



REPUBLIC OF MADAGASCAR

TECHNICAL ASSISTANCE REPORT—GOVERNMENT FINANCE STATISTICS

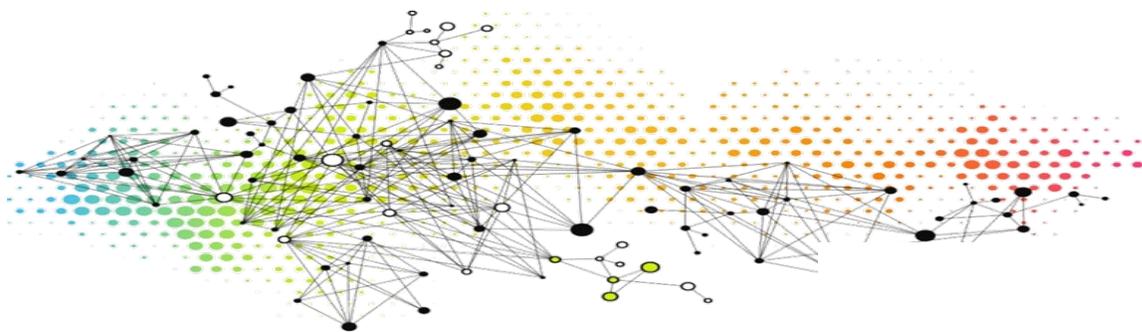
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REPUBLIC OF MADAGASCAR

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REPORT ON GOVERNMENT FINANCE STATISTICS MISSION (NOVEMBER 29–DECEMBER 10, 2021)

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Glossary

ACB	Budgetary Central Government
AFR	IMF African Department
AONT	Other Net Treasury Operations
CFC	Consumption of Fixed Capital
CNaPS	National Social Security Fund
CTD	Decentralized Local Governments
DCP	Government Accounting Directorate
DE	Research Directorate of the Directorate General of the Treasury
DFID	Department for International Development (United Kingdom)
DGT	General Directorate of the Treasury
EPA	Administrative Public Entities
GFS	Government Finance Statistics
<i>GFSM 2014</i>	<i>Government Finance Statistics Manual, 2014</i>
<i>GFSY</i>	<i>Government Finance Statistics Yearbook</i>
<i>PSDSG 2011</i>	<i>Public Sector Debt Statistics Guide, 2011</i>
IMF	International Monetary Fund
MEF	Ministry of the Economy and Finance
OGT	Comprehensive Treasury Operations (<i>also refers to the Table of Comprehensive Treasury Operations</i>)
PSMFP	Strategic Programme for the Modernization of Public Finance
SCN	<i>System of National Accounts</i>
SGO	Statement of Government Operations
STA	Statistics Department

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

1. At the request of the Ministry of the Economy and Finance (Ministère de l'Économie et des Finances (MEF)) and in consultation with the African Department (AFR) of the International Monetary Fund (IMF), the IMF Statistics Department (STA) carried out a remote mission on government finance statistics (GFS) from November 29–December 10, 2021. The purpose of the mission was to continue to support the Malagasy authorities in their work to adopt international standards of the *Government Finance Statistics Manual 2014 (GFSM 2014)* for their GFS. The mission would like to thank the Research Directorate (Direction des Études (DE)) of the Directorate General of the Treasury (Direction Générale du Trésor (DGT)) for its close collaboration and more specifically for the timely communication of the required documents, which was essential to the success of the mission given the remote working conditions.

2. Since 2016, within the framework of the EDDI2 project¹, the Malagasy authorities have made significant progress in the field of GFS. The quality of the data of the Budgetary Central Government (Administration Centrale Budgétaire (ACB)) has improved, and:

- The communication of statistics to the STA has become a common practice through the completion of the annual GFS questionnaire related to ACB operations;
- The recording of Other Net Treasury Operations (Autres Opérations Nettes du Trésor (AONT)) is now carried out on a gross basis rather than a net basis, which significantly improves the transparency and clarity of these operations. The mission has nonetheless made the DE aware of the concerns of the AFR in relation to the recording of the AONT and has recommended that they be presented on a gross basis using the bridge table prepared during the 2019 mission², and ensure that in the future, statistics on the AONT are communicated to the AFR on a gross basis;
- The availability of source data is ensured, and substantial improvements have been made to them, particularly with regard to the scope of the operations data entered into the accounting trial balances. This makes it possible to envisage compilation of consolidated GFS for the entire general government of Madagascar, including the operations of the State (Comprehensive Treasury Operations (Opérations Globales du Trésor (OGT)), Administrative Public Entities (Établissements Publics à Caractère Administratif (EPA)), Decentralized Local Governments (Collectivités Territoriales Décentralisées (CTD)) and the National Social Security Fund (Caisse Nationale de Protections Sociale (CNaPS)).

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

² See [IMF Report No. 19/332](#).

3. Two key objectives that were postponed are now in the process of being fulfilled:

- the improvement of the regulatory framework through the adoption of a text governing the compilation and dissemination of GFS, and;
- the adoption of the analytical framework and classifications of the *GFSM 2014* as a way of gathering and presenting the national GFS (and more specifically the OGT table).

4. The implementation of the baseline methodologies of *GFSM 2014* has now been under way for several years and the development of Malagasy GFS is ongoing. The development of the consolidated GFS for all general government sub-sectors towards the middle of 2022 is achievable. In general, the authorities have a clear vision of the road map for the development of the Malagasy GFS and have a good level of technical skills, particularly in terms of their command of the statistical methodology and its application.

5. In the immediate term, there are two priorities for improving the GFS and expanding their institutional coverage:

- Adopting a text defining the regulatory framework for the GFS, with a view to strengthening and facilitating the role of the DE in a coordinator role;
- Developing consolidated GFS for general government for 2021 as soon as the accounting trial balances are available, with a view to communicating them to the STA towards the end of the third quarter of 2022.

6. The mission welcomes the intention expressed by the DE to propose the adoption of the *GFSM 2014* as a methodological framework for the Malagasy GFS, including the OGT table. In that regard, it will be essential to hold consultations with AFR and the IMF Office in Antananarivo in order to define both the implementation methods and the timeline more precisely for this measure. Coordination with the national accountants should also be ensured, particularly in the transition towards the *National Accounting System 2008 (Système de comptabilité nationale 2008 (SCN 2008))*, and the fact that the GFS must also be the basis of the general government account development process.

7. The mission recently learnt of the upcoming arrival of a Resident Advisor on public finance from the IMF Fiscal Affairs Department. The Department has expressed its interest in this mission and is willing to support, insofar as possible, the development of the Malagasy GFS.

8. In order to contribute to the follow-up work accomplished in the abovementioned areas, a one-year action plan is included in this report, prioritizing the three recommendations in Republic of Madagascar: Table 1.

9. More detailed information on the priority recommendations and the corresponding measures/milestones can be found in the action plan, in the section “Detailed Technical Assessment and Recommendations”.

Republic of Madagascar: Table 1. Priority Recommendations

Target Date	Priority Recommendations	Responsible Institutions
Second quarter June 2022	Review and complete the work of the mission with a view to developing a first draft compilation of the consolidated GFS relating to the entire Malagasy general government.	DE
Second quarter June 2022	Adopt a text defining the institutional and administrative framework for the compilation and dissemination of GFS.	MEF, DE
Third quarter September 2022	Compile GFS for 2021 with a view to communicating them to the IMF Statistics Department towards the end of the third quarter of 2022.	DE

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

Priority	Action/Milestone	Risk Assumptions/ Verifiable Indicators	Target Completion Date	Actual Completion Date	Comments
Outcome: <i>Regulatory framework</i>					
High	1. Relaunch the adoption of the decree on GFS compilation and dissemination.	The decree has been adopted.	June 30, 2022		This action is part of the Strategic Programme for the Modernization of Public Finance (Programme Stratégique de Modernisation des Finances Publiques (PSMFP)).

Priority	Action/Milestone	Risk Assumptions/ Verifiable Indicators	Target Completion Date	Actual Completion Date	Comments
High	2. Have the DE and the MEP- Madagascar National Statistics Institute (Institut National de la Statistique de Madagascar (INSTAT)) sign a memorandum of understanding.	The memorandum of understanding has been signed.	N/A		This recommendation is no longer relevant as INSTAT and the DE are both now part of the same parent ministry, that is, the Ministry of the Economy and Finance.
High	3. Prepare and have the DE and source data suppliers sign memoranda.	- Depends on the adoption of the decree related to the GFS. -The memoranda of understanding have been signed. See below for the section on the organization of work (Actions 14 and 15).	N/A		The communication of accounting data come from the DGT. Therefore, the preparation of such memoranda is neither relevant nor necessary.
Outcome: <i>Align source data classifications with those of the GFSM</i>					
High	4. Review and, insofar as possible, complete the bridge tables prepared by the mission between the various charts of accounts of the general government and the <i>GFSM 2014</i> classifications.	The bridge tables have been verified and completed.	Ongoing		Progress has been made on the preparation of bridge tables. Some issues related to the treatment of Class 1 and of the provisions must be resolved in close collaboration with the relevant accounting services.

Priority	Action/Milestone	Risk Assumptions/ Verifiable Indicators	Target Completion Date	Actual Completion Date	Comments
High	5. Verify the consistency between the various bridge tables.	Procedures have been established to ensure consistency between the various bridge tables.	Ongoing		The existence of different bridge tables leads to a risk of inconsistency between the statistics of different sub-sectors, necessitating consistency checks. This can be done by preparing a unique bridge table for the joint shared accounts through the various charts of accounts.
Outcome: Consolidation and completion of the GFS questionnaire					
High	6. Consolidation: Identify and quantify flows between the different levels of general government.	Intra- and intergovernmental flows are identified and recorded in a table.	June 30, 2022, for the 2021 data		The aim is to map out and to quantify the flows between the main general government institutions. The DE could use the appendix of the 2020 mission report, which provides the main principles for consolidation.
High	7. Assemble, complete and communicate tables of revenue, expense and transactions on assets and liabilities for the 2021 financial year in the GFS questionnaire of the IMF.	The GFS questionnaire for the entire consolidated general government has been completed and communicated to the IMF Statistics Department.	September 30, 2022		The aim is to make consolidation adjustments in order to obtain statistics for the consolidated central government and for the consolidated three general government sub-sectors.

Priority	Action/Milestone	Risk Assumptions/ Verifiable Indicators	Target Completion Date	Actual Completion Date	Comments
Average	8. Create a financial balance sheet for the budgetary central government (State) for the 2021 financial year and complete Table 6 of the GFS questionnaire for the 2021 financial year.	A financial balance sheet is compiled and communicated to the IMF Statistics Department.	September 30, 2022		
Average	9. Verification of consistency between the debt statistics and the debt liabilities of the financial balance sheet.	The liabilities that constitute debt are coherent with the debt statistics.	Ongoing		Consistency between the debt liabilities of the financial balance sheet and the debt statistics is an important element of the quality of the data.
High	10. Communication of the debt statistics in the GFS questionnaire of the IMF (Table 6, 6A and 6B).	The debt statistics of the central government have been communicated to the IMF.	December 2022		This objective could be the focus of the next mission.
Average	11. Preparation of the Statement of Sources and Uses of Cash [Situation des flux de trésorerie (SFT)] for the budgetary central government in Statement II of the GFS questionnaire.	The GFS of the State have been produced and communicated to the IMF.	December 2022		This objective could be the focus of the next mission.

Priority	Action/Milestone	Risk Assumptions/ Verifiable Indicators	Target Completion Date	Actual Completion Date	Comments
Outcome: <i>Identify and expand the institutional coverage</i>					
High	12. Provide an assessment of the importance of the EPA already captured in the statistics compared to all EPAs (based on personnel, for example).	The weight of the entities captured compared to all entities has been assessed.	March 31, 2022		In cases where the coverage of certain sub-sectors is not fully comprehensive, it is important to be able to assess the level of representativeness of the entities that have already been captured. A weak level of representativeness will increase the need to expand the statistical coverage.
Average	13. Expand statistical coverage to the other EPA and the nonmarket Industrial and Commercial Public Entities [Établissements Publics à Caractères Industriel et Commercial (EPIC)], according to relevance (for example on the basis of an indicator similar to the one mentioned under the previous action).	Triage between market and nonmarket EPIC has been undertaken. The GFS for nonmarket EPIC have been prepared.	2023 and ongoing		The expansion of the statistical field is an action of the PSMFP. The relevance of the inclusion of EPIC will depend on their weight in relation to the entire central government.
Outcome: <i>Organization of work and other aspects</i>					
High	14. In the context of the memoranda mentioned above (Action 3) and according to needs, establish	Mechanisms and schedules for the communication of data have	N/A		This activity is no longer considered relevant as the accounting source data are regularly

Priority	Action/Milestone	Risk Assumptions/ Verifiable Indicators	Target Completion Date	Actual Completion Date	Comments
	mechanisms and schedules for the spontaneous communication of the source data.	been put in place.			produced and provided by the DGT.
High	15. Establish, for the database suppliers, questionnaires on the presentation of source data and additional information.	Specific questionnaires and forms have been prepared and proposed to the accountants of certain source data supplier services.	June 30, 2022		The use of questionnaires can sometimes be useful in order to obtain additional information, like certain types of breakdowns, notably those relating to intra- and inter-governmental transfers, which are not identifiable in the balance sheets communicated to the DE.
Average	16. Adopt the <i>GFSM 2014</i> for the OGT.	The OGT has adopted the presentation of the Statement of Government Operations [Situation des Opérations des Administrations Publiques (SOAP)] and the <i>GFSM 2014</i> classifications.	Planned for the short term.		The aim is to adopt the analytical framework and the <i>GFSM 2014</i> classifications for the OGT. This is a declared objective of the Malagasy authorities, which must be the subject of a consultation with the African Department of the IMF.

Priority	Action/Milestone	Risk Assumptions/ Verifiable Indicators	Target Completion Date	Actual Completion Date	Comments
Average	17. Draft a document with concepts, sources and methods.	The document in question has been drafted and updated over time.	The adoption of the <i>GFSM 2014</i> by the authorities as the standard methodology for the OGT and the entire GFS will contribute to the drafting of such a document.		<p>In addition to its methodological nature, this type of document must also serve as a procedural manual, among other things. It is a way of contributing to the training of new recruits and to ensuring the continuity of tasks in the event of DE staff departures, as well as familiarizing agents outside of the DE.</p> <p>This is an action of the PSMFP. It has a high level of importance. The sole reason why it is given an average level of priority is because the drafting cannot be done in the short term.</p>
<p>Note: The timeline for this plan of action is limited to 2022. Beyond that, it will be necessary to organize work to adopt more complex aspects of the methodology of the <i>GFSM 2014</i> and of the <i>2011 Public Sector Statistics Guide [Guide des statistiques du secteur public (GSDSP 2011)]</i> like, for example, the application of accrual basis of recording.</p>					

A. Preliminary Considerations

10. The work of the mission mainly focused on:

- The review of the bridge tables between the accounting classifications of the EPA, CTD and the statistical classification of the *GFSM 2014* and the procedures developed during the 2020 mission in order to take account of the modifications made to the accounting trial balances since then;

- The establishment of sectoral GFS (EPA, CTD and CNaPS)³ for the 2020 financial year based on the accounting trial balances;
- Procedures for the consolidation of these GFS with a view to developing consolidated GFS for all of the general government sub-sectors;
- Compilation of the financial balance sheet for the budgetary central government (the State);
- The evaluation and updating of the action plan with the objective of preparing and communicating these consolidated statistics towards the middle of 2022.

11. The development of Malagasy GFS is ongoing. The authorities have a clear vision of the road map for developing their GFS and have the right technical skills, particularly in terms of command of the statistical methodology and its application. The preparation of the consolidated GFS for all of the general government sub-sectors towards the middle of 2022 therefore seems achievable. That said, the pace of production of statistics related to EPA and CTD operations is hindered by the modifications made to the accounting trial balances from one financial year to the next. Because of the increase in the number of accounts due to enhanced data capture for operations, significant modifications must be made to the procedures for treating accounting information that has already been established for the previous financial years when compiling of data for a new financial year. In other words, it is not currently possible to prepare the statistics purely and simply on the basis of the procedures already being implemented. The systematization of the statistical production recommended by the 2020 mission must therefore wait for the “stabilization” of the presentation of accounting trial balances. This aspect is developed in the next section on the EPA and the CTD.

12. The adjustment of accounting trial balances for statistical purposes must be completed, partly in order to satisfy statistical identity (i.e., consistency between net lending/net borrowing and financing). Accordingly, all of the accounts that reflect economic flows must be attributed a classification code (including, in principle, the accounts used to record the depreciation of tangible and intangible assets). The accounts whose records do not reflect the economic flows in line with the *GFSM 2014* (as is the case for records on provisions) or certain equity accounts (items 10 to 15) can be ignored (i.e., excluded from the statistics)⁴ as long as each one constitutes a balanced whole.

13. The abovementioned aspects are developed below: specifically (a) the need, in the presentation of accounting trial balances, to respect the hierarchical structure of their respective charts of accounts, and (b) the adjustment of accounts for the recording of depreciation and provisions accounts.

³ The statistics relating to the operations of the budgetary central government (State) that have already been prepared by the DE.

⁴ As this exclusion can be considered to constitute specific adjustment, it can be said that all accounting trial balances accounts must be effectively adjusted.

B. Extrabudgetary Central Government and Decentralized Local Governments

14. The mission revised the bridge table between the consolidated trial balances of the EPA and the CTD for 2020 and the statistical classifications. This revision became necessary due to the significant increase in the two cases of the number of accounts effectively used for this financial year compared to that of 2019. Once the bridge table was revised, preparation of the GFS of these sub-sectors for 2020 was undertaken to derive a statement of operations and tables of revenue, expense and transactions on assets and liabilities.

15. The source data for the two sub-sectors of the EPA and CTD have been provided through consolidated accounting trial balances. The presentation of these trial balances does not follow the hierarchical structure of their respective charts of accounts by class, item, entry and account.⁵ Rather, only the elementary accounts that have effectively been used are presented. There are two disadvantages to the absence of items and entries in the accounting trial balances:

- The reading of the accounting trial balance becomes more difficult as the item or the entry with which an account is associated does not appear clearly and must be deduced in relation to the standard chart of accounts.
- The absence of the presentation of items and entries makes classification necessary at a detailed level (for accounts of four or five digits, or even more). This means that each new account introduced during a new financial year must be identified and classified individually, which is not often the case if the classification could be done at the level of the root account or at a higher level. Currently, the classification must be done at the level of each elementary account as it cannot be done at the level of the item or the entry. This means that each new account introduced during a new financial year must be mapped, thereby significantly complicating the processing of accounting trial balances.

16. It is recommended that the presentation of the accounting trial balances be modified by aligning it with the hierarchical structure of the underlying chart of accounts. Such a presentation would allow classification to be done at the level of the root account, items, entries or accounts for which the appropriation accounts constitute a homogenous group, with the heterogenous group classified at the level of elementary sub-accounts. During the transition to a new financial year, the modifications to be made to the bridge table will be limited to the heterogenous accounts by introducing and classifying the new appropriation accounts, as the homogenous accounts require no change except for the integration of the new appropriation

⁵ According to the Malagasy General Chart of Accounts [Plan comptable général], the classifications include classes with one digit, the items with two digits, the entries with three digits and the accounts with four digits. In this report, reference is also often made to the accounts with two digits for the items and three digits for the entries. Beyond the "accounts", there are appropriation accounts (at five figures or more), sometimes called sub-accounts in this report.

accounts (the classification of these new accounts will not be necessary as their amounts will have already been included in the amount for the root account).

17. The use of the hierarchical structure of the chart of accounts for the presentation of accounting trial balances will therefore simplify the classification process. This will reduce the number of classifications to be carried out and will facilitate the standardization of the bridge table (for the most part at least). Initially, only the first drafts of the bridge tables should be done in detail in order to determine which sub-accounts require reclassification.

Recommendation

- Modify the presentation of the accounting trial balances in such a way that their structure reproduces that of the standard chart of accounts by showing the classes, items, entries and account as well as the sub-accounts wherever necessary.

C. Social Security Administration

18. The mission undertook preparation of the statistics of CNaPS based on its consolidated trial balance for 2020. The source data are also assembled from the accounting trial balance which, contrary to the EPA and CTD trial balances, had not undergone any significant changes. The adjustment of the equity accounts (10 to 12), depreciation and provisions should also be finalized once the questions covered in the two following sections have been resolved.

Recommendation

- The recommendations formulated below in relation to the adjustment of depreciations and provisions, the status of the trial balance and the consistency between the flows in the accounts 10 to 12 and the rest of the trial balance also apply to CNaPS. In particular:
 - Identify and, where possible, quantify all the counterpart entries of the records made for accounts 68 and 78 while distinguishing between depreciation and provisions.
 - Identify and, if possible, quantify the consistency between the operating balance and the transactions in accounts 10 to 12 during the 2020 financial year.

D. Depreciation and Provisions⁶

19. The treatment of depreciation and provisions requires particular attention:

- The depreciation of assets is the accounting equivalent of the consumption of fixed capital (CFC) in macroeconomic statistics. The depreciation of assets is therefore considered to be a transaction of the same kind as CFC. The accounting entry mechanism is identical to that which is used for statistics: the depreciations constitute expenditure (item 68) which

⁶ In the immediate term, the depreciations are only relevant for EPA and CNaPS, as neither CTD nor the State currently include them in their records. With regard to provisions, they are currently only relevant for CNaPS.

correspond to the CFC expense (code 23 of the *GFSM 2014*); the accounting depreciation recorded in the balance sheet accounts (item 28) reducing the value of the depreciable assets corresponding to the CFC with the reduction of fixed assets in statistics (code 31 of the *GFSM 2014*, or possibly code 31X according to the fixed asset category). These transactions must therefore be included in the GFS once adjustments have been made to take into account the valuation differences, among other factors.⁷ An alternative, similar to a record made on a cash basis, would involve not recording the CFC in the statistics and simply ignoring the accounting records related to the depreciation of assets.

- The provisions, in contrast to the depreciation of assets and in accordance with the *GFSM 2014* and other macroeconomic statistics systems (notably the *System of National Accounts (SCN) 2008*), must not be considered to constitute economic flows.⁸ As a consequence, the corresponding amounts, namely the provision expense (item 68, as well as item 78 for the possible returns in products) and their counterparts in the relevant asset and liability accounts must be excluded from the GFS (both for the SGO and the Statement of other economic flows). While the amounts excluded in part and others are not part of a balanced whole of entries, a pure and simple exclusion will lead to a statistical imbalance.⁹ In this case, it will therefore be necessary to request additional accounting information in order to identify all of the counterpart entries to the provision expense and the provision releases that could have been made outside of the balance sheet accounts earmarked for provisions (such as accounts 15, 29, 39, 48, 49 and 59).¹⁰

20. Another aspect to highlight in the treatment of depreciations and provisions is the fact that, in the presentation of the accounting trial balance (and also of the chart of accounts), account 68 does not distinguish between depreciations and provisions. However, the breakdown between the two can, in principle, be found in the Statements of Additional Information [États d'Information Complémentaires], notably in the tables of assets, depreciations and provisions, insofar as they exist. It is therefore important to verify this aspect. Without access to additional information, the distribution between the two types of expense can be estimated by attributing: (a) the amount recorded in the credit of account 28 to depreciations; and (b) the residual item to provisions (specifically the difference between the amount recorded for account 68 and the credit recorded for account 28).

21. The depreciations such as those highlighted above can serve as a substitute to the CFC while waiting to be able to calculate it directly. The records related to the provisions

⁷ Given that calculation of the depreciation of assets is based on the historic cost of assets, accounting depreciation can differ significantly from the CFC, which in turn is based on the current market value. The other aspects that can lead to differences, such as the coverage of assets respectively affected by depreciation and the CFC, as well as their method of calculation, are not generally significant and can be ignored for now.

⁸ The recording mechanism for provisions is similar to that which is used for depreciation: provision is recorded as expense with a counterpart entry in the relevant asset and liability in the balance sheet.

⁹ The difference identified is now reflected in the statistical identity (namely the difference between net lending/net borrowing and financing).

¹⁰ The accounts concerned depend on the chart of accounts used. According to the type of provisions, the General Chart of Accounts [Plan comptable Général] (original 2006 version) earmarks accounts 15, 29, 39, 48, 49 and 59.

should be ignored. If this exclusion leads to a statistical imbalance (non-zero gap between net lending/net borrowing and financing), this gap will be reflected in the difference between net lending/net borrowing and financing as a statistical discrepancy.

E. Equity Accounts

22. The records for accounts 10 to 13 are purely accounting entries that do not correspond to economic flows. The main purpose of these accounts is to record income and its distribution into different types of reserves or into other equity accounts. The corresponding records must therefore also be excluded from the statistics on the transactions, at the same time as the closing entries of the management accounts (credits for classification 6 and debits for classification 7) allowing identification of the income to be recorded in the income account (account 12). Except for cases where the whole entry presents a zero balance, their exclusion introduces a gap between net lending/net borrowing and financing. In order to alleviate this problem and close this gap, it is necessary to obtain additional accounting information (such as Statements of Additional Information or direct access to the relevant account services) allowing identification of all of the counterpart entries for movements during that period in the accounts 10 to 12 in order to also exclude them from the statistics.

23. In the most straightforward case concerning accounts 10 to 12, entries are only made under account 12 in order to record the income for the financial year; the other entries for accounts 11 and 10 reflect internal transfers that do not affect the balance of operations of this group of accounts. The exclusion of entries 12 is neutralized by the exclusion of entries serving to balance the accounts for classifications 6 (in credit) and 7 (in debit). Therefore, the exclusion of accounts 10 to 12 does not affect the gap between net lending/net borrowing and financing. If some of the accounts in question will also have entries made in counterpart to the records for accounts other than the accounts for expense and revenue, it will be necessary to identify them in order to balance all of the accounts to be excluded.

24. It would be useful to know the exact nature of the accounting trial balances used by the DE. It is the understanding of the mission that these accounting trial balances are closing balances (therefore subsequent to inventory operations).¹¹ However, the accounts for classifications 6 and 7 in these trial balances are not balanced and, as a result, the income cannot be identified and transferred to account 12. More generally, the accounting practices concerning accounts 10 to 12 must be clarified and require particular attention, notably because certain practices appear to divert from traditional standards.

Recommendation

- Clarify the status of the accounting balance sheets assessed by the mission as well as the relationship between the entries in 2020 of accounts 10 to 12 compared to the rest of the

¹¹ In the absence of closure of these accounts, it will be necessary to explain the recordings on the income accounts for 2020, both for the EPA and for the CTD. The relationship between management operations and the entries recorded in the income account should also be clarified in the case of the CNaPS.

trial balance: more specifically, provide (or at least explain) the generating entries of the accounts in question.

F. Consolidation

25. The principles for consolidation and their application to the Malagasy GFS were described in an appendix to the 2020 mission report¹². As a reminder, they involve eliminating transfers between the State and the EPA (intragovernmental transfers) and transfers between the three general government sub-sectors, namely between the central government, the CTD and the CNaPS (with the exception of transfers of social contributions to the latter, which should not be eliminated). The appendix of the 2020 mission report presented an inventory of potential transfers between these sub-sectors while specifying that transfers of small amounts could not be taken into consideration. For the 2020 financial year, the DE identified the following budgetary transfers to the EPA and the CTD in the general balance sheet of the Treasury (in millions of Malagasy ariary):

- Transfers to the CTD: 78,145.6 (Accounts 651, 652, 653)
- Transfers to the EPA: 122,116.6 (Account 6551)

The following counterparties of these transfers have been identified:

- Budgetary transfers received by the CTD: 94,714.0 (Accounts 1311, 7511, 7512, 7513, 7514 and 1518 of the consolidated balance sheets of the CTD)
- Budgetary transfers received by the EPA: 115,217.9 (Accounts 1311, 7510, 7511 of the consolidated balance sheet of the EPA)

26. The comparison of the amounts transferred by the budget with the amounts recorded as received by the CTD or the EPA reveals gaps. These gaps could be due to several factors, including a difference between the recording databases used by the budget on the one hand and the CTD and EPA on the other hand, and a difference in institutional coverage (the transfers made cover all of the beneficiaries while the transfers received only cover the transfers received by the beneficiary entities that are covered by the source data.

27. In the statistics, the transfers received must be equal to the transfers made. In light of such gaps, it is generally agreed that the source data considered to be the most reliable should be prioritized (something that is not always easy to determine). If the statistical balance was initially satisfied individually by the different sub-sectors, the replacement of the initial amounts by other amounts introduces a gap between net lending/net borrowing and financing of the sub-sector concerned. An amount corresponding to this gap must therefore be included in a somewhat arbitrary category of revenue or expenditure, in order to re-establish the statistical balance. For the 2020 financial year, the mission used the data from the accounting trial balance of the Treasury as a source for the transfers to prioritize (transfers received by the CTD and the EPA as

¹² See [IMF Report No. 21/151](#).

well as transfers made by the budget). The mission developed a consolidated presentation of the GFS related to the operations of all of the three sub-sectors of the Malagasy general government in the GFS questionnaire in which the consolidation eliminations appear in the columns provided for this purpose and which integrate the abovementioned gap in order to maintain the balance of statistics.

Recommendation

- Explain the differences noted between the transfers and subsidies paid or to be paid using the budget and the amounts noted as received or to be received by the beneficiaries on the basis of the respective balances or additional information.

G. List of Officials Met During the Mission

Name	Position	Institution
Andry Nirina Rajaofetra	Director General of the Treasury, DGT	Ministry of the Economy and Finance, General Directorate of the Treasury
Hanitra Randrianirina	Director of the DE	Ministry of the Economy and Finance, General Directorate of the Treasury
Odile Randriamarofy	Head of Department at the DE, Treasury Inspector	Ministry of the Economy and Finance, General Directorate of the Treasury
Mireille Harivola Ravelojaona	Research Official	Ministry of the Economy and Finance, General Directorate of the Treasury
Harilalaina Tahina Rakotobe (Mr.)	Research Official, Treasury Inspector	Ministry of the Economy and Finance, General Directorate of the Treasury
Oely Hasina Andrianantenainarinoro (Mr.)	Research Official, (Treasury Inspector)	Ministry of the Economy and Finance, General Directorate of the Treasury
Hoby Miarantsoa Andrianasolo (Mr.)	Research Official	Ministry of the Economy and Finance, General Directorate of the Treasury
Bruno Imbert	Advisor on Public Finance Management, Department of Fiscal Affairs (Département des finances publiques).	IMF