS, in particular on the universal healthcare coverage. The PNPS is a very broad and general document, not costed and not operationalized and therefore not useful in terms of budget process.

### WASH

The *Stratégie Nationale de l'eau, de l'assainissement et de l'hygiène 2013-2018* is the strategic document around which Madagascar organized its WASH policies. It is linked to the *Politique et Stratégie Nationale de l'Assainissement* (PSNA) and to the *Note d'orientation stratégique du secteur de l'eau potable, de l'assainissement et de l'hygiène* (2012). Together with the *Déclaration de Politique Sectorielle de l'eau* (2012), the strategy sets ambitious objectives in terms of improved access to water and sanitation on the horizon 2030. Despite the number of policy and strategy documents, the strategic framework for WASH is not costed and of little use in the budget process.

### Nutrition

Compared to the sectors above, financing for nutrition comes from several different ministries. Given the cross-cutting nature of the theme, it is possible to trace back nutrition financing coming from up to eight line ministries<sup>25</sup>, under the coordination of the Office National de la Nutrition (ONN) that in turn depends from the Prime Minister's Office. The strategic reference document is the *Plan national nutrition* (PNAN) 2012-2015, which is based on 5 strategic axes and has some cost estimate per axis for the 2012-2015 period.

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<sup>24</sup> Budgétisation du Plan de développement du secteur santé (PDSS) de Madagascar. USAID (2015).

<sup>25</sup> These are the Ministry of Agriculture, of Fisheries, of Livestock, of Water, of Education, of Health, of Social Protection and of Finance.

### Key features of strategic planning in Madagascar

- Strategic planning in Madagascar is a political matter in which the President and the Prime Minister play a fundamental role in setting the national development strategies.
- According to the interviewees, without donor financial and technical support, articulated sector strategies like the PDSS and the PSE could not be drafted. Nevertheless, the general development strategy framework looks fragmented.
- The sector strategies are very heterogeneous in terms of alignment to the PND (or to the other national strategies), of detail and not always are they updated. Most of them are also not costed, which makes it difficult for the line ministries to link them to the budget.
- Interviews suggest that costing exercises are both too expensive and beyond the present technical capacity of the line ministries.

## 2.4 The structure of the budget process

Ideally, the budget process is not a yearly stand-alone exercise of definition of the expenditure levels that repeats itself year after year, but a part of the holistic process of definition and implementation of a nationwide development strategy. This is not yet the case for Madagascar, where the connections between strategic planning both at national and sector level, programming frameworks and yearly budgets are still being woven and fine-tuned. This section delves into the budget process itself, starting from the programming documents to then move on to the yearly budget cycle *stricto sensu*.

The budget calendar is broadly outlined in the *Loi organique des lois de finance* (LOLF, 2004) that focuses mostly on the approval stage and deadlines. The drafting of the draft Budget Law is paced according to the calendar set out by the MFB<sup>26</sup>. The budget cycle is not a stand-alone process and it unfolds every year starting with the updated of the medium term macro-budgetary framework. The cycle is naturally interspersed with phases relative to the budget execution for the ongoing year and the budgetary discharge of the previous years. Among the phases related to the budget execution, the yearly amending of the Budget Law (via the *Loi de finances rectificative*) has a strong impact on the execution of the budget in the last quarter of the year.

### 2.4.1 Budget preparation stage

#### Key documents

Since 2016, there are four main documents, building on each other, around which the budget preparation is organized:

- The *Cadre macro-budgétaire de moyen terme* (CMBMT): fixing over multiple years the equilibrium between forecasted revenues and expenditures;
- The *Cadre budgétaire de moyen terme* (CBMT): fixing over three years the yearly expenditure ceilings per ministry;
- The *Cadre des dépenses à moyen terme* (CDMT): fixing over three years the yearly expenditures per ministry, broken down in actions and by nature;
- The *Projet de loi de finances* (PLF): fixing the expenditures per ministry broken down by programs and nature for the first year of the CDMT.

<sup>26</sup> This calendar is communicated in the *Circulaire de préparation du budget* every year.

**Table 1 Presentation of the key document for budget programming**

	CMBMT	CBMT	CDMT	PLF
Years covered	Multiple	Three	Three	One
Revenue scope	State			State
Expenditure scope	State	State (declined by line ministry)	Line ministry	State
Expenditure breakdown	Operating expenditures, Investments and Staff expenditures	Operating expenditures, Investments and Staff expenditures	Programs, Actions and economic category	Programs
Bases	Donors and public finance objectives	CMBMT	CBMT ceilings per ministry	Budget circular

Source: International Monetary Fund, *Loi de finances 2017, Annex Tome 3*

Each document provides the framework for the following one, which is in turn more detailed in defining the expenditures. Ideally, since the process is repeated each year as the multiannual document shifts forward of one year, there should be a mutual influence (the ceilings are determined in a top down logic and are then adapted with bottom up approach). However, since this is still an ongoing process, backed by the donors and to which the ministries are adjusting with different degrees of success, the exact procedure is not yet set in stone nor are the patterns of mutual influence clearly defined. Also, the calendar and the interactions are not defined in a law or a regulation.

The interviews suggest that the MFB is yearly proposed a schedule by the IMF for the drafting of the documents, based on the previous year and on the newly built capacities. However, because of mutated circumstances or internal problems, the final schedule is always different from the suggested one and from the scheduled followed on the previous year. The Government's and especially the MFB's commitment to stabilize the process is however real and according to the IMF, this milestone should be reached in 2020.

Given these elements, the budget calendar described below simplifies the drafting and adaptation of the multiannual documents and breaks the budget cycle down to two macro-phases: the one drafting the multiannual document and the one drafting the budget law. For each of them, entry points and opportunities for advocacy are analyzed. When relevant, multiannual elements are mentioned in the annual procedure. The upcoming PEFA assessment, planned for next year<sup>27</sup>, should offer a more technical account of the whole procedure, at least for 2017. The technical assistance reports produced so far by the IMF can be consulted for the procedure followed in 2015 and 2016<sup>28</sup>.

### Programming calendar

The drafting of the multiannual budget documents starts at the beginning of the fiscal year, with the official kick-off of the budget calendar. The process of fine-tuning of the documents is an ongoing one, although some key moments can be singled out as follows.

<sup>27</sup> The terms of reference for the assignment are in the process of being drafted by the MFB, with inputs from the AfDB (which is providing the necessary financing). The launch date is however unclear.

<sup>28</sup> These reports are not for public use, however the IMF kindly shared the 2016 report to help the mission grasp the ongoing process of reform of the budget cycle.



January

**Pre-budgetary conferences:** At the beginning of January, the MFB informs the government and the line ministries of the start of the budget preparation and invites the participants to a kick-off meeting. This meeting illustrates the methodology to be followed for drafting the CDMT and possible changes from the previous procedure. Further in January, a pre-budgetary hearing (*pré-conférence budgétaire*) is organised separately with each line ministry and institution to collect their expressions of needs.



February  
– March

**Stabilising the Macro-budgetary framework:** Whilst the ministries start preparing to draft the CDMT, the MFB finalizes the CMBMT. This document is then aligned to the estimates of the IMF during the Fund's mission in March. Interviews suggest that this decision is taken by the MFB of its own volition, due to the inadequacy of the MAROA model<sup>29</sup>. Based on the needs of the line ministries and on the MCBMT, the MFB calculates the pre-ceilings for the CBMT<sup>30</sup>.

Once the CMBMT and the CBMT are completed, the MFB organizes a pre-budgetary hearing to which very ministry sends a delegation made up by the program coordinators for each program in their budget, the Financial Director (DAF), the Directors General and other directors. During this period, the MFB also meets all the stakeholders from the private sector, the civil society and the regional levels to present the macroeconomic framework. During this meeting, the partners can make their own suggestions on the budgetary priorities, although these are not binding. The interviewees suggested that these presentation is also not a good place for advocacy since it is up to the ministries (and the Ministers) to decide where and how much to spend.



March –  
End of  
April

**Drafting the CDMT:** During this period, the MFB provides assistance to the ministries on how to draft the document (2017 was the first year in which all of the line ministries drafted a CDMT). The CDMT are sent to the MFB for control between March and the end of April. The MFB can send the CDMT back for revision until they are validated.

### *Considerations on the CDMT*

The 2018 budget process is the first to extend the obligation of drafting a CDMT to all line ministries. In the light of the considerations mentioned in the previous chapters on huge differences in terms of capacity, budget and staff that can be observed among them, the quality of the provided inputs is not homogeneous. Furthermore, interviewees suggested that key elements like the performance indicators, that should influence the ceilings for the following year, are not yet adequate and the MFB confirmed that they are not taken into account. According to one interviewee, most of the line ministries understand the CDMT as an investment plan rather than an expenditure plan. Generally speaking, the concept of performance should be applied to determine the actual budgetary needs at ministry level: building their needs assessment taking into account their actual levels of spending would be a pragmatic approach to anticipate spending prioritization choices and thus allow for better planning. This requires of course a better linkage with the strategic sectoral document.

<sup>29</sup> The MAROA model is the macroeconomic forecasting model used by the MFB and the Ministry of Economy and Planning. The MAROA versions are not exactly the same in the two ministries. According to the interviews, the Fund would prefer a more independent determination of the CMBMT by the MFB and would also prefer the MFB and the MEP to have the same version of the model.

<sup>30</sup> The adaptation to the Fund's estimates is not automatic. In 2016, it took the MFB until end of August to harmonize the CMBMT and the CBMT. In 2017, the interviews at the MFB suggested that the alignment was quicker. Ideally, by 2020 there will be no need for an alignment and the MFB would rely solely on its own estimates.





September

**Finalization of the multiannual documents:** during the summer the MFB works on fine-tuning the CBMT and adapts the CMBMT and the CDMT. This happens in parallel with the budgetary hearings and with the amending of the ongoing budget which influences both the spending for the current year as well as the following years. Line ministries prioritize their expenditures level for both periods according to the new ceilings provided.

**Key features of the multiannual budget process:**

- The procedure of defining a rolling multiannual budget framework is ongoing and it is a very complex exercise for which the MFB is still building the required capacity.
- The line ministries are being more and more solicited at this stage and from 2016 they were asked to provide their own CBMT without indicating them the ceilings beforehand. This allowed the MFB to understand the needs of the line ministries.
- The exercise could not feed in the budget due to the excessive demands from the line ministries, which did not take into account any resource limitation.
- The more the MFB will engage with the line ministries, the more settled and internalize will multiannual budgeting become, opening up opportunities for supporting the lined ministries in defining their own spending priorities in a pragmatic way.
- A bottom-up definition of the CBMT will help a better allocation of the available resources. This phase is currently dominated by the MFB which is also not completely prepared for it yet. The suggested that by 2020 the decisions on the ceilings, given the overall macroeconomic framework should become more collegial.

**Annual budget calendar**

The drafting of the budget law starts mid-way into the fiscal year and needs to be completed by law by the closing of the fiscal year the last day of December. The process is divided in a drafting phase and in an approval phase. All three powers participate the process, although at a different extent, as described in the sections below.



May -  
June

**Budget circular:** Once the CDMT are all received, validated and aligned to the CBMT, the MFB drafts the Budget Circular (*Lettre de cadrage*) which is sent to the Council of Ministers for approval and then to the line ministries and the institutions. Through the Circular, the MFB communicates the annual ceilings to the ministries, that are then free to establish then how to distribute the funding in their programmes. Each ministry and institutions prepares its own draft budget and sends it to the MFB before the budget hearings.



July -  
September

**Budget hearings and Draft Budget Law:** The MFB convenes with each ministry and institution to discuss the proposed draft budget and to adjust it. The ministries and the institutions tend to have little room to negotiate an increase of their ceiling at this stage and the hearings are more about procedure than content. Once the hearings are finalised, the MFB drafts the Draft Budget Law (PLF). In September, the CBMT is adjusted and a second meeting with the stakeholders takes place.



September  
- December

**Budget approval stage:** The PLF is then sent to the Council of Ministers for approval and then to the Parliament to be examined, debated and voted upon. The Parliament can amend the document and each amendment need to be ratified by both branches, before the PLF is approved. Once discharged by the Parliament, the PLF is promulgated by the President and, after the Constitutional Court establishes its conformity, it becomes the Budget Law.

#### **Sectoral implications of the budget process:**

- The strong role of the MFB puts many ministries in a position of “minority” in which they feel they cannot influence the MFB nor bargain for improvements in their allocations. This feeling is stronger in those ministries that received less support from the donors, like the Ministry of Social Protection.
- The weakness of the Parliament and of many ministers in the government makes the line ministries behave as if the MFB is in the end the only deciding power in the process and that the macro-budgetary framework, based on IMF forecasts, is the only benchmark used to determine the allocations.
- The presence of the Amended Budget Law is seen by the line ministries as a huge constraint that impacts their financial planning over the whole year.
- The presence of one department tasked with following all the social sector ministries (the DSSA) has improved the understanding of the needs of the social sectors at the level of the MFB. This department also provides a single entry point in terms of budget negotiation, but also for technical support.
- The ministries acknowledge the support they receive from the MFB at technical level, to comply with the documentary requirements, but they seem not to understand the multiannual instruments nor to believe this would empower them in the negotiation process.
- The IMF wishes that further donor support is provided to the line ministries to improve their capacity to stand their ground during the budget hearings.

#### **2.4.2 Budget execution stage**

Once the Budget Law is promulgated, the MFB drafts the Budget Execution Circular (*Circulaire d'exécution budgétaire*) which informs the ministries on how the budget execution should unfold, which actors are concerned, what is permitted and what changed from the previous exercise. Most importantly, the Circular sets the quarterly expenditure thresholds that are provided by the DGT and are specified per typology of expenditure; in the last Circular, the MFB decided to allow the ministries to spend up to 100 per cent of their committed investment expenditures, 50 per cent of their committed transfer expenditures and 17 per cent of their operating expenditures already in the first quarter. According to several interviewees, this move should help counter the low budget execution rate and to “protect” investment spending from the implementation of the Amended Budget Law in the last quarter.

Every year, the Government passes an Amended Budget Law. This law adjusts the ongoing budget taking into account the variations in the macro-budgetary framework as well as in the level of collected revenues. In the past years, the law has always reduced the initial budget allocations, except in 2014. The process runs in parallel with the emission of the budget circular and the budget hearings for the following year and thus has an impact on the level of allocations for the upcoming exercise. The amended budget is also taken into account in the revision of the macro-budgetary framework that takes place in September. The Ministries are communicated officially the variations brought forward by the Amended Budget Law through via the *Circulaire relative à la Loi de finances rectifiée*.

It is worth noting that the Presidency, as the other State Institutions (Presidency of the Assembly, Presidency of the Senate, Prime Minister's Office and the Constitutional Court) defined by the Constitution, receive their funding through a special fund which is not subject to the any expenditure threshold other than their expenditure ceiling.

### 2.4.3 Audit and reporting stage

The accounts are closed in March every year and then starts the discharge of the executed budget. Madagascar has adopted a model inspired by the French system, in which the accounts are checked by actors from every branch (judiciary, executive and legislative). There is moreover a separation between the authorising officer and the accounting officer. As in many francophone peers, this system has never been fully implemented and this explains the relative weakness of budget oversight. The system is in the process of being reformed given its complexity and the many overlaps; internal control organs and procedures were modified by the *Loi n°2016-009 relative au contrôle financier* of June 2016.

Internal control is ensured by a double check made by the MFB through the *a priori* control carried out by the *Direction Générale du Contrôle Financier* (DGCF)<sup>31</sup>. This organ acts first by controlling the formal correctness of the commitment requests made by the authorising officers in line ministry and then by controlling the regulatory compliance of the payment request that will follow. The same department also carries out *a posteriori* controls on all the expenditures in collaboration with the *Direction Générale de l'Audit Interne*. Furthermore, the *Direction de la Brigade d'Inspection et de Vérification du Trésor*, provides financial and compliance audits of the public accounting posts.

There are other organs in charge of the internal control, namely the *Inspection Générale des Finances* (IGF) and the *Inspection Générale de l'Etat* (IGE). The former exists only in the legislation whereas the latter, which depends from the Presidency, carries out risk-based audits of the public bodies. No one of the many bodies listed above carries out performance audit.

External control is provided by the Court of Accounts. As mentioned in section 2.2, the Court did not properly function for a prolonged period of time, before actually resuming its oversight role in 2014. The Court performs a mere compliance control of the Budget Discharge Law (*loi de règlement*) from the point of view of the legislation, mirroring the constitutionality control provided by the Constitutional Court on the Budget Law voted by the Parliament. The Budget Discharge is also voted by the Parliament. According to the interviewees, the Parliament does not exert any form of scrutiny on the Budget Discharge Law and the vote is a mere formality.

#### Key features of the auditing and reporting stage:

- External budget oversight in Madagascar is extremely weak. The Court of Accounts is improving its performance, but its audits are merely compliance-oriented. The Parliament does not scrutinize the Budget Discharge Law, but simply votes it as it is presented.
- Internal audit functions are stronger and more organized, especially when they depend from organs attached to the MFB. A number of existing bodies function in the area of internal audit, however none carries out performance audits.

### 2.4.4 Role of other actors

As evoked in chapter 2.2, CSOs are becoming increasingly active in the scrutiny of the government's actions in public finance. Also, they are increasingly taken into consideration by key players and are strengthening their own capacity to hold the government accountable. The publication of the Draft Budget Law (right) before the debate in the Parliament in 2016 is a first result of the engagement of CSOs at this level. However, in spite of this positive trend, the actual influence exerted by civil society on the budget allocation decisions is still extremely limited.

<sup>31</sup> Not all the payment requests are controlled a priori; there is a hierarchy system, the CHED (*Contrôle Hiérarchisé des Engagements des Dépenses*) which details if the order has to undergo the full procedure or the simplified one.

According to the interviewees, since 2016, the MFB meets with the relevant stakeholders from the private sector, academia and civil society to illustrate the macro-budgetary framework that will stand as a base for the budget law for the following year. During this meeting, the stakeholders are invited to provide their own expectations and wishes in terms of spending priorities. However, these contributions are not binding. At a later stage, the MFB meets with the stakeholders once again to present the budget for the coming year and its implications. Comments from the participants to the meeting are welcomed, but again, they do not translate in any amendment to the draft budget.

The Parliament does not hold debates on the budget that involve the stakeholders. Some CSOs try to approach Members of the Parliament (MPs) to do advocacy on given aspects of the Draft Budget Law or the Amended Budget Law that they would like to see challenged. As mentioned in chapter 2.2, the Parliament is mostly interested in the parts of the budget laws that affect its own funding rather than government spending. Despite the overall self-centred attitude of this institution, the interviews suggest that some channels are opening, in particular at the level of parliamentary assistants that are increasingly open to engage with the CSOs and try to influence their respective MPs.

**Role of other actors:**

- CSOs are engaging more and more in the area of public finance, as a major aspect of good governance. They are focusing on increasing the transparency and accountability of the government and on disseminating the information on how public finances are dealt with to the largest audience possible.
- Despite their increasing activity, the impact of CSOs is still rather weak and their capacity to be heard is limited. Penetration at the level of the legislative is at a basic stage and advocacy efforts direct at the MFB are delivering incremental progress.
- Partnerships with international organisations like UNICEF (on the citizen's budget) and international platforms (like the IBP) strengthen the reach and the impact of the CSOs and offer further leverage in their advocacy efforts.
- Other than the CSOs like CCOC and MSIS-TATAO, the interviews did not identify other actors external to the government actively lobbying or trying to influence the budget process. For instance, both the private sector organisation and the Ecumenical Council (FFKM) do not seem to play a relevant role in this arena.

## 3 Conclusion

After presenting the political and socio-economic situation of Madagascar, introducing its budget process in terms of regulatory framework, actors and process in the previous chapters, this last part of the study focuses on the opportunities available to UNICEF to effectively advocate for more and better expenditures for children. There are many entry points as well as many opportunities for advocacy linked to a budget process in rapid evolution, as mentioned in the previous chapters. However, not all of these opportunities and entry points can deliver an impact. In the following sections, opportunities and entry points that are new for UNICEF and that can be impactful are discussed in more detail, specifying the rationale for the choice as well as the opportunity itself. Those that are already being exploited or that are not viable at this stage are briefly discussed. The opportunities are grouped in four main categories: opportunities to engage with non-governmental actors (other donors/ international organisations and CSOs), strategic planning opportunities, budget preparation opportunities and budget execution opportunities.

### 3.1 Entry points and opportunities for advocacy during the budget process

#### 3.1.1 *Opportunities to engage with other key non-governmental actors*

##### **Donors**

Public finance management is a focal sector for many donors in Madagascar and this is an opportunity for UNICEF since a lot of financing and technical capacity are available to create synergies on topics of mutual interest. Not all the donors wield the same influence; the World Bank, with which UNICEF collaborates on several social programmes, is the *chef de file* of the group of donors involved in public finance, to which only the donors providing budget support are participating; other donors involved in the sector are invited as observers. The IMF belongs to this group. However, the IMF is by far the most influential donor.

##### **The IMF**

##### *Rationale*

The donor with which to engage is therefore the IMF. The Fund has a both a very large, encompassing and effective programme as well as a very strong leverage in the form of the Extended Credit Facility (ECF). Moreover, the Fund has an influence on the MFB that goes beyond the technical assistance and the ECF. Interviews have shown how the MFB willingly chooses to rely on IMF expertise and advice even when it could avoid it (in the case of the CBMT, for instance), because this gives the MFB leverage on the line ministries. A further positive element is that the IMF pushes for the MFB to draft a budget in which social sector spending is as high as possible, taking into account all the macroeconomic constraints. The Fund has therefore both a strong leverage in the budget process and some common ground with UNICEF.

##### *Opportunities*

The support the IMF provides to the MFB (and to Madagascar) is twofold; on the one end, there is the ECF and on the other end the technical assistance through the AFRITAC-South. In this framework, the Fund is leading the implementation of a multiannual budget process, built around a solid procedure involving all the ministries and aiming for an increased transparency of the process. AFRITAC is then the actor which has the most comprehensive understanding of both the current status of the sector and the future evolutions. Engaging with AFRITAC will allow UNICEF to both

gaining a constantly up to date vision of the ongoing reform and an actor to which share the technical or procedural difficulties the current budget process causes to the line ministries.

### **CSOs**

UNICEF is already cooperating with CSOs on public finance management topics, in particular on the preparation of the Citizen's Budget. CCOC and MSIS-TATAO are both very engaged actors that also have a good level of technical knowledge and that would also be precious partners also for advocacy efforts, especially directed towards weaker actors like the legislative. CSOs, with their continuous monitoring of the activities could also provide timely information as well as technically sound analysis of the implications of the Draft Budget and the Amending Budget on the social sectors.

### *3.1.2 Opportunities at strategic planning stage*

#### **National development strategy and sector strategies**

Advocacy during the strategic planning phase has two main focuses. The first one is the drafting of the national development strategy. As it was mentioned in section 2.3, the present strategic framework is not homogenous, with a number of concurring documents and overlaps in the areas of intervention that cause the whole structure to be unclear and ineffective. The second area of intervention is at sector level, since the different sector plans are also not homogenous in terms of quality, duration, outreach and underlying logic.

#### *Rationale*

From the budget perspective, this kind of assistance will provide the line ministries with a tool to link their policy objectives to the budget process and more interestingly to prioritize the expenditure choices both during the budget preparation stage and in case of an amendment of the Budget Law. The time gap between the present setup and a fully fine-tuned and functioning multiannual budget process, based on programs and performance, might be longer than the couple of years that defining a new national development strategy will take. However, when the whole process will be in place, having supported the ministries in creating a logical framework and a set of indicators will deliver results. It will enable them to select sensible and pragmatic performance indicators that will then feed in the yearly calculation of the expenditure ceilings, linking performance to resources.

#### *Opportunities*

Next year's elections are expected to inaugurate a new strategic planning phase, provided that no political crisis arises. The drafting of a new national development strategy will provide an opportunity for UNICEF to engage with the new government on the basis of the Sustainable Development Goals to ensure that the new strategy will effectively address the many critical policy areas impacting on children wellbeing in the country. This phase is however likely to require the inputs of many other stakeholders and will be framed in a rigid framework of roundtables and negotiations.

A more concrete set of opportunities is provided by the update and redrafting of the sector strategies that will stem from a new national development strategy. The previous chapters describe and single out the several problems affecting the sector strategies as well as their determinants. UNICEF, with its recognized mandate in the social sectors, will be in a privileged position to assist the line ministries in overcoming those difficulties. The most pressing issue seems the creations of sector strategies that are costed and that rely on a well-developed logical framework from which it is possible to define indicators that can be effectively followed-up.

### 3.1.3 *Opportunities at budget preparation stage*

#### **The line ministries**

The evolution of the multiannual budgeting framework, championed by the MFB with support from the IMF and other donors is advancing at a fast pace, but it has not yet produced stabilised process. This implies that this phase will keep on having a different calendar every year, with no clear milestones or deadlines. This has however a limited impact in terms of advocacy opportunities. The increasing involvement of the line ministries in the process means that, whatever the changes made to the calendar described in this study, UNICEF will receive the information from the ministries it will support on what will be required from them and at which stage.

#### *Rationale*

Engaging with the line ministries already during the preparation of the multiannual budget documents is fundamental to ensure that priorities are clearly set from the beginning and that the ministry has fully internalized the rationale of these documents whilst it interacts with the MFB. The interviews suggested that oftentimes the line ministries have no arguments against the MFB and that they rely heavily on its guidance during the drafting of the documents. Empowered line ministries would provide more effective counterparts for the MFB. This would reduce both the workload of the MFB and its strong influence in the first steps of the budget process.

#### *Opportunities*

Line ministries are not a homogenous group when it comes to their capacity of contributing to the multiannual budget process. UNICEF will therefore have to adapt its support depending on the level of technical capacity of each line ministry. The Ministry of Education has a clear idea of what is needed and has already mastered the drafting of the CDMT. Improvements needs to happen at the level of the sector strategy, so upstream, and at the level of the performance indicators. For the Ministry of Social Protection, the drafting of the CDMT is still a complicated task, which is poorly understood and is a drain on the already limited resources it has. This ministry needs assistance to cost and operationalize its strategy and to establish a set of indicators. However, support here should also extend to the drafting (and the understanding) of the CDMT and the prioritization of the expenditure decisions. To provide an example of the situation in some ministries, the interviews suggested that the at the Ministry of Social Protection the person in charge of the CDMT is actually an accountant and that policy officers are not really involved.

#### **The legislative**

The legislative is a weak actor, both because of lack of means and capacities and because of reasons linked to the Malagasy political system. In both cases UNICEF does not have per se the interest to engage directly with a body that is not yet ready to play its role. This might change with the next parliamentary intake, even though the technical and financial deficiencies will keep on barring these institution from playing an effective role. At this stage, empowering CSOs that are directly interacting with the Parliament is probably the most effective solution. More pragmatic than providing technical assistance to try and empower an institution that, in the case of the Senate, is critically understaffed, lacks even a Budget Office. (not to mention the rest of the infrastructure).

### 3.1.4 *Opportunities at budget execution stage*

The main issues at the stage of the execution are the low execution rate for investment expenditures and the passing of an Amended Budget Law that tends to lower the expenditure ceilings before the beginning of the last quarter of the fiscal year. The execution rate is one of the topic addressed by the MFB this year, by modifying the expenditure caps per quarter so that investment expenditures can be executed fully already at the beginning of the year. Data on

whether this measure will be enough are not yet available, but it is unlikely for an actor like UNICEF to be able to effectively act on this topic. What can be done about it as much as to minimize the impact of the Amended Budget Law is to support the line ministries in their efforts to internalize and exploit the multiannual budget framework and the strategic documents that should inspire it to then be able to effectively prioritize expenditures to safeguard strategic investments.



## Annex A – List of Interviewees

Institution	Person	Function	Date
<b>Ministère de l'éducation nationale</b>	Bruno RAZAFINDRAMORA	Chef du Service du Budget	05/04/2017
<b>Ministère de la sante publique</b>	Viviane Marie RAZAIMANANA	Directeur des Affaires Administratives et Financières (DAAF) Chef du Service du Budget	05/04/2017
<b>Ministère des finances et du budget</b>	Régis RAKOTOMANANA	Directeur de la Synthèse Budgétaire	06/04/2017
	Haingotiana ANDRIANARISOA	Chef du Service Analyse, Evaluation et Performance Budgétaire	
	Alexandre RANDRIANASOLO	Secrétaire Générale du Ministère des Finances et du Budget	13/04/2017
	Garisse RAZAFINDRAKOTO	Directeur General de la Direction Générale des Impôts	
<b>Ministère de la population, de la protection sociale et de la promotion de la femme</b>	<i>Irenée Arimanana</i> RAVELOJAONA	<i>Directeur Général de la Protection Sociale</i>	07/04/2017
	<i>Patricia</i> RAKOTONIRINA	<i>Directeur des Etudes, de La Programmation et du Partenariat du Ministère</i>	
<b>Senat de Madagascar</b>	Honoré RAKOTOMANANA	Président du Senat de Madagascar	10/04/2017
<b>Agence Française de Développement</b>	Leo GABORIT	Chargé de mission « Gouvernance » Madagascar - Union des Comores	10/04/2017
<b>GIZ</b>	Parfait RANDRIANITOVINA	Projet Développement Communal Inclusif et Décentralisation - ProDÉCID Directeur Adjoint	11/04/2017
<b>Banque Mondiale</b>	Faniry RAZAFIMANANTSOA	Economiste – Gestion Macroéconomique et fiscale	11/04/2017
<b>AFRITAC - SUD</b>	Jean-Luc HELIS	Economiste principal, Conseiller Résident – Département de Gestion des Finances Publiques	12/04/2017
<b>Délégation de l'Union Européenne</b>	Jean-Philippe DUVERT	Consultant en appui à la Délégation de l'Union Européenne	12/04/2017
<b>CCOC</b>	Hony RADERT	Présidente de CCOC	12/04/2017
	Lily RAZAFIMBELO	Trésorière de CCOC	
<b>Msis-Tatao</b>	Niaina HARIJAONA	Président/CEO Msis-Tatao	12/04/2017
<b>Banque Africaine de Développement</b>	Tankien DAYO	Economiste Pays	13/04/2017



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