



**IMPROVE THE ABSORPTION OF DONOR FUNDS**  
**THE IDENTIFICATION OF BARRIERS**  
**IMPACTING EXTERNAL ASSISTANCE**  
**DELIVERY AND RESULTS**

**MARCH 2023**



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## List of Acronyms

AMP	Aid Management Platform
BFM	Central Bank of Madagascar
DCE	Directorate for Economic Cooperation
DGEP	Direction Générale de L'Economie et du Plan
DGFAG	Direction Générale des Finances et des Affaires Générales
EU	European Union
GOM	Government of Madagascar
IMF	International Monetary Fund
MOEF	Ministry of Economy and Finance
OSCIF	Investments and Financing Coordination and Monitoring Agency
PEFA	Public Expenditure and Finance Accountability Assessment
PEM	Plan Emergence Madagascar
PFM	Public Financial Management
PIU	Project Implementation Unit
PMO	Prime Minister's Office
RINDRA	Strengthening Governance in Madagascar
SDG	Sustainable Development Goals
SIG-MP	Système Intégré de Gestion des Marchés Publics
STPCA	Secretariat Technique Permanent pour la Coordination de l'Aide
TNC	Tableau de bord National Centralisé
UNDP	United Nations Development Programme
USAID	U.S. Agency for International Development

## I. Background

Madagascar is heavily dependent on external financing to fund public investment programs with development partner support amounting to about \$793 million disbursed in 2021. Financing is provided in the form of grants, budget support, credits, and loans and are major contributors to the country's reform and development efforts<sup>1</sup>. Past studies, such as a UNDP 2016 study, indicated an aid absorption level of 65.29% between 2009 and 2015.

The low absorption rate has persisted since that time. Since 2016, the value of projects registered to use the established processes<sup>2</sup> was reduced to 27.5% of total project value in 2021 from a high of 47.1% in 2018 and non-registered projects' value increased to 72.5% in 2021 from a low of 52.9% in 2018. And the number of projects followed these trends with non-registered project increasing and registered projects decreasing. The low disbursement is further evidenced by the credit and grant flows. Credits and loans amounted to about \$240 million for 2021 from a 5-year high of \$298 million in 2020 and \$289 million in 2017. Grants during the same period were at \$536 million in 2021 from \$555 million in 2020 but well above the \$408 million in 2017. However, these figures are for funds disbursed and not compared to funds planned to be disbursed. Even just looking at total aid flows for the period, the flows are erratic, hitting a high of \$886 million in 2021 and a low point of \$622 in 2016<sup>3</sup>.

The low aid absorption leaves funds undisbursed that directly impacts development effectiveness and accomplishing results as well as holds back funds that can be circulating through the economy to contribute to employment and growth. In summary, the countries development is hindered from the low aid absorption.

UNDP Madagascar is executing the USAID-funded Governance Program: Strengthening Governance in Madagascar (hereafter designated as "RINDRA") initiated in October 2021. The component relative to this assignment is to improve the management of financial resources for development through improved budget formulation and execution in selected government entities and improve the capacity of the government to absorb donor funding<sup>4</sup>.

The goal of the assignment is to first identify probable causes of the low disbursement rate and then formulate recommendations to improve the absorption rate of development partner funds and improve the management of public investment projects. The project will then continue to work with government counterparts and development partners to help implement reforms and provide training over the short and medium term.

The tasks undertaken review the entire external assistance funded public investment program process starting with:

- Planning of projects and programs and their relationships to national development plans and sector strategies, and plan and development partner coordination,
- Management and implementation including coordination and oversight, implementation modalities, financial reporting, and disbursement; and
- Ongoing and/or periodic program and project monitoring and evaluation to include where such monitoring and evaluation takes place, who performs and how the resulting information feeds back into the planning process.

The approach considers the entire project and program cycle. From the initial assessment, provided below, the recommendations will flow followed by implementation support to help approve the human resource capacities processes, functions, and results.

<sup>1</sup> It is estimated that for 2022 capital grants made-up about 14.8% of total revenue and foreign financed capital expenditure made up 65.1% of total capital expenditure and 30.3% of total budget expenditure. Source: First Review Under Extended Credit Facility Arrangement Staff Report, IMF, March 2022. Percentages are based on figures on Table 3a, page 28

<sup>2</sup> Established processes include those implemented by the Ministry of Economy and Finance and include loans, credits, budget support and some grants

<sup>3</sup> The data in this paragraph is from the 2021 Draft Annual Cooperation Report (September 2022) that contains data using the AMP database. The database was recently transferred to the MOEF and its technical capabilities and data are currently being vetted and an update with 2022 data is planned.

<sup>4</sup> The other two components are: the management of civil and business court cases through the establishment of a better case management system and training of court personnel on key areas of the law; and the responsiveness of the Government of Madagascar (GOM) to its citizens through better training of personnel charged with local administration and the development of local platforms for citizens participation in local development and the capacity of citizens to take advantage of such platforms.

## II. Assignment Objective, Approach and Methodology

### A. Objective

The Government of Madagascar (GOM) is at a critical time as the country recovers from the COVID-19 pandemic and efforts are being made to spur economic growth and social stability with development partner-provided funding, which is historically an important element of the development and reform agenda as well as a significant part of government financing. The GOM recognizes the importance of this critical time as evidenced by the recent presentation of the Plan Emergence Madagascar (PEM) that establishes a framework for future development and the corresponding investments needed as well as recognizing the need to improve the disbursement of external assistance to fuel the reforms and development countrywide. The end objective of this assignment is to assist the GOM improve development assistance absorption to further its development and reform agenda.

### B. Approach and Methodology

The assignment approach is to look at the entire public investment programming set-up – from organizational structures (central government agencies, ministerial roles, project implementation units - PIUs, etc.), human resource capacities, legal framework, and processes and systems that are currently in place. From the assessment of these components, recommendations are provided so that they are based on internationally accepted standards, other country experience, and acceptable by the GOM and its development partners.

The methodology is based on: 1) a review of relevant documents; 2) interviews of the direct and indirect stakeholders; and 3) analysis of the information gathered and report writing. A list of documents reviewed are provided as Annex A. The list of people interviewed are provided as Annex B. For the interview process, there were efforts to hold discussions with the main stakeholders representing government (mainly Office of the President, Ministry of Finance and Economy- MOEF, and sectoral ministries), representative PIUs, and multilateral and bilateral development partners.

The following table provides the assignment's activities, timeline and expected outputs.

**Figure 1: Assignment Activities, Timeline and Expected Output**

ACTIVITY	TIMELINE	EXPECTED OUTPUT
Assessment Report Identifying Current Situation and Barriers to Aid Absorption	24 October 2022	Assessment report with description of current situation, functional analysis, and the identification of barriers
Assessment and Recommendations to Improve External Assistance Absorption and Delivery (Final Report will be inclusive of feedback from the following validation workshop)	5 December 2022 (draft) 16 December 2022 (final)	The above assessment report adjusted based on feedback and including recommendations to improve absorption and delivery. Inclusive of feedback from the following validation workshop and proposed timeline for implementation
Validation of Findings and Recommendations with Government and Development Partners	8 December 2022	Workshop to present findings and recommendations and gain feedback
Further work with Government and Development Partners to advance recommendations	Mid-December 2022 – March 2023	To be determined in cooperation with Government stakeholders and UNDP based on final recommendations

### III. Situational Assessment of External Assistance Public Investment Absorption

#### A. Overview

The issue of external assistance absorption is one that has been known for some time. The issue was fully illustrated in the 2016 aid absorption evaluation study along with a similar sectoral study for health<sup>5</sup>. More recently the 2021 Public Expenditure Financial Assessment (PEFA), various International Monetary Fund (IMF) assessments and reports, various GOM reviews including with development partners, and the draft 2022 Official Development Assistance report also identify the absorption of external assistance as an issue in terms of hindering financial flows and project execution that negatively impact development results<sup>6</sup>. The GOM has embarked on implementing a public finance reform strategy that also addresses public investment management and aid financial management. The GOM has also focused on decentralization of public administration and financing to include service provision and develop infrastructure. These two efforts must be considered when addressing aid absorption issues and responses.

Public investment management directly impacts the absorption of external development assistance. There are international practices and standards that must be achieved to have efficient and effective management. A list of such requirements is also offered below to help measure the GOM's institutional framework, capacities and processes.

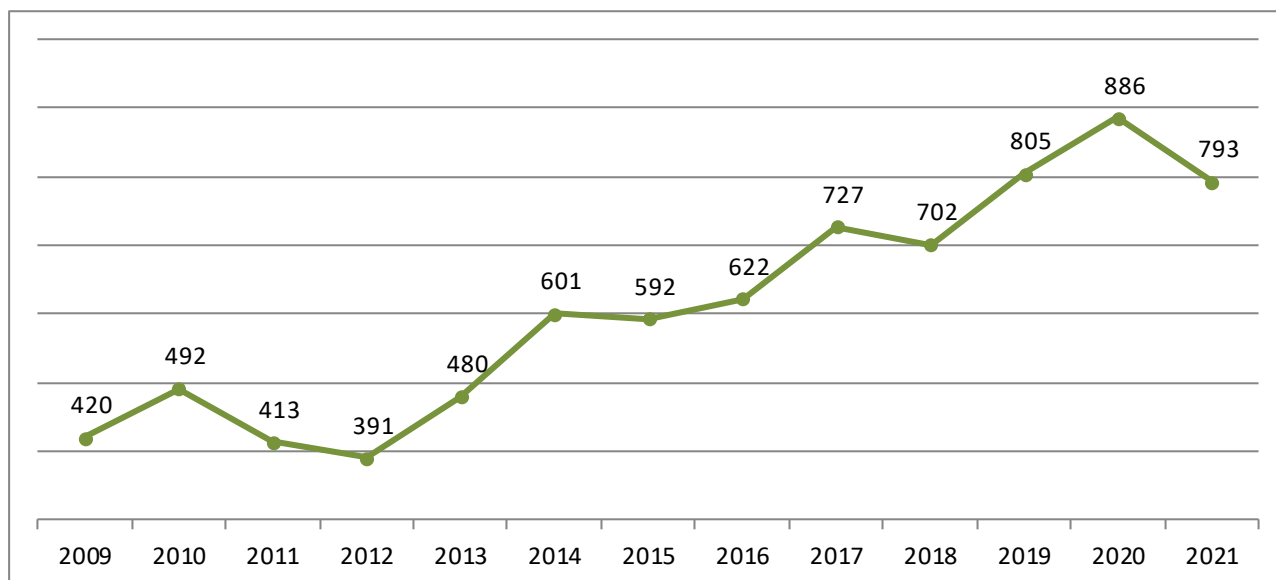
#### B. Aid Absorption Situation for the Period 2016-21

Madagascar has had an overall upward trend of receiving external assistance to fund its public investment program, with some periods of stagnation or decline, to address development and reforms. While the amounts attracted have been increasing, absorptive capacity has hindered the full application of the funding, thus slowing development. The tables provided below are from the draft 2021 Annual Cooperation that was reportedly updated as of September 2022. Please note that the figures are disbursed amounts. The planned amounts are not provided in the report thus updated aid absorption percentages could not be calculated. However, the trends do provide support to show the changes in aid absorption as shown by actual delivery amounts (increases and decreases) and the number of dollars flowing through government processes and those not using such processes<sup>7</sup>.

**Figure 2: Official Development Assistance Trends, 2009- 2021, US\$, millions**

Source: AMP-Madagascar, 8 September 2022

ses, functions and results



5 Evaluation du Taux d'Absorption de l'Aide a Madagascar, Secrétariat Technique Permanent pour de la Coordination de l'Aide Sis, Villa Harivola, Enceinte du Palais de la Primature Gouvernement de la République de Madagascar, May 2016 and Evaluation de la Capacité D'Absorption Organisationnelle et Financière de L'Administration de la Santé Concernant les Investissements des Partenaires Techniques et Financiers au Cours des Cinq Dernières Années, # Project: MF/FED/024-542, Projet de Rapport Final, 7 Fonds Européen de Développement (FED) Madagascar, Juillet 2016  
6 Rapport 2021 sur la Performance de la Gestion des Finances Publiques a Madagascar sur la periode 2018-2020, PEFA 2016, #Project: MG/FED/024-542, Rapport Final, Decembre 2021 and Annual Cooperation Report (Draft) 2021, September 2022, Bref aperçu du dossier GIP, Directorate of Economic Cooperation, Office of the President, 2022  
7 Annual Cooperation Report (Draft) 2021, September 2022. The report is based on data from the AMP database. The database was recently transferred to the MOEF and its technical capabilities and data are currently being vetted and an update with 2022 data is planned.



The funds disbursed peaked at \$886 million in fiscal year 2020 and decreased to \$793 million in fiscal year 2021. Of the 2021 amount, an estimated 17.72% went to COVID-19 response efforts. On a per capita basis, external assistance amounted to about \$27.35 per person in 2021.

**Figure 3: Development Assistance Profile and Type of Financing, 2017-21, US\$, millions**

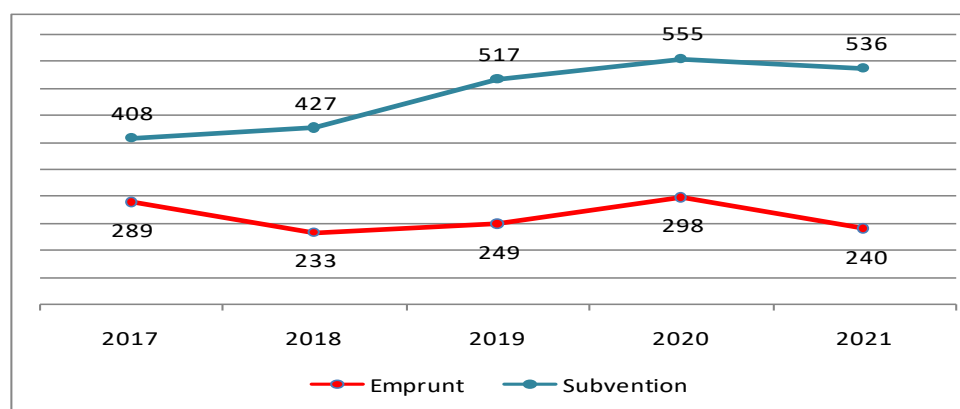
Source: AMP-Madagascar, 8 September 2022

Type of funding	Effective disbursements				
	2017	2018	2019	2020	2021
Technical support	22 397 811	39 299 951	32 859 204	31 770 578	16 388 537
Loan	4 648 077	14 395 747	75 799 155	23 228 215	47 985 412
In-kind	-	-	-	263 281	-
Contrevalue fund	-	-	-	-	625 640
Grant	150 857 992	177 524 887	169 303 746	232 722 899	149 635 663
<b>Bilateral agencies</b>	<b>177 903 879</b>	<b>231 220 585</b>	<b>277 962 104</b>	<b>287 984 972</b>	<b>214 635 252</b>
Technical support	665 564	1 701 357	349 181	2 835	10 000
Loan	284 338 346	219 037 454	172 895 447	274 696 883	191 966 729
In-kind	7 309 600	410 644	6 137 178	676 681	190 121
Grant	257 048 502	249 219 900	347 636 565	322 144 124	386 467 703
<b>Multilateral agencies</b>	<b>549 362 011</b>	<b>470 369 354</b>	<b>527 018 371</b>	<b>597 520 523</b>	<b>578 634 554</b>
<b>Totaux</b>	<b>727 265 891</b>	<b>701 589 940</b>	<b>804 980 474</b>	<b>885 505 494</b>	<b>793 269 805</b>

The development assistance received is made up of loans, credits, official budget support, grants, and in-kind donations. As shown in Figure 3, multilateral institutions provide the majority of funding, increasing from 65% to 75% of total disbursement volumes. Grants make up the largest share of funds disbursed, amounting to 56% to 67% of total disbursements and the grant amounts have increased during the 2017-21 period to a total of \$407,906,474 in 2017 to \$536,103,366. Figure 4 shows the change in grant and loan for the 2017-21 period that shows the grant on more of an upward trend and loans at more of a steady pace, depending on the achievement of the need for and agreement to loan funds.

**Figure 4: Annual change in Grants and Loans, 2017-2021, US\$, millions**

Source: AMP-Madagascar, 8 September 2022



The GOM has an established registration and process, as described in the following sections, in which the budget support, loans, credits and some grants are to go through the processes according to the public laws and regulations. As shown in Figure 5, there has been a trend by development partners to have more projects, and the accompanying funding, outside of the established processes and procedures. For fiscal year 2021, it is estimated that 71 projects were processed using the financial procedures, termed as 'registered' (which are mainly credits, loans, budget support and some grants) and 354 outside of the procedures (termed as 'non-registered' which are mainly grants). The dollar amounts of non-registered projects have also increased overall while the dollar amounts processed through the budget and financial processes has

decreased.

**Figure 5: Registered and Non-Registered External Assistance According to Finance Laws, 2017-2021, US\$, millions**

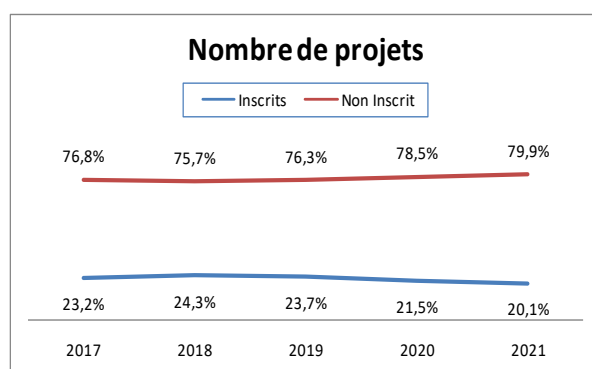
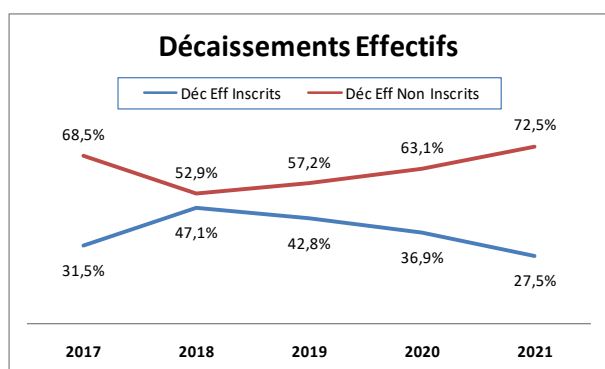
Source: AMP-Madagascar, 8 September 2022

Year	Registered				No registered				Total	
	Eff. Disb.		Number of project		Eff. Disb.		Number of project		Eff. Disb.	Numb of project
	Allocation	%	NB	%	Allocation	%	NB	%		
2017	228 914 039	31,5%	80	23,2%	498 351 852	68,5%	265	76,8%	727 265 891	345
2018	330 164 840	47,1%	92	24,3%	371 425 100	52,9%	287	75,7%	701 589 940	379
2019	344 826 621	42,8%	94	23,7%	460 153 853	57,2%	302	76,3%	804 980 474	396
2020	326 641 023	36,9%	83	21,5%	558 864 472	63,1%	303	78,5%	885 505 494	386
2021	218 194 095	27,5%	71	20,1%	575 075 711	72,5%	283	79,9%	793 269 805	354

Figure 6 shows clearly that the percentage of registered funding going through national processes has decreased since fiscal year 2018 from a high of 47.1% of total external assistance to 27.5% in fiscal year 2021. Correspondingly, the amount of non-registered funding outside of government processes has proportionally increased. The number of projects (Figure 7) has followed the same trend but with less variation. The difference between funding amounts disbursed for each classification and number of projects could be that larger dollar amounts are being disbursed through fewer non-registered projects. Figure 5 provides further evidence to this conclusion

**Figure 6 & 7: Effective Disbursement of Registered and Non-Registered External Assistance Funding (%) and Number of Projects**

Source: AMP-Madagascar, 8 September 2022



**Figure 8: Annual change in Grants and Loans, 2017-2021, US\$, millions**

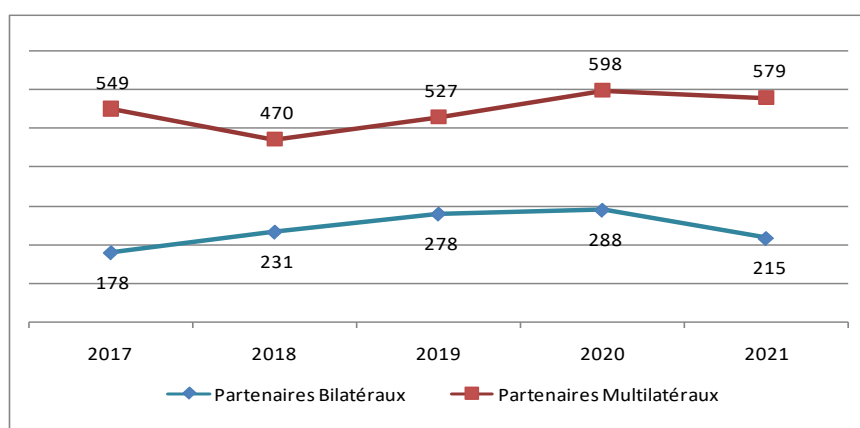
Source: AMP-Madagascar, 8 September 2022

Type of partners	Effective disbursements				
	2017	2018	2019	2020	2021
Bilateral agencies	177 903 879	231 220 585	277 962 104	287 984 972	214 635 252
Multilateral agencies	549 362 011	470 369 354	527 018 371	597 520 523	578 634 554
Decentralized cooperation	5 553 179	4 320 356	4 532 301	5 415 097	4 645 983
Non-governmental organizations	18 799 138	17 148 064	18 154 495	12 222 284	6 642 504
<b>Total</b>	<b>751 618 207</b>	<b>723 058 361</b>	<b>827 667 270</b>	<b>903 142 875</b>	<b>804 558 293</b>

Figure 8 shows the breakdown of assistance by development partner category. Multilateral and bilateral partners make up almost all of the funding with multilateral agencies almost double that of bilateral partners. In 2021, multilateral agencies disbursed 72.9% of total disbursements compared to 27.1% for bilateral agencies. As shown in Figure 3 bilateral agencies provide mostly grants and technical assistance funds and multilateral agencies provide mostly loan and grant funds. Figure 9 shows multilateral funding on an upward trend and bilateral funding on a downward trend.

**Figure 9: Variation by Main Partner Category: Bilateral vs. Multilateral, 2017-21, US\$ millions**

Source: AMP-Madagascar, 8 September 2022



As shown in Figure 10, the social sector maintains a dominant position as a target for development assistance investments, with investments for all sectors generally increasing over the years, except for infrastructure. There are changes in the sector patterns from year-to-year. And the infrastructure sector shows the most fluctuation from year-to-year most likely because of timing of design and delivery and possible delays. Overall, for 2021, most of the external assistance was in the social sector (43.9%) followed by the productive sector (21.8%), administrative sector (17.8%) and the infrastructure sector (16.4%).

**Figure 10: Development Assistance Trends by Main Sectors 2017-21, US\$ millions**

Source: AMP-Madagascar, 8 September 2022

Main sector	Effective disbursements				
	2017	2018	2019	2020	2021
<b>SOCIAL</b>	316 694 187	252 515 125	245 942 275	426 971 686	343 304 157
<b>PRODUCTIVE</b>	114 499 543	164 737 618	152 842 528	173 448 249	172 649 672
<b>ADMINISTRATIVE</b>	137 548 245	163 285 415	126 834 315	63 015 109	141 057 769
<b>INFRASTRUCTURE</b>	154 516 127	119 156 263	275 840 733	212 258 237	130 135 311
<b>NOT SPECIFIED</b>	4 007 789	1 895 519	3 520 624	9 812 214	6 122 897
<b>Total</b>	<b>727 265 891</b>	<b>701 589 940</b>	<b>804 980 474</b>	<b>885 505 494</b>	<b>793 269 805</b>

Regional development and decentralization are key elements of Madagascar's development. Administratively, the country is divided into 6 provinces, 23 regions, 119 districts and 1,695 communes. Historically, external assistance has been concentrated in the Analamanga region where the capital, Antananarivo, is located. The capital's central and outlying urban areas dominate the country's governance, economic and social life. It has continued to absorb a majority of external assistance, averaging about 9.9% of total assistance for the 2017-21 period plus benefiting from projects that are classified as "national" in the AMP database<sup>8</sup>. There is a transition of more external assistance flowing to other regions. However, the transition is sporadic with ups and downs in annual disbursements. This can be attributed to project terms (start/end dates), impediments to execution, or weak aid attraction. Development partners and the GOM have made efforts to decentralize development with entities such as the World Bank, EU, France, Germany, USAID and others allocating more resources and attention to the regions. At the regional level for 2021, most of the external assistance was in the social sector (35.9%) followed by the productive sector (31.2%), infrastructure (22.1%) and the administrative sector (10.6%)<sup>9</sup>.

<sup>8</sup> Projects categorized as "national" have averaged 53.6% of total external assistance for the 2017-21 period with 60.3% categorized as "national" for 2021.

<sup>9</sup> The information source for the statistics in this paragraph are from the Annual Cooperation Report (Draft) 2021, September 2022

**Figure 11: Development Assistance by Region 2017-21, US\$ millions**

Source: AMP-Madagascar, 8 September 2022

Région	Effective disbursements				
	2017	2018	2019	2020	2021
ANALAMANGA	58 284 050	81 385 746	73 902 008	99 990 259	72 157 708
ATSIMO-ANDREFANA	61 234 761	47 908 077	46 834 482	45 611 548	37 592 900
ANOSY	16 121 555	12 338 813	15 078 387	11 978 125	27 810 826
ANDROY	18 380 312	10 318 062	12 186 387	12 869 632	22 332 845
BOENY	17 533 224	13 987 327	16 212 297	16 968 155	21 415 236
ANALANJIROFO	11 754 682	7 344 678	13 785 690	10 784 842	18 567 040
SOFIA	8 469 604	5 209 101	5 542 373	7 028 940	15 009 356
SAVA	9 156 815	6 230 534	7 883 326	7 981 317	14 600 985
DIANA	11 989 364	13 490 582	10 973 306	9 617 753	12 409 170
HAUTE MATSIATRA	30 728 438	29 437 855	27 642 605	33 360 257	12 165 604
ATSINANANA	26 926 730	47 180 157	48 087 045	74 821 414	10 027 750
ATSIMO-ATSINANANA	23 029 479	8 298 830	10 479 363	11 046 706	7 986 679
VAKINANKARATRA	9 385 999	7 256 226	9 831 315	12 020 996	7 427 018
VATOVAVY-FITOVINANY	10 763 097	7 587 466	9 562 627	6 799 962	7 216 175
BONGOLAVA	8 377 943	5 787 976	7 850 283	9 421 190	5 496 229
ALAOIRA-MANGORO	8 456 258	7 101 369	5 353 020	9 414 181	5 250 760
AMORON' I MANIA	8 240 551	5 384 040	6 916 186	10 763 980	4 462 601
ITASY	15 931 795	9 317 075	10 799 482	11 236 094	4 288 235
MENABE	17 823 342	7 801 582	11 061 254	4 810 858	4 056 085
MELAKY	4 454 923	3 190 235	4 270 586	2 932 333	2 309 304
IHOROMBE	6 848 064	3 041 131	3 535 967	2 303 294	1 855 429
BETSIBOKA	3 608 684	1 153 419	1 754 447	826 132	878 095
NATIONAL	339 766 223	360 839 659	445 438 040	472 917 528	477 953 778
<b>Total</b>	<b>727 265 891</b>	<b>701 589 940</b>	<b>804 980 474</b>	<b>885 505 494</b>	<b>793 269 805</b>

### C. Public Investment Planning, Management and Monitoring Elements

To place the GOM's institutional framework, capacities, and processes in context, the following are elements required for successful public investment planning and management inclusive of external assistance, based on international experience and standards. These elements are used in the conduct of this analysis to help determine that status of the GOM's public investments with external resources. The elements are not stand-alone but are identified to follow the full programming and budget cycle. The elements are based on IMF, World Bank, and other accepted procedures<sup>10</sup>.

**Figure 12: Elements of Public Investment Planning and Management**

1. Tax principles and rules
2. National and sectoral planning in place and monitored
3. Central-local government coordination
4. Checks and balances between executive, legislative and judicial branches in place
5. Regulatory environment and facilitation of public-partnerships

<sup>10</sup> <https://ieg.worldbankgroup.org/evaluations/public-financial-and-debt-management/chapter-4-building-public-investment-management>

6. Regulation of infrastructure companies
7. Ensuring public investments are allocated to priority sectors and projects
8. Medium-Term budgeting is present
9. Budget comprehensiveness and unity are applied
10. Availability of investment guidance to include project development and preliminary screening
11. Formal project appraisal and independent review of appraisal
12. Project selection based on clear criteria and budget availability (externally and/or national resources)
13. Implementation of projects on time and within budgets
14. Ability to adjust projects
15. Funds are available (from development partner and or national resources with cost sharing available)
16. Transparency of budget execution
17. Clear financial processing and approval processes that are implementable
18. Project implementation management and technical skills available
19. Capability and resources available to monitor project implementation
20. Capability and resources available to conduct evaluation per agreed timetable and at project end
21. Capability and resources to monitor and maintain public assets after project completion

There are also the commitments of the 2005 Paris Declaration of Aid Effectiveness<sup>11</sup>. The declaration offers a road map of implementation measures that ensure country governments and development partners hold each accountable to the commitments. The five principles for making development assistance more effective are:

- **Ownership:** Recipient countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.
- **Alignment:** Development Partners align behind these objectives and use local systems.
- **Harmonization:** Recipient countries coordinate and simplify procedures and share information to avoid duplication.
- **Results:** Recipient countries and development partners shift focus to development results and results get measured.
- **Mutual accountability:** Recipient countries and development partners are accountable for development results.

The 2008 Accra Agenda for Action reviewed the progress of the Paris declaration and set the agenda to accelerate advancing towards the Paris targets with the four main areas that required attention:

- **Ownership:** Countries have more say over their development processes through wider participation in development policy formulation, stronger leadership on aid coordination and more use of country systems for aid delivery.
- **Inclusive partnerships:** All partners - including recipient countries, development partners and civil society - participate fully.
- **Delivering results:** External assistance is focused on real and measurable impact on development.

<sup>11</sup> <https://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>

- **Capacity development:** To build the ability of recipient countries to manage their own development and reform program.

The Istanbul Conference on Least Developed Countries (2011) reiterated some of the same targets as above as well as others: country ownership and leadership, an integrated approach, genuine partnership, results orientation, peace and security, development and human rights, equity, voice and representation, balanced role of the states and market's considerations.

## D. Findings

**F1 Development Assistance Flows Uneven Trends** – Development assistance flows have had periods of increases and decreases but have been on an overall upward trend. The changes year-to-year can be caused by coordination, planning and delivery issues, as described in the following sections. The changing flows in recent years can also be attributed to the onset and reaction to COVID-19.

**F2 Development Assistance Data Collection is Present but...** – The AMP database has proven to be a valuable tool and there has reportedly been the collection of external assistance data (reportedly every 6 months). However, the database has moved around the government and was just placed in the MOEF. The data collected is valuable and is analyzed in the annual ODA report. However, there could be more public access to the data. Most importantly, the planned amounts should be recorded in addition to the disbursed amounts so absorptive capacity can be calculated annually.

**F3 More External Financing Avoiding GOM Processes and Procedures** – The obvious trend is that development partners are avoiding having financing and projects flow through the established GOM processes and procedures. There were less dollars flowing through the budget and accompanying disbursement procedures. The funding using the established processes are mainly credits, loans, budget support and some grants while grant funding is mainly off-budget and not processed through GOM channels. Such a trend also offers evidence of weak external assistance absorption. And such a situation is not according to international aid delivery standards, such as the Paris Declaration and the Accra Accord to improve aid effectiveness. Key elements of these international declarations are to align external assistance funding with and use national systems for external assistance planning, management, monitoring and evaluation.

**F4 External Assistance Data Measures Aid Flows but not Results and Development Effectiveness** – The AMP and finance data gathered and reported by MOEF concentrates on aid flows and expenditure. There is no assessment of results or impact of external assistance investments to measure effectiveness or value for money.

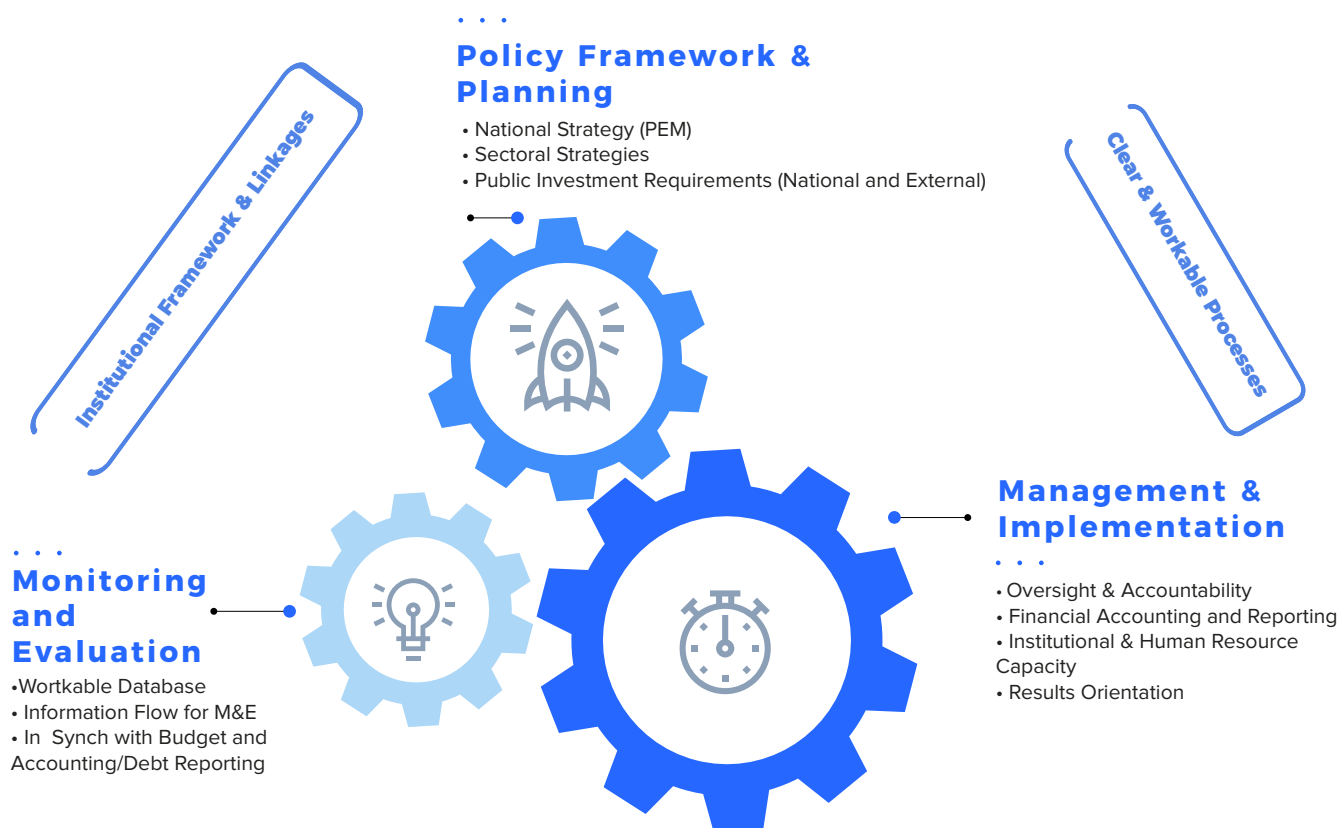
**F5 Application of Public Investment Standards** – There are established internationally accepted standards and practices to manage public investments. Most are already being applied by the GOM and development partners. The standards could be used by the GOM to measure itself against to ensure that the standards are present and being applied in an efficient and effective manner.

## IV. Current Public Investment Management Framework and Functional Analysis of the Main Entities Involved in Public Investment

### A. Overview

This section describes public investment management framework from a policy and operational perspective and reviews the current institutional framework. The description of the respective frameworks includes an assessment of their relationships and effectiveness to manage public investment from a planning, management and implementation, and monitoring and evaluation perspective.

**Figure 13: Public Investment Planning and Programming Cycle**



## B. Current Guiding Legal, Policy and Institutional Framework

There are reportedly barriers to improving external absorption and delivery in the organizational framework that is currently operating with the units of the central government, at various levels, and the establishment PIUs taking on planning, implementation, and monitoring tasks. There are also project and corresponding investments in the regions throughout the country that impose other planning and execution challenges. And there is the issue of processing the disbursement of funds that follow legal and other procedures to ensure accountability of funding use and the associated reporting for budget planning and reporting responsibilities of the MOEF.

The GOM has made efforts to identify a legal and policy framework to identify institutional responsibilities, systems, and processes. Some of these efforts have been adjusted over the years and more recent efforts have been identified to improve the situation.

The legal framework is guided by the following decrees. Decret Nos. 2015-1457 and 2016-1160 describe the processes that external financing provided through development assistance credits and loans must follow to allow for the disbursement of funds. Some, but not all, development assistance grant funding also follows these procedures. Decret No. 2019-093 identifies the roles and functions of the MOEF and its respective units including the functions related to external assistance management. And the annual budget circular describes processes and responsibilities and other policies. The organizational functions are further reviewed in the next section.

- Decret No. 2015-1457 Fixant les modalités d'ouverture, de gestion et de régularisation des opérations sur les comptes de Projet ouverts au niveau de la Banque Centrale de Madagascar (Fixing the modalities for the opening, management and regularization of operations on the Project accounts opened at the level of the Central Bank of Madagascar)
- Decret No. 2016-1160 Définissant les mesures transitoires de mise en œuvre du décret n° 2015-1457 du 27 Octobre 2015 fixant les modalités d'ouverture, de gestion et de dérégularisation des opérations sur les comptes de Projet ouverts au niveau de la Banque Centrale de Madagascar (Defining the transitional measures for



the implementation of Decree No. 2015-1457 of October 27, 2015 setting the terms and conditions for opening, managing and regularization of operations on the project accounts opened at the at the Central Bank of Madagascar

- **Decret No. 2018-298** Portant Gestion des Investissements Publics (On the management of public investments)
- **Decret No. 2019-093** Fixant les attributions du Ministère de l'Economie et des Finances ainsi que l'organisation générale de son Ministère (Fixing the attributions of the Ministry of Economy and Finance and the general organization of its Ministry)

In addition to the above, other policies have been implemented that have resulted in major or minor changes to the established framework. For instance, there is a requirement that any project-related expenditure over Ariary 200,000,000 (about \$50,000) requires the approval of the President and the Prime Minister, for cash transfer this approval is needed for the first dollar to be transferred<sup>12</sup>.

And, given the difficulties confronted by development partners and PIUs with fund disbursement approval and the associated processing system administered by the MOEF's Treasury Department, the regularization processing was suspended for the remainder of 2022<sup>13</sup>.

There have been discussions by MOEF and development partners to meet and identify the barriers and solutions to improve fund processing and the government has made efforts itself to identify barriers and blockages and determine a way forward<sup>14</sup>. There is a draft Public Investment Management Strategy (GIP)<sup>15</sup>. The MOEF's Treasury Department is also working on a set of public investment operations manuals to provide more transparency and direction to help users (mainly PIUs and sector ministries) navigate the processing system for public investments: one operations manual will address the disbursement of project-related loan and credit funds. The second will be for grant funding so that grant financing is captured for reporting and monitoring purposes. Since credit and loan financing must be processed per the previously described decrees, their accounting and relationship to the budget are known. For grants, those funds do not pass through the Treasury Department, so those amounts are not satisfactorily recorded in the budget process or reported on through accounting procedures. There was an effort to prepare a Public Investment Management Manual in 2019 but the effort was delayed given the change in public investment management as indicated in the following paragraphs<sup>16</sup>.

The MOEF's Treasury Department is responsible to administer the existing regulations which are mainly based on Decret No. 2016-1160. Three meetings were held between MOEF and development partners to discuss the processing and delays relating to disbursements. Three immediate solutions were identified and implemented: 1) a short-term fix by ministerial note to suspend the payment process to the end of 2022 that allows the approval of invoices to the end of the year without regularizing expenses made with the advance; 2) simplification of the chart of accounts that can ease classification; and 3) allow the carry-over of funds to the next calendar year so there is no delay in project implementation at the start of the fiscal year, formerly an annual issue. The aim is to improve processing and implementation but not to sacrifice accountability. Even given these adjustments, processes or approval points exist that hinder the budget and payment process. For instance, the President approval decision point still exists and adds time to processing. And, for the budget process, unspent funds from current years are not budgeted in the future year(s) leaving obligations that are not in the future year budget. And, there does not appear to be medium term budgeting for project expenditure – for development partner funds as well as government cost sharing.

<sup>12</sup> Per 2021 Circulaire d'Exécution Budgétaire

<sup>13</sup> The processes followed for the planning, processing and reporting of fund disbursements are provided in the 2021 Circulaire d'Exécution Budgétaire and follow-on directives issued by the MOEF. The description also identifies the responsibilities of the specific stakeholders involved in the process.

<sup>14</sup> Bref aperçu du dossier GIP, Directorate of Economic Cooperation, Office of the President, 2022 as well as memos from the Office of the President and MOEF

<sup>15</sup> Stratégie de Gestion des Investissements Publics, Madagascar, Ministère des Finances et du Budget, MEP, OCSIF, 2017 (and updated in 2021). The strategy was developed under OCSIF and is currently to be approved in December 2022 and an accompanying decree finalized in February 2023.

<sup>16</sup> Appuis à la Préparation d'Un Guide Méthodologique pour la Gestion d'un Projet D'Investissement Public, Aide-Mémoire, Afritac South and IMF, December 2019. The document provided a draft of a public investment operations manual..



Past efforts have been made to have an over-arching external assistance coordination, management and monitoring organization and function. There was an effort to consolidate coordination, some management, and monitoring activity under the Investments and Financing Coordination and Monitoring Agency (OSCIF) in 2017<sup>17</sup>. Decret No. 2018-298 portant Gestion des Investissements Publics had placed OSCIF as the coordinator for public investments<sup>18</sup>. The agency role was disbanded in 2021.

The functions of OSCIF, per the establishing decree, were:

- Prepare and maintain, in liaison with the ministries concerned, the matrix of the priority public and private investments and projects and mobilize their funding;
- Ensure that the mobilization of these national and external resources is in line with the national development plan, the macroeconomy (financial and monetary), the medium-term budgetary policy, and the sustainability of domestic and external debt;
- Assist ministries and other beneficiary sectors in tasks related to the conceptualization programming, initiation, execution, monitoring, and evaluation of all priority programs and projects, ensuring their implementation schedule;
- Assist ministries and other beneficiary sectors in defining their capacity building needs for the implementation of programs and projects and support them in seeking technical and financial support from development partners;
- Ensure support for the absorption capacity of funding by assisting ministries and other beneficiary sectors to improve their capacity to accelerate the execution of projects in accordance with the applicable procedures and rules imposed by national legislation or those specific to external donors;
- Prepare, on behalf of the Strategic Steering Committee, the management charts to report at any time on the progress of priority programs and projects;
- Report, through periodic or circumstantial reports, on any problem encountered in the implementation of the projects, which could call into question their objectives and implementation schedule; and
- Manage a consultation platform that periodically brings together national authorities and development partners to review the commitments made on both sides and to ensure the harmonization of external support and interventions as well as the alignment of programs with the priorities defined by the Government.

The IMF also conducted a mission to review public investment management with OCSIF in December 2020 because of past IMF financial assessments. The report prepared a set of findings for implementation. However, it does not appear that the findings were acted upon giving the transfer of some of OCSIF's responsibilities to the Secretariat Technique Permanent pour la Coordination de l'Aide (STPCA) based in the Prime Minister's Office. The database initiated and managed by OCSIF (the TNC - Tableau de bord National Centralisé) the centralized national dashboard for public investment projects, was reportedly incomplete given the flow of data to other databases and the MOEF's Public Debt Department.

The remains of OSCIF were transferred to the STPCA and then to President's Office. The STPCA was then disbanded and public investment management and aid coordination moved to the Directorate of the Economic Cooperation (DCE) within the President's Office per decree 2021-1280. A "Delivery Unit" was also recently established in the President's Office in August 2022 to coordinate and manage priority projects of the President. With the establishment and disestablishment of units, there has been the creation of various external assistance databases: the AMP was in OSCIF and then moved to the Prime Minister's Office and was just recently moved to the MOEF's Direction Generale de L'Economie et du Plan's Direction de la Coordination et de Suivi et Evaluation des Programmes. This MOEF unit also houses the SNISE (Système National Intégré de suivi évaluation). The DCE has created its own information platform and populated it with data, the Delivery Unit is also preparing its own platform and the MOEF's Treasury Department (debt management unit) is also preparing a database that contains development assistance financial data.

<sup>17</sup> Decret No. 2017-094, Portant création de l'Organisme de Coordination et de Suivi des Investissements et de leurs Financements (OCSIF)

<sup>18</sup> The decree set forth a process for public investment programming and the responsibilities of the stakeholders involved.

**Figure 14: Summary History of Public Investment Management Interventions**

Year	Activity
2016	Public Investment Management recommendations
2017	GIP strategy document planned and drafted
2018	Identification of GIP reform areas, IMF technical assistance provided for GIP, Public investment management manual drafted (supported by World Bank)
2019	First draft of GIP guide developed, IMF supported mission to update guide
2020	GIP strategy assessment to assess implementation. Preparation of aide memoire for its update and the update of the GIP manual developed by OCSIF
2021	Series of technical workshops to updated GIP strategy Decree drafted by the technical working group
2022	Current Status GIP strategy updated by the technical team Draft decree being finalized Initiation of the implementation of an investment bill

Within the MOEF, there are various offices that are involved in macroeconomic and reform planning, oversight and monitoring, annual and medium-term budgeting, external assistance disbursement approval and reporting, and auditing. The ministry also contains a bureau that solely manages European Union-funded projects.

The main entities are identified in Figure 15. The units' organization and their function are described in more detail in the following section.

**Figure 15: Main Entities Involved in External Assistance Planning, Management, Implementation, Monitoring and Evaluation**

<ul style="list-style-type: none"> <li>• Office of the President <ul style="list-style-type: none"> <li>o Secretary General's Office <ul style="list-style-type: none"> <li>- Delivery Unit <ul style="list-style-type: none"> <li>• Planning and Coordination Unit</li> <li>• Performance Monitoring and Evaluation Unit</li> <li>• Database Management and Economic Analysis Unit</li> <li>• Communications and Knowledge Management Unit</li> </ul> </li> <li>- Directorate of Economic Cooperation (DCE) <ul style="list-style-type: none"> <li>• Service Project Partners and Donor Relations (SPR PTF)</li> <li>• Financial Investment and Funding (SIF)</li> <li>• Institutional Coordination and Public Investment Management (SCIRGIP)</li> <li>• Aid Management Database Administration (SAGBD)</li> <li>• Aid Coordination and South-South Relations (SCCS)</li> </ul> </li> </ul> </li> </ul> </li> </ul>
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- Office of the Prime Minister
  - o STPCA (no longer active)
- Ministry of Economy and Finance
  - o Office of Economic Recovery and Social Reforms (Cellule de Coordination des Projets de Relance Economique et D'Actions Sociales)
  - o Bureau to Support External Cooperation (Bureau d'Appui a la Cooperation Exterieur)
  - o Directorate of Coordination of Monitoring and Reforms (Directorate de la Coordination et ou Suivi des Reforms)
    - Institutional Relations Coordination Service
    - Planning, Monitoring and Evaluation Service
    - Administrative Governance Support Service
    - Public Finance Reform Service
  - o Director General's Office for Finance and General Affairs (Direction Générale des Finances et Des Affaires Générales)
    - Budget Department (Direction du Budget)
    - Department of State Assets (Direction du Patrimoine de L'Etat)
    - Directorate for the Management of Civil Servants (Direction de la Gestion Des Effectifs des Agents de l'Etat)
    - Directorate of Pay and Pensions (Direction de la Solde et Pensions)
  - o Director General of Treasury (Directeur General du Tresor)
    - Department of Public Accounting (Direction de la Comptabilite Publique)
    - Department of Public Debt (Direction de la Dette Publique)
    - Department of Financial Operations (Direction des Operations Financieres)
    - Department of Studies (Direction des Etudes)
    - Department of the Financial Investigation and Audit (Direction de La Brigade D'Investigation Financiere et de L' Audit)
  - o Director General of the Economy and Plan
    - Department of Economic Studies and Modeling (Direction des Etudes et de la Modelisation Economiques)
    - Department of Planning (Direction de la Planification)
    - Department of Program Coordination, Monitoring and Evaluation (Direction de la Coordination et de Suivi et Evaluation des Programmes)
    - Administrative and Finance Service
    - Regional Economic and Planning Service
- Central Bank
- Line Ministries and PIUs

In addition to the main, and more centralized, planning, coordination, management, and monitoring units there are the line ministries and PIUs. The line ministries have been involved throughout the development assistance management cycle – from preparing sector strategies and plans, implementing projects, and monitoring sector and project progress, with varying degrees of success. These functions have not been consistent over the years and PIUs have evolved to help in development project implementation. And development partners have set-up their own modalities of direct execution to improve delivery.

The work at the sectoral level has evolved in several ways with national execution directly done by ministries, a combination of ministry/PIU collaboration, or totally by PIUs with responsible ministry oversight. The different modalities chosen result from a variety of factors such as capacity (management and technical capacity), the availability of resources (human resource, equipment and supplies, financial) and government and/or development partner preferences. There is an interest by government and development partners to have more projects executed by national execution directly by

ministries and local stakeholders rather than through PIUs. The current situation complicates the planning and execution of projects as well as monitoring and evaluation. The resulting modalities may cause some inconsistencies between government operating procedures, ownership, and coherence with the legal and policy framework.

Development partners have been an essential element of the public investment and external assistance planning, management and evaluation framework. The planning and delivery have adjusted over the years to progress from emergency and more project-related delivery to more program and budget support. However, it appears, as illustrated above and further described below, that the pendulum is swinging back to more project-related delivery as the government architecture has been unstable and the absorption and execution rates have been low. PIUs have been a result of the inability of government actors to fully execute on their own but even this approach has not proven satisfactory.

Development partners have worked to improve coordination amongst themselves as well as with the GOM at all-encompassing national level meetings, such as developing an architecture to help facilitate the PEM and at the sectoral by having sector-oriented meetings<sup>19</sup>. Development partners do meet monthly as the Dialogue Group on Cooperation (Groupe de Dialogue sur la Cooperation), organized by UNDP, to address coordination at the national and sector levels as well as address issues. Such cooperation is reported as not being perfect with some development areas “more crowded” than others and reportedly some overlap. But, there are efforts to address coordination amongst donors and, sometimes, with government counterparts.

The GOM in October 2022 has presented the PEM to identify priority sectors and related required investments over the medium-term. The plan was approved in June 2022 by the Council of Government. The plan was prepared with inputs from the sector ministries and identifies financing costs. The plan is a combination of a strategy and a public investment program. The plan includes 13 commitments around three pillars (social, economic, and environmental) with governance as a cross-cutting theme. The plan includes a strategy to mobilize public and private resources for investment, sets result indicators, discusses measures to strengthen the dialogue with development partners, the private sector and the civil society, and includes a section on risks, including climate change, and mitigation measures. At the same time, as indicated above, the GOM is working on strengthening central institutions and processes to increase external assistance absorption and the coordination, management, implementation, and monitoring of this assistance.

The following sections further dissects the institutional framework and identifies the main findings that lead to the identification of barriers and blockages.

## **C. External Assistance Planning, Management and Evaluation Functional Analysis**

### **1. Overview**

The purpose of the functional analysis is to show what entities are involved and how they affect efficient and effective external assistance planning, management and implementation, and monitoring and evaluation. The following section identifies the functions per the laws and decrees. The recommendations chapter (section VII, part B) breaks down the functions per the planning, management and implementation, and monitoring and evaluation cycle with some adjustments to align them with these cycle components and have a more coherent and linked institutional framework and associated capacities. The analysis provided in this section will also help provide the support for the identification of barriers identified in the following section<sup>20</sup>.

### **2. Office of the President**

#### **i. Organization and Function**

The relevant entities of the Office of the President are the DCE and the Delivery Unit. The DCE was formed from the remnants of the OCSIF and STPCA to coordinate, partially manage and monitor public investment projects including

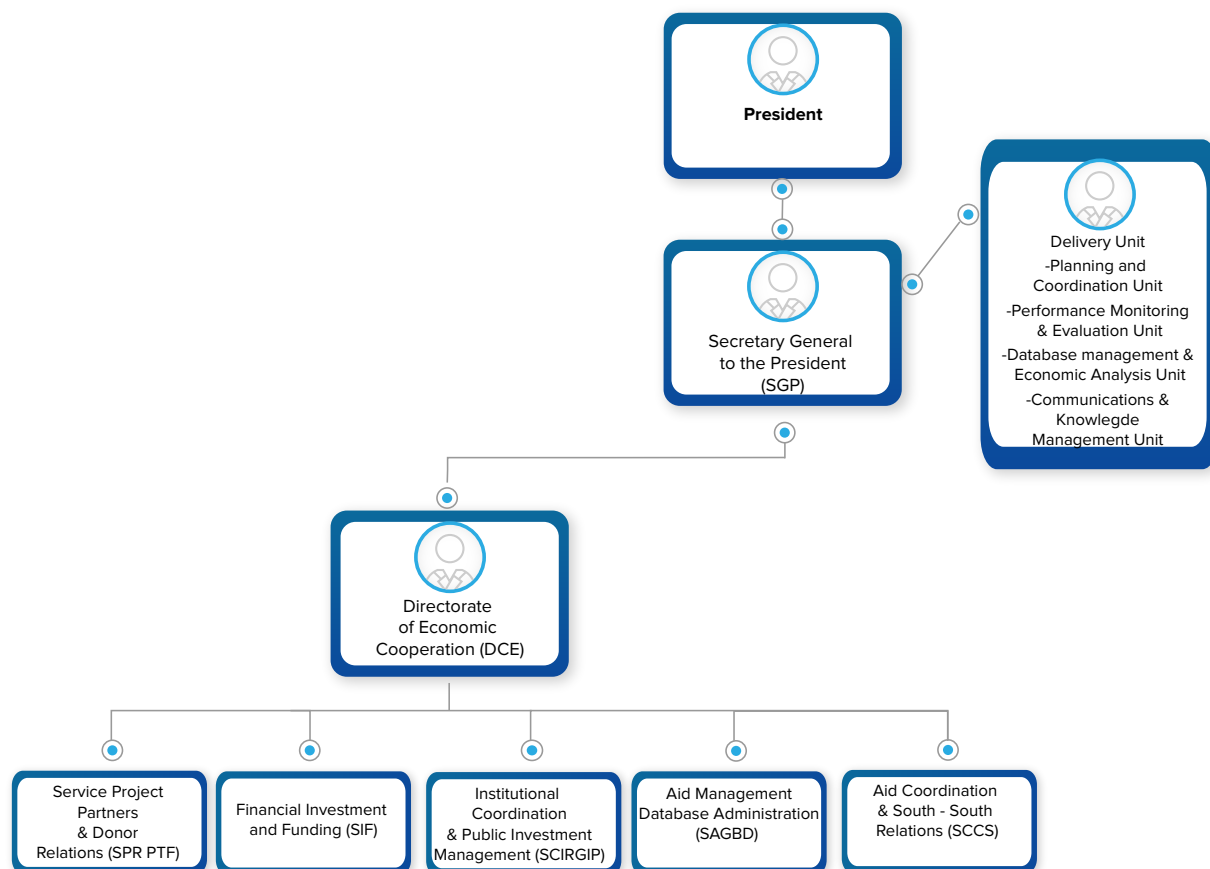
<sup>19</sup> In June 2021, development partners presented to the GOM the Mécisme Conjoint de Coordination pour l'Émergence (MCCE) to facilitate actualizing the PEM. The MCCE was presented by the Strategic Dialogue Group and aligned with the 13 sectors of the PEM. It does not appear that the framework was accepted and implemented

<sup>20</sup> Please note that the entities identified are the main entities involved in external assistance management.

those with external assistance funding. The Delivery Unit was formed to support the Secretary General’s Office and concentrate on priority projects of the President that involved national or external funding, including implementation of the PEM.

**Figure 16: Organization Chart of Office of the President with DCE and the Delivery Unit**

Source: DCE and Delivery Unit Note de Service



## DCE

The DCE was formed by decree 2021-1280 as part of the President’s Office to coordinate, manage to a certain level, and monitor public investment projects including programs and projects financed with external assistance. It is led by a director who reports to the Secretary General.

The directorate’s functions are:

- Identify available national and international public and private financing;
- Produce and update the matrix of reform programs and projects related to private investments;
- Follow up on the implementation of programs and projects with external financing;
- Prepare and promote dialogue between the public and private sectors; and
- Promote relations with technical and financial partners.

To fulfill its mission, the DCE may be assisted by heads of department, mission managers, assistants, and private secretaries.

DCE's organizational units are indicated in Figure 16.

### Delivery Unit

The Delivery Unit was formed by a Note of Service in August 2022. It is established as an arm of the General Secretariat of the President's Office and reports directly to the Secretary General. Its functions are:

- To further increase the efficiency of the realization of the missions of the General Secretariat of the Presidency;
- Establish a mechanism and a systematic approach to monitor the implementation of presidential projects and priorities; and
- Within the framework of the steering and monitoring missions of the Presidential programmatic priorities, the unit will conduct the following: planning and coordination; performance monitoring and evaluation; database management and economic analysis; and communication and knowledge management.

The Delivery Unit's organizational units are indicated in Figure 16.

## ii. Findings

**F6 Filling a Gap** - The DCE was established to provide a central place for coordinating, managing and monitoring public investments, including external assistance. The unit appears to be in a young stage and is working to establish relationships with other units at the central level (MOEF) and line ministries. It is also working to establish relationships with development partners. The DCE has also prepared its own external assistance database and has populated it with data. The Delivery Unit was later constituted and, to date, has no relationship with DCE and the relationship to other government units is not clear. It has a sole function to concentrate on "presidential projects" such as in PEM. The purpose of both entities is to provide management and decision tool for the President, especially the Delivery Unit which is concentrating on presidential initiatives and projects.

**F7 Boundaries Needing Clarity** – The boundaries with the Delivery Unit, DCE, the PMO and some MOEF units are not clear. Some MOEF units either already have or have discussed taking on some of the functions currently at the President's Office. One streamlined approach has not yet evolved or is in the process of evolving.

**F8 Visibility and Linkages** – DCE does not yet have the visibility within the government or with development partners to take on its functions though it appears to be working to achieve that visibility. However, it appears **difficult** given the competition with other units. Development partners don't yet see it as the "entry point" for development cooperation especially since they have established routes and contact networks. But development partners would probably use if DCE adds value to development cooperation coordination and effectiveness. The Delivery Unit is a relatively new unit and is not widely known by development partners. Neither the DCE or Delivery Unit have established working linkages to MOEF's Budget Directorate, Treasury Department or Directorate of the Economy and Plan.

**F9 Development Assistance Data Collection, Management Reporting and Verification** – The proliferation of various development assistance databases and the confusion over their location and purpose can hinder data collection and reporting plus use limited personnel and other resources to input, manage and report data. The DCE has developed and populated its own database and web site. The AMP was recently moved to the MOEF's Direction de la Coordination et de Suivi et Evaluation des Programmes and the system is currently being checked and data will be updated. And the Delivery Unit is working on its own database and has a specific function to do so. There is some validation or synchronization with Treasury Department and budget office data (for budgeting and expenditure accounting). Such reconciliation is a necessity so accurate information is used for budgeting, expenditure reporting and other reporting within government and with development partners.

**F10 Centralization Risk** – With the DCE and Delivery Unit in the President's office, there is a danger that such a unit can disappear or change function based on administration policy directions or changes in government. This issue is not

unique to the GOM as the same issue has confronted other country governments. In addition, such coordination units have been short-lived such as the experience with OCSIF and STPCR.

### **3. Ministry of Economy and Finance**

#### **i. Organization and Function**

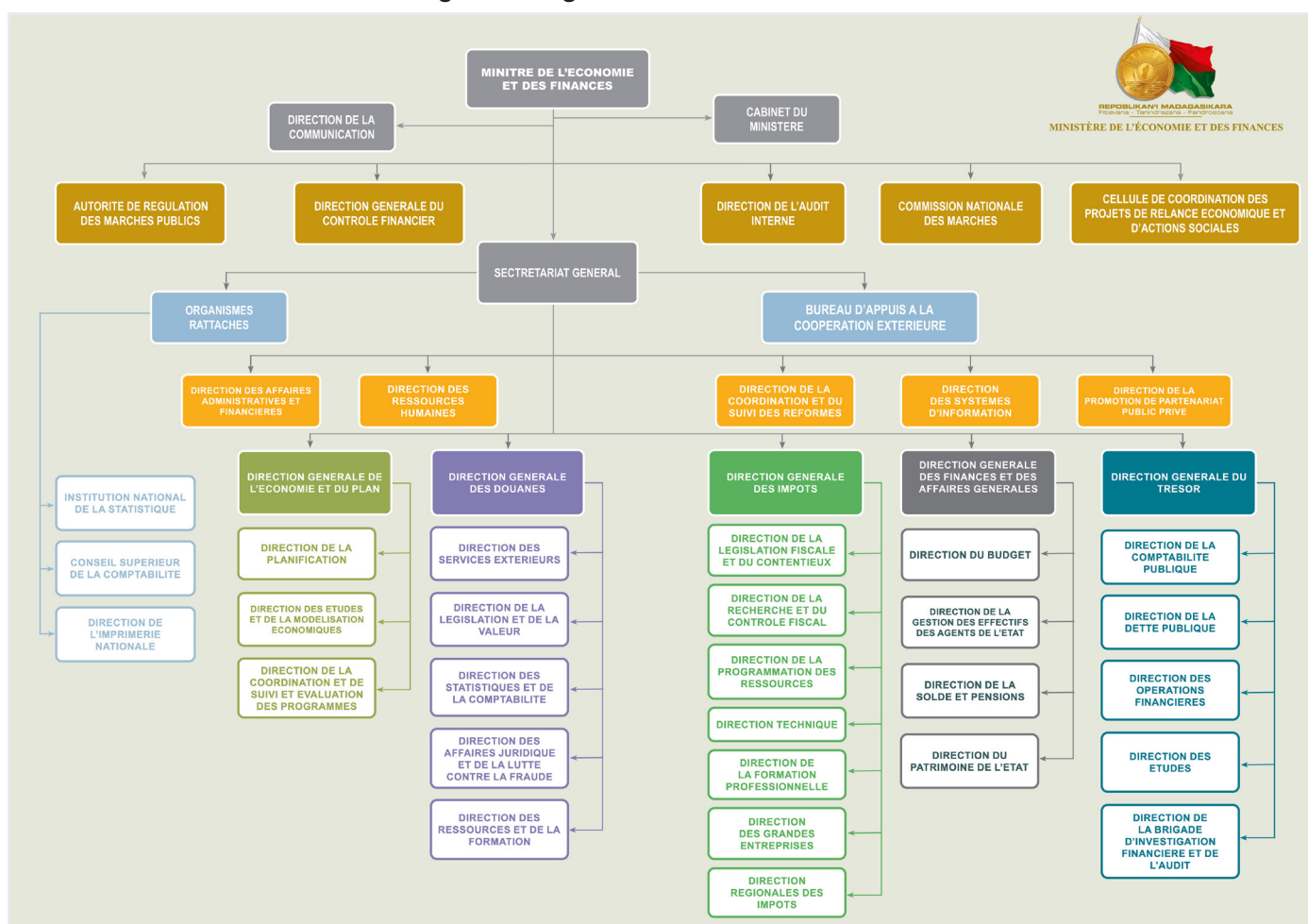
The MOEF has two main functions regarding the planning, management and implementation, and monitoring and evaluation of external assistance. The functions are mainly in the planning, coordination and monitoring phases as illustrated by the ministry's economic function and in financial management and oversight, including budgeting, accounting, and reporting. These functions are established in Decret No. 20219-093 Fixant les attributions due Ministere de l'Economie et des Finance.

The Ministry also applies the rules and policies for processing external assistance expenditure related to loans and credits and some grants. These processes are mainly execution procedures that are established by Decret No. 2015-1457 and follow-up decrees, policies and statements that identify the process and stakeholder responsibilities.

The main units involved in external assistance are:

- Cellule de Coordination des Projets de Relance Economique et D'Actions Sociales
  - Bureau d'Appuis à la Coopération Extérieure
  - Direction de la Coordination et du Suivi des Réformes
    - o Institutional Relations Coordination Service
    - o Planning, Monitoring and Evaluation Service
    - o Administrative Governance Support Service
    - o Public Finance Reform Service
  - Direction Générale des Finances et Des Affaires Générales
    - o Direction du Budget
  - Direction Générale du Trésor
    - o Direction de la Comptabilité Publique
    - o Direction de la Dette Publique
    - o Direction des Opérations Financières
    - o Direction des Etudes
    - o Direction de la Brigade D'Investrigation Financière et de L'Audit
  - Direction Générale de L'Economie et du Plan
    - o Direction de la Planification
    - o Direction des Etudes et de la Modélisation Economiques
    - o Direction de la Coordination et de Suivi et Evaluation des Programmes

Figure 17: Organization Chart of the MOEF



### Cellule de Coordination des Projets de Relance Economique et D'Actions Sociales

The unit is responsible for designing and implementing national policies to develop human and social capital throughout Madagascar. It is responsible for developing and implementing the national strategy for economic recovery and social action projects in the following areas:

- Road infrastructure;
- Educational and sports infrastructure;
- Hygiene and sanitation infrastructure;
- Agricultural development work;
- Income-generating activities; and
- Rehabilitation and/or construction of social buildings.

### Bureau d'Appui à la Coopération Extérieure

The bureau is responsible to support the General Secretariat in the relations of the MOEF with the technical and financial partners and mainly assists the management of EU external assistance implemented in a decentralized manner, in particular EDF resources, but possibly also resources from the general EU budget and interventions carried out by the European Investment Bank. The bureau consists of two units:

- Operations unit; and
- Contracts and Finance unit.



## Direction de la Coordination et du Suivi des Reformes

The directorate coordinates and monitors public finance reforms and the Ministry's governance programs. It is mainly the management and strengthening arm to benefit the operations of the MOEF. It is important to be included in the functional analysis given the planning and implementation of financial management reforms.

The directorate's functions are:

- Ensure the coordination, planning and monitoring of the implementation of reforms;
- Coordinate technical assistance missions, governance-related projects of the MOEF in relation with technical and financial partners and ensure their follow-up;
- Coordinate the development of policy document and strategy guidelines of the MOEF consistent with the General Policy of the State and ensure consistency with multi-year action programs;
- Ensure the consolidation and monitoring and evaluation of the implementation of the MOEF's action plan and annual work plan of the MOEF, in collaboration with other ministry units;
- Assess the relevance and efficiency of the execution of revenue and expenditure of the ministry for better public finance governance;
- Coordinate the public finance management performance evaluation process;
- Ensure the coordination of interdepartmental relations of the MOEF and relations with institutions and other ministries; and
- Support the actors in charge of the reforms in the management of change, the promotion of transparency and accountability for a better quality of services provided to users.

The directorate has the following units:

- Institutional Relations Coordination Service;
- Planning, Monitoring and Evaluation Service;
- Administrative Governance Support Service; and
- Public Finance Reform Service.

## Direction Générale des Finances et Des Affaires Générales

The directorate is composed of:

- Department of Budget;
- Department of State Assets;
- Department for the Management of Civil Servants; and
- Department of Pay and Pensions.

The unit most relevant to external assistance management is the Department of Budget. The department's functions are:

- Prepare the general framework letter to draft Finance Laws;
- Lead the drafting of the Initial Finance Law, the Amending Finance Law and the Settlement Law, and support them with the approval authorities;
- Implement the Initial Finance Laws and the Amending Finance Laws;
- Steer and monitor budget execution;
- Ensure the budgetary supervision of national public establishments;
- Design and steer the reforms to be undertaken in budgetary matters; and
- Advise the Decentralized Territorial Communities on budgetary matters; and prepare and draw up debit decrees.

The Budget Department consists of the following units:

- Budget Summary Service;
- Reforms and Training Service;
- Social and Administrative Sector Service;
- Service for the Productive Sector and Infrastructures; and
- Regional Budget Services.

#### Direction Générale du Trésor

The directorate's functions are:

- Participate in the development and conduct of the national, regional and international financial policy of the state;
- Contribute to the determination of the main orientations of the state in terms of public sector policy;
- Develop the country's financial policy framework;
- Coordinate macroeconomic policies and programs in the real, public finance, monetary and external sectors;
- Preserve the good governance of public funds;
- Ensure the management of the state's cash and ensure its permanent balance;
- Develop and implement regulations on public accounting;
- Ensure the financial and accounting management of the state, local authorities and public establishments;
- Participate in the preparation of negotiations with international organizations by providing the relevant documents: review missions, joint donor missions;
- Manage internal and external public loans, donations and external aid and their counter value, cash operations and the recovery of state debts;
- Define, implement and monitor the financial inclusion policy;
- Ensure the establishment and operation of a financial market in Madagascar;
- Ensure the control and development of the insurance sector;
- Ensure supervision of the financial sector;
- Represent the state shareholder as of right as holder and manager of public funds, and securities;
- Manage the portfolio of state shares in companies with state participation; and
- Manage the financial participation of the state in international financial institutions.

The directorate has the following service units:

- Administrative and Financial Service;
- Communication, Public Relations and Partnership Department;
- Strategy and Development Department; and
- Person Responsible for Public Procurement.

The main functional units further described below are:

- Department of Public Accounting;
- Public Debt Department;
- Department of Studies;
- Department of the Financial Investigation and Audit Brigade; and
- Financial Operations Department.

#### Directorate of Public Accounting

The directorate's functions are:

- Develop and implement public accounting reforms and regulations;
- Execute public expenditure, centralize state revenue and ensure the keeping of state accounts;
- Close the accounts of the state;
- Ensure the financial and accounting management of the state, local authorities and public establishments;
- Organize, coordinate and operate the activities of accounting positions;
- Ensure the management of the single Treasury account as well as the deposits of correspondents and private individuals.

The directorate has the following units:

- Central Services unit;
- Accounting and Financial Regulation Department;
- Service for the Monitoring and Supervision of Accounting Positions;
- Resource Management Service; and
- IT Organization Department.

#### Directorate of Public Debt

The directorate's functions are:

- Establish a legal framework for indebtedness and ensure that it is applied and updated;
- Manage the public debt and foreign aid;
- Participate in the analysis of the sustainability of the public debt;
- Develop and implement the public debt strategy;
- Participate in negotiations on further contraction of external aid and financing in terms of restructuring the external debt;
- Be the main interlocutor of donors, technical supervisory ministries and PIUs in terms of external financing;
- Follow up on externally funded projects; and
- Develop State financing instruments through domestic debt;
- Ensure the management of individual Treasury accounts, excluding trading accounts and participation accounts;
- Plan and pay the service of the internal and external public debt;
- Carry out the accounting regularization of the debt service; and
- Prepare periodic reports on the public debt.

The directorate has the following units:

- Project Monitoring Service:
  - Unit 1: Infrastructure, Transport, Telecommunications, Governance, Finance,
  - Unit 2: Agriculture, Fisheries, breeding, social sectors, and
  - Unit 3: Water and Sanitation, Environment, Tourism, Mines, Energy;
- External Aid and Debt Service:
  - Division of Enforcement,
  - Division of Data Processing and Regularization, and
  - Division of Operations;
- Treasury and Domestic Debt Service:
  - Debt Division,
  - Treasury Division, and
  - Division of Information and Administration; and
- Debt Analysis and Statistics Department:
  - Analysis and Strategy Division,
  - Database and Statistics Division, and
  - Organization and Support Division.

## Directorate of Studies

The directorate's functions are:

- Periodically produce the "Global Treasury Operations" dashboard;
- Collect, manage and analyze data relating to economic sectors;
- Produce statistics on public finances for internal and external use;
- Ensure the management and follow-up of litigation cases involving the interests of the Public Treasury;
- Ensure the role of legal adviser to other departments;
- Ensure the defense of the interests of the Treasury before the courts;
- Participate in the development of financial programs and macroeconomic frameworks within the framework of the preparation of finance laws and the monitoring of their implementation;
- Ensure the programming of the activities and the budget of the General Directorate of the Treasury as well as their monitoring and evaluation; and
- Develop and propose strategies to strengthen the performance of the Treasury Departments and its services.

The directorate has the following units:

- Legal Affairs and Litigation Department:
  - Judicial Affairs Division, and
  - Litigation Affairs Division;
- Statistics and Economic Analysis Department:
  - Statistics Division, and
  - Economic Analyses Division; and
- Programming and Monitoring-Evaluation Service:
  - Programming Division, and
  - Monitoring and Evaluation Division.

## Directorate of Finance Investigation and Audit

The directorates functions are:

- Regularly audit the accounts and financial statements of the state, local authorities and public establishments;
- Carry out the compliance audit of the transactions underlying the accounts and financial statements of the state, local authorities and public establishments;
- Assess the performance of the accounting positions of public bodies;
- Evaluate the performance of State accounting posts;
- Conduct all the investigations necessary for the implementation of the prosecution of accounting, budgetary and financial offenses or embezzlement committed;
- Carry out review or evaluation missions relating to public finances requested by the hierarchical authorities; and
- Ensure the restoration of good governance in the accounting and financial management of public funds.

The directorate has the following units:

- North Zone Surveillance Control Unit;
- Center Zone Surveillance Control Unit; and
- South Zone Surveillance Control Unit.

In addition, related to auditing conducted by the MOEF, the Internal Audit Department has the following functions:

- Assess the implementation and effectiveness of the department's ethics-related objectives, programs and activities as well as the governance of information systems with regard to the department's strategy and objectives;
- Ensure the application of management methods, the appropriate use of management tools, the adequate implementation of means in relation to objectives;
- Note the results and the judicious use of means implemented;
- Suggest recommendations and improvements to the operation and to the management and internal control systems, to protect the auditees against the risks inherent in management; and
- Ensure the protection and safeguarding of state assets as well as the integrity and reliability of financial and operational information.

#### Directeur Général de l'Economie et du Plan

The directorate is mainly responsible for designing, steering, monitoring and analyzing state policy in the area of economic management and development, and for planning, coordination and monitoring and evaluation of development programs.

The directorate's functions are:

- Develop and coordinate the economic policy and the macroeconomic framework;
- Design and operationalize macroeconomic models to support the authorities in decision-making;
- Monitor and provide economic analysis of macroeconomic indicators;
- Prepare the Report on the Economic and Financial situation of Madagascar;
- Conduct prospective studies as well as the process of strategic and operational planning of the country's development over the medium and long-term;
- Coordinate sectoral policies and strategies, thus guaranteeing the coherence of the activities of the various development actors with the macroeconomic and sectoral objectives in order to achieve sustainable and inclusive development;
- Ensure consistency of public investment projects with the National Development Strategy as well as their maturity;
- Monitor and analyze indicators related to the Sustainable Development Goals as well as the preparation of the National Human Development Report;
- Monitor and evaluate the implementation of development programs at all levels through the operationalization of the National Integrated Monitoring-Evaluation System following the Results-Based Management approach;
- Develop and implement the National Evaluation Policy;
- Analyze external aid and prepare the annual Report on Development Cooperation;
- Strengthen the technical capacities of all development actors in terms of planning and monitoring-evaluation.

The directorate has the following service units further described below:

- Planning Department;
- Economic Studies and Modeling Department; and
- Program Coordination and Monitoring and Evaluation Department.

Other service units are:

- Secretariate
- Administrative and Financial Service;
- Secretariat;
- Regional Economic and Planning Services; and
- Person Responsible for Public Procurement.

#### Directorate of Planning

The directorate's functions are:

- Design and develop planning methods, mechanisms and tools;
- Develop the country's National Development Strategy in the medium and long-term;
- Participate in the process of developing the tools and documents needed to understand the regional development situation and to draw up communal, regional and provincial development plans;
- Strengthen the technical capacities of all sectors in terms of planning;
- Lead the entire process of implementing the Sustainable Development Goals;
- Ensure the consistency of public investment projects with the National Development Strategy as well as their maturity;
- Integrate the various dimensions of development into policies and strategies at all levels: population, gender, environment.

The directorate has the following units:

- Planning Methods Department;
- Public Investment Programming Department;
- Regional Planning Support Service;
- Intersectoral Planning Support Service; and
- Transversal Dimensions Service.

#### Directorate of Studies of Economic Modeling

The directorate's functions are:

- Define the strategic orientations of the economic policy;
- Draw up an annual report on the situation and probable development of the various sectors of the economy;
- Monitor macroeconomic policy through studies and analyzes of the economic situation;
- Prepare forecasts and the medium-term macroeconomic framework;
- Carry out analysis of the economic situation and outlook; and
- Provide quarterly notes on the economic and financial situation in Madagascar.

The directorate has the following units:

- Economic Studies Department;
- Economic Modeling Department;
- Service for Monitoring Indicators and the Economic Situation;
- Service for the Development and Monitoring of Economic Policy; and
- Department of Forecasting and Macroeconomic Framework.

#### Directorate of Coordinating Monitoring and Evaluation of Programs

The directorate's functions are:

- Monitor the implementation of the National Integrated Monitoring-Evaluation System;
- Develop and implement the National Evaluation Policy;
- Design and develop methodological monitoring-evaluation tools;
- Build the capacity of stakeholders regarding methodologies, mechanisms and monitoring-evaluation tools;
- Prepare progress reports on the implementation of programs at central and regional levels;
- Monitor the implementation of the Public Investment Management Strategy;
- Lead the process of developing the National Policy for External Cooperation in the area of economic development;

- Ensure the consistency of the intervention strategies of development partners with the objectives and priorities of the National Development Strategy;
- Monitor the implementation of external cooperation in terms of financial commitments and disbursements by technical and financial partners; and
- Prepare the Report on Development Cooperation.

The directorate has the following units:

- Program Monitoring-Evaluation Service;
- Public Investment Monitoring Service;
- External Relations Coordination Service;
- Economic Cooperation Monitoring Department;
- SNISE (Integrated National information system of monitoring and evaluation) Database Management Service.

## ii. Findings

**F11 Some Function Disbursement Yet Clear Functions and Defined Roles** – The various units have defined roles for the external assistance-related functions. For instance, the Directorate of the Treasury has a clear role regarding accounting, processing and disbursement as well as debt management. The Budget Office has a clear budgeting function. The Directorate of the Economy and the Plan has a distinct planning and monitoring role for external assistance planning and monitoring, including public investment project monitoring. There are some blurred lines regarding the placement and functions of the Bureau of Monitoring and External Cooperation that mainly concentrates on EU-funded programs and projects. The linkages between the units seem to be established in a workable manner but could possibly be strengthened to have a more systematic approach between planning, budgeting, implementation, monitoring and evaluation.

**F12 Less Clear Linkages with Central Units** – There are less clear working linkages with the central units – DCE and the Delivery Unit – in the President’s Office. A clear distinction between roles and responsibilities has not yet evolved. The separate approaches have impacts on project and program planning, delivery and monitoring in terms of working efficiently with development partners as well as line ministries and other development stakeholders. This impacts the macro policy and planning activities – such as the preparation, implementation and monitoring of the PEM to targeting, monitoring and evaluating the external assistance that is being received.

**F13 External Financing Processing** – The processing of external assistance funding that is required by law has an established process. The issue appears to be adherence to the process by line ministries and PIUs. The purpose of such a process is to effectively manage fund and report on fund as well as maintain accountability for fund use. However, the process appears to be slow and hinders project implementation. As reviewed above, the MOEF has taken steps to address the situation, yet a serious long-term solution is needed, not necessarily in terms of changing the requirements but in terms of more efficiently administering them from a Treasury Department and ministry/PIU perspective.

**F14 Operational Systems and Training** – Given the placement of functions in different organizational structures, it is difficult to see one systematic approach or “one vision” to plan and apply external assistance more adequately. This is possibly emerging with the more recent units established in the President’s Office but it is hard to determine. Operational systems are required along with ongoing training. For instance, the Treasury Department is currently preparing operations manuals for the processing of: 1) credit and loans; and 2) grants to improve the public investment management. This is a step in the right direction. Periodic training will be needed to implement such manuals. And more transparency of the entire external assistance programming and project cycle would benefit the system to help create and use the working relationships needed.

**F15 External Assistance Database Management and Monitoring** – As indicated in the previous finding on the subject, the databases that exist or are being developed shows a disbursement of activity as well as data and reporting that may be conflicting. The Direction de la Coordination et de Suivi et Evaluation des Programmes has a clear external assistance monitoring and reporting role, including preparing the annual official development assistance report. It now

houses the AMP to conduct this role. Its relationship to the SNISE could be further developed. It is not clear of the relationship in data with the DCE and Delivery Unit databases. Given the challenges and resource intensive nature of monitoring it appears that a more streamlined approach is warranted.

**F16 Policy Formulation and Direction versus Technical Support and Implementation Roles** – In a traditional public administration system the policy formulation and direction is set at the senior political level based on leadership priorities with the input from the technical experts. Implementation and monitoring are done at more of a technical level. Given the different units and their activities that currently exist, there is a blur between the roles. Creating such implementation and monitoring functions at a central level can be debilitating to civil servants who have the competence to fulfill their roles. This is not overly apparent in the current organizational and functional environment but has a risk of occurring if not addressed that can cause external assistance absorption issues down the road.

#### **4. Central Bank**

##### **i. Organization and Function**

The Central Bank of Madagascar's (Banky Foiben'i Madagasikara) function is defined in Decrets 2015-1457 and 2016-1160. The main function is to receive and hold development partner funding until a project bank account is approved to be open. Once approval is provided by the MOEF, funds are transferred to the designated bank account.

##### **ii. Findings**

**F17 Time To Transfer Funds from BFM to Project Bank Account** – Development Partners and PIUs have indicated that the time taken to approve the transfer of funds to the project bank accounts can take much time, delaying project start-up. The approval is mainly the responsibility of the Treasury Department. The reasons given for the delays are insufficient paperwork submitted by project and time delays in processing by MOEF.

#### **5. Prime Minister's Office**

##### **i. Organization and Function**

The Prime Minister's Office did house the STPCA. The STPCA no longer functions. The Prime Minister's Office does coordinate with line ministries to carry out the government's programs and services. The AMP was also formally housed in STPCA.

##### **ii. Findings**

**F18 Currently Unclear Role** – With the disbanding of STPCA, the Prime Minister's Office has no clear external resources management role except for its traditional role of overseeing ministry program and service implementation. The AMP recently moved to the MOEF. The Prime Minister is involved in the approval of funding requests of over 200,000 Ariary. It is not clear what the Office's linkage is with the DCE or Delivery Unit.

#### **6. Line Ministries and PIUs**

##### **i. Organization and Function**

The line ministries have different organizational structures to manage external assistance projects and programs. These structures could be dedicated coordination units within their structures, project/program/PIU focal points, PIUs integrated into the ministry structure, and/or PIUs outside the ministry structure. Or it could be a combination of these approaches. Each line ministry also has a budget officer linked to the MOEF's budget office and a Planning Officer linked to the MOEF's planning office.

The PIUs are also organized in different ways with some dedicated to one development partner project or program while others may manage several projects within a more programmatic structure. There are also cross-sectoral PIUs that must deal with several ministries, agencies, civil society organizations, and local governments.



A ministry's function involves sector, program, and project formulation to the extent it has the capability and interest. Ministries are also involved in project and PIU management, implementation, and monitoring in either an active or passive role. There are several factors that determine its role to include project and program design, interest, and capacity.

## ii. Findings

**F19 Different Institutional Structures, Approaches and Modalities** – Each ministry has its own structures, approaches, and modalities. Some of these differences are based on the nature of the ministry (addressing education issues versus road construction, for example) as well as the ability to implement projects. In most cases, development partners have worked with line ministries to find the most optimal modality realizing there is no “cookie cutter” approach. Available and/or mixed levels of trained human resource capacity has been an issue as well as the ability to adequately follow existing approval and payment processes. The processes that must be followed are either the national government processes or development partner processes and, oftentimes, having to adhere to both processes. These issues are further outlined in the barriers and blockages section below.

## V. Public Investment Management Barriers and Blockages

### A. Overview

The identification of barriers and blockages of externally funded financial assistance used for public investments to help Madagascar develop has been a subject of discussion over the years because of the consistently low absorption rate as well as impacting project and program outcomes and results. The following is a summary of the main barriers and blockages. They are divided into three groups: institutional framework, process and system, and data and monitoring.

The identification of the barriers and blockages is followed by a set of conclusions. The conclusions will then be followed-up by the identification of recommendations in collaboration with the GOM and development partners based on this document's analysis, GOM and development partner feedback and interests, and regional/international experience and standards.

### B. Institutional and Policy Framework

#### **B&B1 Institutional Framework Requires Attention and Strengthening**

The institutional framework at the central level for coordinating, planning, management, facilitating implementation, monitoring and evaluation has been unstable over the years with the change of functions and entities and the relationship to other stakeholders such as the finance function of MOEF, line ministries who are mainly executing, and development partners.

At the national level, the institutional structure has changed from the OCSIF to STPCA and now to the President's Office with the main functional responsibility of the DCE with responsibilities also resident in the economic and planning department (DGEP) of the MOEF. However, while the DCE sees itself as the coordinator and “entry point” for external assistance, it is not seen by other stakeholders (government and development partner) as having a developed role for those responsibilities though they are present in its assigned functions. This may be for the reason of its young age, just being established in November 2021. There are also questions of how it works with other units such as the Delivery Unit of the President's Office and linkages to key parts in the MOEF to include DGFAG (mainly the budget office), Treasury and DGEP.

As indicated in the IMF's September 2022 report, public investment management needs to be strengthened to execute the GOM's ambitious investment plans as identified in the Plan Emergence<sup>21</sup>. One of the requirements identified is the finalization and publication of the Public Investment Operations Manual that will establish set processes and help to

clarify the institutional framework. As described previously, there were efforts to prepare, with IMF support, an operations

21 Second Review Under the Extended Credit Facility Arrangement and Request for Modification of Performance Criteria – Press Release; Staff Report; and Statement by the Executive Director for the Republic of Madagascar, IMF, September 2022.

manual. However, the disbanding of OCSIF stopped that effort. And, currently, the MOEF is reportedly preparing two operations manuals: one for credits and loan funds and another for grants. The IMF has delayed the accomplishment of the requirement until March 2023. There are steps in place to have the GIP strategy and operation manuals move forward in early 2023.

The GOM did a reorganization of the Interministerial Steering Committee (Comité Interministériel de Pilotage - COPIL) for public finance reforms that was adopted in February 2021, with the aim of improving the coordination and direction of the public financial management (PFM) reform strategy. In addition, a PFM reform monitoring unit, composed of those responsible for the steering and coordination within each department, was created in April 2022 to serve as a framework for dialogue. The MOEF is to report on the PFM reforms in October 2022.

The institutional framework at the line ministry level also appears weak. Each ministry has its own way to plan, manage, implement, and monitor external assistance. There is not one consistent model. And the lack of formal structures has led to the delivery of the assistance through a variety of different types of PIUs. The PIUs can be project-specific, cover several development projects, or are more or less integrated into the respective ministry's structure. Such a development has been caused by the amount and type of capabilities at each ministry, the interests, and preferences of development partners to execute projects and programs, and the interests of government leadership. For instance, for the health sector, there is one main PIU but the ministry manages or provides oversight for other development interventions. For public works, there are a variety of PIUs and delivery modalities. And, for development in regional areas, such as the south, there are cross-cutting PIUs in addition to other delivery modalities. There are also various grant projects that are administered by direct execution by development partners that fall outside of the PIU and ministerial structures. There are also some positive elements of the current delivery where various PIUs have "mastered" the financial and approval processes. But, these successes are sporadic and more needs to be done to identify the strengths to spread to other implementing modalities.

### ***B&B2 Clarity for Coordination, Cooperation along with Visibility and Transparency***

The absence of a clear organization framework and operational system has resulted in a lack of coordination, collaboration, and cooperation to a certain extent. There are many efforts to better coordinate and collaborate, but the efforts have been more ad hoc as well as coordinated by development partners either on their own or with the support of specific government stakeholders. However, the practice does not seem to be consistent given the lack of a visible institutional framework and workable procedural framework. Existing entities do not have formal linkages though there are some informal ones in terms of some implementation and processing and some data gathering. However, the linkages appear weak and either do not occur efficiently (such as with payment processing) or are seen as periodic information request exercises (such as populating external assistance-related databases).

The PEM is an effort to help consolidate activity around a set of priorities. Linkages and transparency will be key to the success of its implementation. Initial steps on its presentation and the follow-up of government-development partner meetings that are issue or sectoral-related are a step in the right direction. A visible and workable institutional framework and operational processes will go together with plan implementation.

The function of external assistance coordination and management has been mixed with national public investment and, to a certain extent, national and foreign private investment attraction. The link between external assistance and national public fund cost sharing is essential, as is the case with most development efforts. In the past, there has been issues with the external assistance coordination units also delving into private national and foreign investment attraction for public investments, as has been reportedly the experience of OSCIF and is also indicated in the DCE's functions. International best practice shows that development assistance coordination and management units should focus on

external development assistance and national public cost sharing. The GOM has other structures to deal with public-private partnerships and foreign investment attraction.

### ***B&B3 Clarity of Development and Policy Framework***

The PEM and the existence of some sector strategies are positive developments. The continuation of such planning is essential to have a more streamlined development approach that shows direction and has the input of the line ministries and that development partners have a clear idea of the plans and expectations. Yet there is no accepted public investment management strategy at this time though one is drafted. A strategy should identify the investment parameters, modalities, institutional framework (with a definition of the main actors and the necessary linkages between units/actors) as well indicate the financing envelope (total, national share, external financing needs). A public investment management strategy was developed in 2019-20 period but was not implemented since it was tied to OSCIF.

It appears that to date there has been more of an emphasis on process and accountability and less on development effectiveness and results. Part of this imbalance is because of the low absorption capacity rates. And there is no measurement of development effectiveness or value for money since the concentration has been on measuring aid flows. There is also much time spent on “fixing” or reacting to the institutional architecture and dealing with established processes (discussed below) that have hindered delivery. Because of these issues, funding has been adjusted so that development partners are moving more toward direct execution that will use their own systems and processes rather than national execution and the budget support modality that use national financial systems. As one development partner mentioned, they are going back to approaches they used about 10 years ago. Some projects or programs have a stop-and-go operational method that has resulted in canceling contracts or resulted in unpaid employees.

Development partners have been trying different approaches and modalities to improve delivery. This has included placing project personnel in strategic units with the government, trying different PIU structures, and using other country experience to facilitate delivery and results. Clear policy and streamlined organizational structures could benefit development partners and others so they know entry and coordination, management and implementation, and monitoring points and processes.

The success of the PEM’s implementation will depend on addressing the institutional and process issues, including developing a workable public investment management strategy. It will also depend on associated sector or issues strategies that are timed, costed with clear monitoring indicators. These planning components would help in implementation and place more of an emphasis on public investment effectiveness and results to achieve the development agenda as set forth in the plan.

#### ***B&B4 Decentralization and Cross-Sectoral Linkages***

A significant portion of external assistance is aimed at decentralizing activities to the regions and local governments and improving public administration and economic development in these regions. Several of these efforts are cross-cutting. It is reported that while efforts are made to involve major stakeholders in the cross-sectoral approach, sometimes the efforts are cumbersome and lack cooperation between the different stakeholders or units involved. There are positive examples of such cooperation, such as a decentralization coordination unit within the Ministry of Interior and Decentralization and government-development partner meetings. Such cooperation could be improved upon and made consistent so that blockages are identified quickly and there is cooperation to resolve them.

#### ***B&B5 External Assistance Attraction and Result Risks***

The absorption capacity issue has two main implications and several risks.

First, the low delivery rate being experienced for a number of years directly impacts the amount of funding that flows through the economy. As an example, if the total annual external assistance envelope is about \$900 million and only about 65% is spent (similar to the 2015 delivery rate), that leaves about \$315 million not circulating through the economy and contributing to GDP and individual incomes. More importantly, the low rate negatively impacts achieving the development objectives that will slow future growth and living standard improvements. Projects have reported low delivery rates, such as 12%.

Second, there is lost opportunity cost. With the issues confronted by development partners in implementing existing

projects and programs, it reduces the interest in expanding the funding envelope since the existing projects are taking longer to implement and achieve results. Some government officials, PIU representatives and development partners have suggested that maybe interventions should be smaller and more achievable.

With the external assistance coordination, management, and monitoring evolving to the President's Office, there is a risk of over centralization and weakening of technical units in the MOEF and line ministries. OCSIF was established as an independent entity to provide neutrality and avoid conflict of interest. The STPCA was in the Prime Minister's office with actual or at least potential linkages to the line ministries. These entities were not sustainable. The same applies to the financial process whereas some approval of expenditures go up to the President and Prime Minister in addition to a financial process with such checks and balances that the system is not efficient. This risk is already evident since the practices have contributed to slowing delivery and accomplishing results. Some development partners have said they must meet with senior government officials, even the President, to fix minor processing issues or seek approval. Line ministries refer to the central units (at MOEF and President's office) as the "superpower offices" for which decisions must go up the line to seek approval.

The establishment of the DCE at the President's Office creates a sustainability risk as well. Its functions can adjust based on the executive's policy preferences and the entity itself can be eliminated either by a change of focus or by a change in presidential administration.

### C. Process and System

An emphasis of external financing being processed through the MOEF is on financial management and accountability. The related functions are resident in the Treasury Department with interaction of other actors such as the central bank and the budget office. Development partners, PIUs and line ministries have been critical of the established processes and have identified the requirements as major blockages. On the other hand, the existing process requirements are in place to provide accountability and prevent corruption. As an example, the recent reports by the Cours des Comptes identified major weaknesses in procurement and expenditure relating to COVID-19 assistance<sup>22</sup>. And there are issues with line ministries and PIUs submitting correct information. Yet, the MOEF has not been deaf to the complaints as several remediation steps were put in place to the end of 2022 (reviewed above) and plans to announce new reforms before the end of 2022 that may be implemented in 2023.

The challenge of the MOEF and related actors is to keep accountability in place to conduct public financial management with accountability and avoid corruption but at the same time improve fund authorization and delivery. The DCE and MOEF prepared memos of policy and procedural barriers based on discussions with various stakeholders<sup>23</sup>. There is reportedly follow-on work to address these issues.

There are also other process and systematic blockages that relate to having an efficient and effective implementation regime.

The blockages that have been identified are:

**B&B6 Capacity Weaknesses**— Adequate Capabilities and Sufficient Personnel - Capacity within the MOEF Treasury units, line ministries and PIUs (and other project/program managers) is mixed. There is periodic training either done internally or via the projects themselves. It is reported by the MOEF that the more process-related training that occurs, the number of processing issues are reduced. However, such capacity development is sporadic, and the training is not

connected. There is also reported a turnover of leadership, management and staff at all levels that injures institutional memory. Some of this turnover leads to insufficient personnel working on administering the procedures or there is a

lack of manpower allocation to meet the requirements. The initial hiring or turnover of management and staff requires

<sup>22</sup> Rapport No. 03/22-ADM/CG/ROD/MP COVID 19, Controle des Marches Publics Passes dans Le Cadre de la Riposte a la Pandemie COVID-19 Gestion 2020, Cour des Comptes, 15 Fevrier 2022 and Rapport sur L'Audit des Flux Financiers Lies a la Lutte Contre la COVID-19, Gestion 2020, Cour des Comptes, Fevrier 2022

<sup>23</sup> Les Principaux Blocages dans la Mise en Oeuvre des Project d'Investissements Publics a Madagascar, Service en Charge du Suivi des Investissements et des Financements, Direction de la Cooperation Economique, undated and a memo prepared by MOEF on disbursement bottlenecks, undated.

new training or at least learning of processes and procedures. Subjects include project design, procurement (and elements such as terms of reference development), financial management and operational procedures (in relation to requirements), all aspects of monitoring, personnel management, to name a few. The MOEF has estimated that about 1 of 10 projects is fully compliant with established processes for its first submission.

**B&B7 Centralization of Decisionmaking** – While touched on previously, the centralization of financial approvals significantly slows down approvals. This stops invoices being approved and results in unpaid employees or contractors. The requirement that any project-related expenditure over Ariary 200,000,000 (about \$50,000) requires the approval of the President and the Prime Minister is unorthodox and causes delays. The PIUs, line Ministries and MOEF have the technical functions to process the payments per previous agreements and the budget. Such oversight expands the technical function to the policy or political level that should not occur at the implementation stage.

**B&B8 National Budget Cost Sharing and Timing** – Access to national funds, usually part of project cost sharing, is difficult especially during the beginning of the fiscal year. During the first quarter of the fiscal year only up to 25% of the national cost share budget can be accessed. However, it is reported that even if less is required, and at different times of the year, the funds may not be disbursed. For budget timing, national budget and project budget alignment is sometimes an issue with national budget expenditure limited at certain times, as discussed, and project budget timing needs set to different outputs or specific times (for procurement, hiring, etc). The lack of alignment has caused disbursement issues. Last, unspent funds from current years are not budgeted in the future year(s) leaving obligations that are not in the future year budget. This results in not having funds budgeted but expenditure requests are still being submitted and funding is still needed per project agreements and contracts.

**B&B9 Project Initiation Bank Account Opening** – There are established requirements for the opening of a project bank account with the development partner funds (for credits and loan funds) transferred to the central bank and when requirements are met, funds can be released to the bank account. There are reportedly delays in having funds transferred because of: 1) incorrect or incomplete paperwork; 2) slow processing; and/or 3) slow approval. There appears to be much back-and-forth between the different stakeholders to include Treasury staff, PIU, line ministry focal points and/or managers and may involve project development partners and steering committees. And there is reportedly a lack of communication of why funds are delayed<sup>24</sup>.

**B&B10 Public Investment Strategy and Operations Manual Absence** – While most delivery units are aware of the existing processes, there is no one clear guide. And there is no public investment management strategy as described above. And past operation manuals have not been either adopted or fully applied. Lack of step-by-step procedures and training to learn and adhere to such procedures has been mostly absent. The operations manuals are to be finalized in early 2023. Development partners have attempted to use national procedures but have become wary of doing so, as illustrated above. In addition, one major development partner reports that it must deal with 80% of its projects that have issues with the implementation process. The wish is not to create new procedures and not sacrifice accountability, but to have a more efficient, streamlined process that works. A budget manual prepared by the MOEF with the USAID has helped provide guidance for budget preparation<sup>25</sup>.

**B&B11 Work Plan, Procurement, Personnel, etc. Approvals** – The approval process is complicated and, depending on the project, involves numerous stakeholders to include development partners, ministry management (at various levels), Treasury, and, at times, others. In addition, the requests are sometimes returned, and the entire process starts again. Several project implementors have cited the slowness of the procurement platform (SIG-MP Système Intégré de Gestion des Marchés Publics). And MOEF officials have complained about incorrect information submitted through the procurement system and on finance requests. For some projects, the PIU or executing agency must respond to national government system demands and development partner demands. Some of the approval steps have set timeframes but there is no overall timeline and what timelines that do exist are not adhered to. For development partners, the procedures are different than national requirements. Development partner requests are sometimes interpreted as “micromanagement.”

24 IMF staff have urged that the spending commitment authorization process be reformed saying it is overly centralized and that less turnover occur of budget actors. They also said that there needs to be closer collaboration between the MOEF and sector ministries. They said better public investment management would be important for fulfilling the ambitious targets of the PEM.

25 Guide Pratique de L'Execution Budgetaire, 2019 Direction Generale des Finances et des Affaires Generales, Ministere de l'Economie et des Finances, USAID

For work plan approvals, the plans are to be approved by October of the preceding year but often aren't approved or can't be implemented until the March of the next fiscal year (after the budget is approved and work plans are processed and approved). For the MOEF processes, the wait time for funds disbursement could be up to 2 months and funding is usually held until near the fiscal year end which causes a considerable amount of funds to be spent in the last quarter. Budget rectification in the June/July period had contributed to this funding delay since the system was stopped to allow for the rectification to occur. As mentioned, this process was suspended for the remainder of 2022. Funds can also now be carried over to 2023 whereas in the past they could not. For some projects, timing is critical. For instance, for some infrastructure projects (roads, water, energy), work time is limited not only by the processing times but also weather – some projects cannot be worked on during wet season, for instance. A combination of processing delays and external circumstances leave a short window for actual implementation.

**B&B12 Difficulties with Development Partner Requirements** – MOEF, line ministry and PIU representatives have cited the difficulty of working with different development partner requirements. Each partner has its own procedures and regulations. This leaves the national actors with having to deal with two separate sets of procedures and regulations. Several national actors have cited the difficulty of development approvals, such as “no objection” requirements and other requirements that can take months, and some have cited, a year for approvals.

**B&B13 Availability of Qualified Project Personnel and Contractors** – PIUs have indicated that it is sometimes difficult finding qualified personnel and private contractors. For personnel, development partners and line ministries have also said it is sometimes difficult to find experienced managers and technicians. For private contractors, there are various issues indicated: 1) lack of qualified bidders; 2) qualified firms are busy given the small size of the market; and 3) qualified firms don't want to bid because of the slowness of payments as well as stoppages of work because of needed approvals. One PIU has a database of accredited suppliers that has helped its procurement process.

**B&B14 Medium Term Planning and Budgeting** – While medium-term budgeting is done within the fiscal framework, it does not appear to be applied to external assistance planning and national cost sharing budgeting. Currently, it is management by voucher or invoice. Full year and multi-year budget approvals and accompanying procedures are absent leading to the short-term approval process. Most development interventions are multi-year thus multi-year commitments and accompanying processes could be in place for true medium-term budgeting that extends out development partner funding and national cost sharing over the medium term (2-5 years). There is also an absence of program or at least more results-oriented budgeting.

**B&B15 Government and Development Partner Coordination and Collaboration** – There has been coordination and collaboration between government and development partners at the senior level as well as the sector level. Development partners have also coordinated amongst themselves through the Dialogue Group on Cooperation (Groupe de Dialogue sur la Cooperation). Subjects covered include development partner and sector plans, portfolio review, implementation bottlenecks, monitoring efforts, evaluations, results reporting, etc. Recently, there were meetings between the MOEF and development partners to discuss the issues impacting external finance absorption and processing with follow-up ongoing. Such coordination and collaboration are essential to identify blockages and work together to address them as well as to have more attention on external assistance effectiveness and results.

**B&B16 Ministry Leadership is a Factor** – Senior leadership involvement in projects is evident. There are reported different types of involvement from direct ministerial involvement in all facets, including decisions to more of a monitoring role. Much depends on the level of interest of the minister and the amount of involvement desired as well as the working relationships (positive or negative). There have been example of ministers supporting PIUs and associated projects as well as those involved in a more ad hoc manner, sometimes helping or impeding progress.

**B&B17 Cooperation between Line Ministry and PIU/Project** – Working relationships between line ministry personnel and PIU personnel can also be positive or negative. There is usually at least a ministry focal point assigned to a project or PIU. Some ministries have a dedicated “cooperation” office or personnel. There is no standard organizational unit or position description for this role. It is reported that sometimes cooperation is not provided since the PIU or project is assigned the work and therefore timely processing is not provided. Also, there are reportedly payment discrepancies between ministry personnel and PIU and project personnel that has hindered cooperation and processing of the necessary forms



and approvals. As one PIU reported, there is adequate cooperation horizontally but not vertically.

**B&B18 Project and Program Preparation and Implementation Differentiation** – There appears to be a discrepancy between the project and program preparation and definition stage and implementation. In some instances, there are time delays in which the actual project situation needs adjustment for implementation or circumstances arise given the length of time between planning and implementation. In a few examples, funds had been added to projects or funds changed between budget lines. Such changes cause issues that result in delays or stoppages with the government and/or the development process. While such changes are not unusual in a development context, there does need to be the ability to adjust projects and programs so they can efficiently and effectively be implemented. Project implementors report that even slight changes require various government and development partner approvals. And certain requirements, such as conducting required social and environmental assessments or obtaining land-use permission (for some physical infrastructure projects, such as roads) often take more time than planned or were even unplanned. There could also be the absence of preliminary studies (scope of work preparation, costing, etc.) that must be done that were not originally planned.

#### **D. Data Collection and Monitoring**

On one hand, the GOM has made positive strides through establishing data platforms to collect and monitor external assistance and budget preparation and reporting data. On the other hand, these efforts appear to be repetitive or at least not linked to one another. There have also been different lifespans of each database.

The collection of data to monitor and report on public investments is an essential element to know what is happening as well as provide the bedrock of information to conduct any monitoring and evaluation so that actual efficiency, effectiveness, and results can be measured.

**B&B19 Sustainability of External Assistance Databases** – Several databases have been initiated to collect and report external assistance data. In the recent past, they have included the AMP that was originally supported by UNDP and then housed in different government units. The AMP provides the data for the annual official development report. Information was available on-line at the AMP web site in October 2022 but by December 2022 that information has not been available. The data base was recently moved to the MOEF. The TCN was initiated by OSCIF and was to include information on external and national-funded public investments. More recently, the DCE has started a database and staff are collecting information to populate it. The Delivery Unit has also wants a database. At the same time, the MOEF's budget office and Treasury department have been collecting such information for budget planning and expenditure recording and reporting and wants to expand on its database to include all external assistance. And, the MOEF's DGEP has a key monitoring role for external assistance including preparing the annual development assistance report. There is no coherent information collection and reporting objective with the unrelated activities.

**B&B20 External Assistance and Public Investment Linkage and Verification** – There were no linkages between past database building efforts and there appears to be no linkages to AMP, DCE, Delivery Unit and Treasury Department databases. This places a burden on staff to collect the same or similar information, the costs to build and maintain such databases, and possible discrepancies in data reporting. Importantly, there is no verification process with the MOEF. The Treasury Department and the Budget Office has sufficient data on credit and loans since those funds are processed through their systems. However, they say they do not have sufficient information on grants that are not processed through their processes. They do rely on some information from the AMP for grants. Verification is absent regarding the AMP and other databases regarding consistency with budget data and consistency with Treasury Department accounting and reporting.

**B&B21 Needed Linkages to Planning and Analysis of Results and Development Effectiveness** – Currently, monitoring information is not being reported on sufficiently and is not being fed into the planning process – except for the SNISE. Such use of information can provide a better basis for GOM and development partner planning. For instance, the AMP (or other database) should be able to provide information on what projects are active: the planned budgets and baseline indicators, and resulting expenditure output results of the projects. Performance indicators are needed to be identified so the interventions can be tracked according to progress on the indicators. While the AMP can do at least part of this

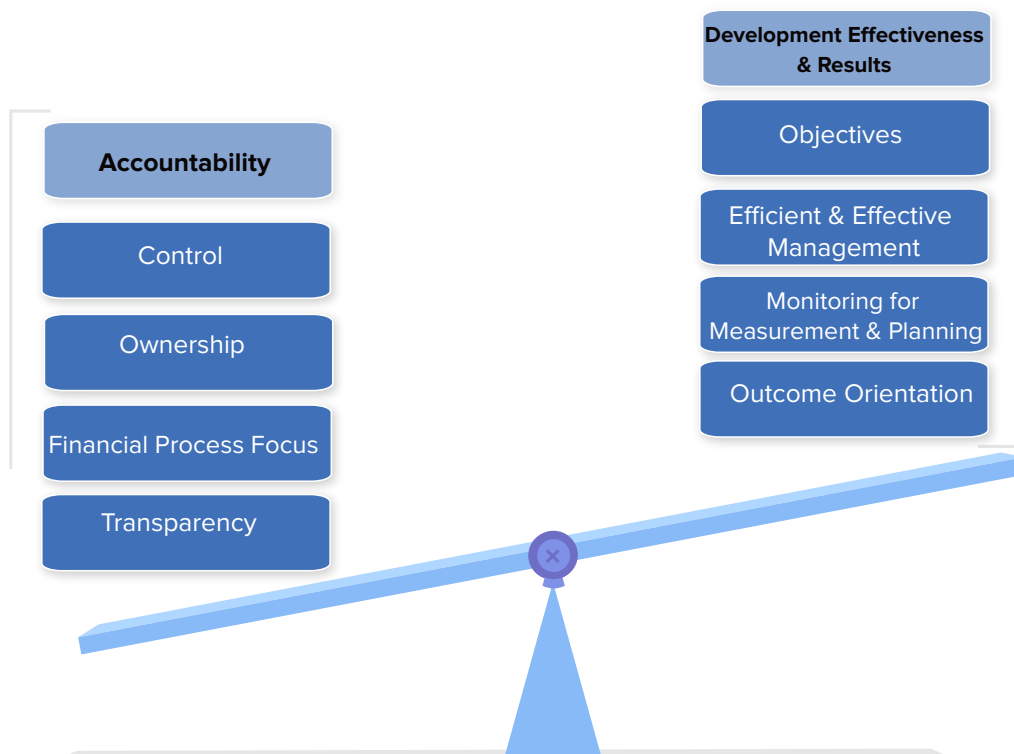
function, it is not seen as an effective tool for such purposes, thus the competing efforts. Some synchronization between AMP and SNISE could help make better use of the information being collected. The use of monitoring information for planning is an essential element of the project and program cycle and can “close the gap” to improve sector, project, and program planning. The same applies for annual and medium-term budget planning.

## VI. Conclusions

The GOM’s development agenda is at a critical point. There are positive efforts to consolidate efforts around the PEM. There remains development partner interest to fully execute existing projects as well as plan new ones. There are some capacities evident to implement the agenda and related projects. And there are efforts to implement the agenda more effectively with some positive experiences to help copy from some implementors to help improve others. There are impediments to these factors, as outlined above, that mainly include having 1) a transparent and workable institutional framework; 2) transparent, timely and workable processes in place to implement projects and programs; and 3) the necessary human resource capacities within the entities involved at all levels (central, line ministry and regional/local governments).

There is currently an imbalance between the stress on accountability and control in a somewhat procedural (in some cases) and ad hoc (in other cases) nature with development effectiveness and results being a secondary emphasis (Figure 18). The most significant element of this imbalance is that all stakeholders are aware that the imbalance exists and have been working to ameliorate them or at least have identified the problem areas. This ongoing discussion by government and development partner gives attention more to process and procedure, and either working around or to directly fix the issues. Such discussion and work effort prevents or at least delays the discussion about the more important issues of development effectiveness and results and how to make progress on the development agenda.

**Figure 18: The Development Paradigm to Improve External Assistance Absorption – Imperfect Balance**



As identified in the previous sections, the three main areas that warrant attention are the: 1) institutional framework so it is more coherent and transparent with working linkages at the central level (DCE as coordinator and MOEF), line ministries (with planning, coordination and monitoring units) and at the regional or local level with (with planning, coordination and monitoring units within local entities); 2) the implementation and processing systems that has improved human resource capacity with streamlined processes that are more efficient and illustrated in accompanying operations manuals and systems with time bound processing and decision points at all levels (central, line ministry and regional/



local governments); and 3) a monitoring system that can report verifiable data and feeds into the planning process. An alignment of government and donor objectives and processes also needs to take place so one efficient system is used rather than competing or offsetting processes. These elements warrant attention by the government and development partners.

As one senior government official said, “Everyone operates the best they can but we each operate in our own silo.”

There are already implications of the weakness of the current approach and systems. Some development partners are changing delivery modalities with one major development partner moving from national budget support to more directly executed project implementation, another is slowing the implementation of existing initiatives. And it is possible that the even the pipeline for planned or new initiatives is clogged because of the current blockages. The question is: if current projects and programs can't be completed, how can new commitments be made?

Last, the current situation does have an impact on development effectiveness and national outcomes. With the low absorption rate, as stated previously, funding is not being fully used. For example, if \$1 billion annually is committed to development and only about 65% is being implemented, that leaves about \$350 million not circulating through the economy. This situation has direct impact on GDP and living standards that directly impacts employment, private sector development and social welfare.

Improving the public investment architecture right will directly improve delivery and therefore have more of an impact on effectiveness and results.

## VII. Recommendations and Next Steps

### A. Overview

To measure the GOM's public investment derived from external assistance against international standards, there are several shortfalls. The previously stated standards of: ownership, alignment, harmonization, results and mutual accountability are generally applied by the GOM and development partners. But, as indicated above, there are institutional, process and capacity weaknesses. These weaknesses fall into the categories:

- Alignment whereas development partners attempt to align behind government objectives and also attempt to use different systems and processes;
- Harmonization whereas processes and procedures are not simplified and there is some duplication with the following of national and development partner requirements;
- Results whereas the emphasis is on attention to processes and associated bottlenecks and not on development effectiveness and results; and
- Mutual accountability, again, with an emphasis on accountability for process but not development results.

The recommendations offered below follow the transition of external assistance management that has occurred globally and has called for more of an emphasis on strengthening recipient country ownership, the building and maintenance of inclusive partnerships, and an emphasis on delivering results so there is a focus on real and measurable impacts on development.

As also indicated in the elements of a public investment management framework (Figure 12), most of these elements are in place within the GOM. The question is the quality of these elements and their operational viability to have a systematic approach that more adequately balances accountability and process with more of a performance and outcome orientation that truly addresses development effectiveness and results to achieve national GOM development objectives.

Moreover, the workflow will depend on the quality of cooperation and communication within the official institutions involved in planning, executing, controlling and monitoring public investment. The current public administration and public finance reform, and decentralization emphasis must also be considered since these efforts have attempted to address improving public investment management.

To address this balance and resolve the weaknesses, a series of recommendations are offered below in three categories:

- Streamlined organizational structure and relationships between the stakeholder entities with cooperation and collaboration in a systematic manner and including enhanced GOM-development partner coordination and increased emphasis on regional and local development.
- Process reform and capacity development with a transparent, timed processing alignment of GOM and development requirements, and ongoing capacity development.
- Ongoing systematic monitoring and evaluation that is linked and reported on and adherence to the program cycle, using reliable source and exchange platform.
- Strengthened and more intense government-Development Partner communication and collaboration in an organized and systematic manner.

The recommendations are oriented to addressing all phases of the program cycle to include:

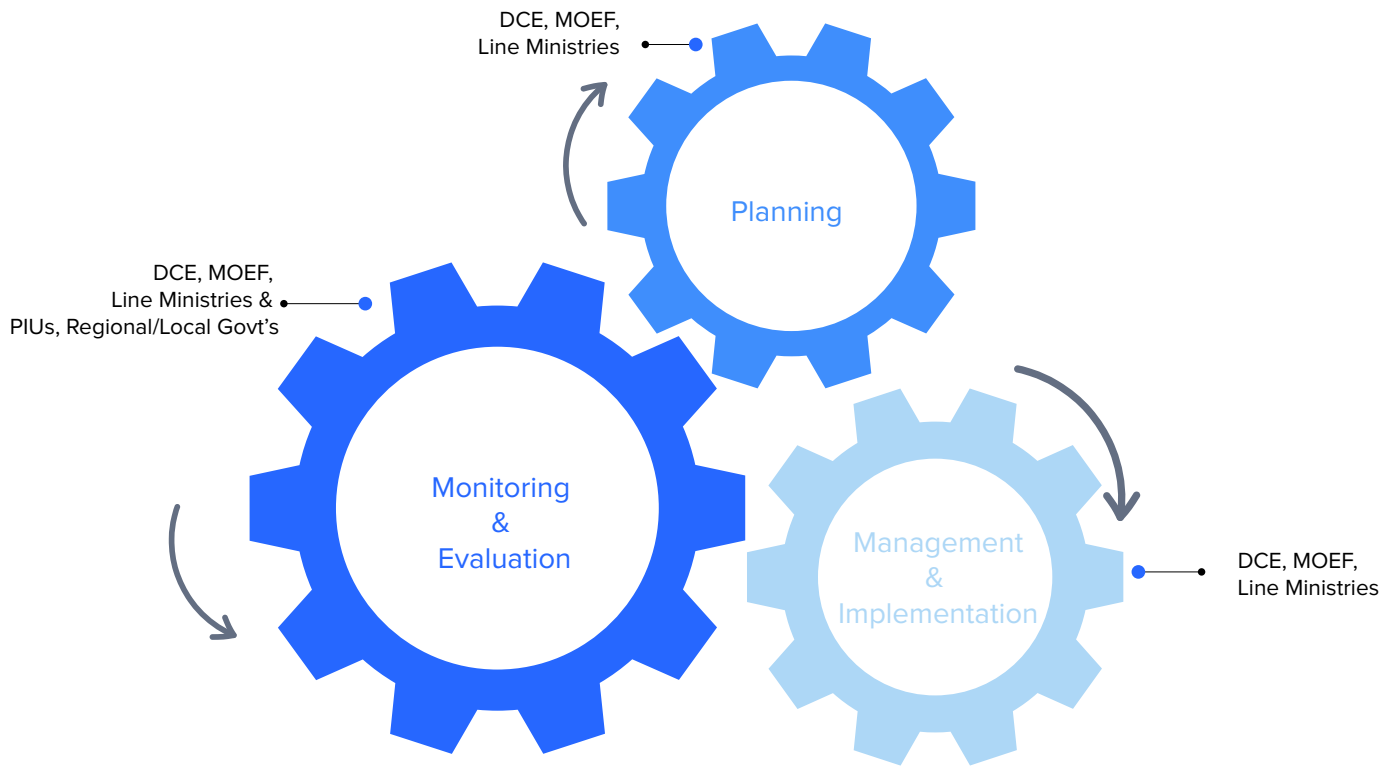
- Planning of projects and programs and their relationships to national development plans and sector strategies, and plan and develop partner coordination.
- Management and implementation including coordination and oversight, implementation modalities, financial reporting, and disbursement.
- Ongoing and/or periodic program and project monitoring and evaluation to include where such monitoring and evaluation takes place, who performs and how the resulting information feeds back into the planning process.

Given Madagascar's development objectives, as cited in the PEM and ongoing project efforts, regional development is a crosscutting theme. An attempt is made to address the challenges of such development as is currently being done by other aspects of the RINDRA project and several efforts to address development needs through local governance and public service strengthening, infrastructure development and improving the conditions for sustainable livelihoods. There is also the interest of UNDP to enhance addressing Sustainable Development Goals (SDGs) from a delivery, results and finance perspective by measuring the impacts of development per the SDGs through conducting country-wide impact mapping.

### **B. Recommendation 1: Strengthening and Linking Organizational Structure and Relationships**

Currently, there are numerous entities at the central and line ministry level involved in external assistance planning, management, and monitoring and evaluation. The overlaps and disconnects have resulted in some entities implementing similar functions and causing a confusing picture to stakeholders to include development partners and those executing projects and programs. The lack of a streamlined organizational architecture has directly impacted not only the absorption of existing aid dollars but may be impacting the design and implementation of new projects and programs. While there is no direct evidence of the latter, with the emphasis on implementing existing projects, there is less of a window to address new interventions.

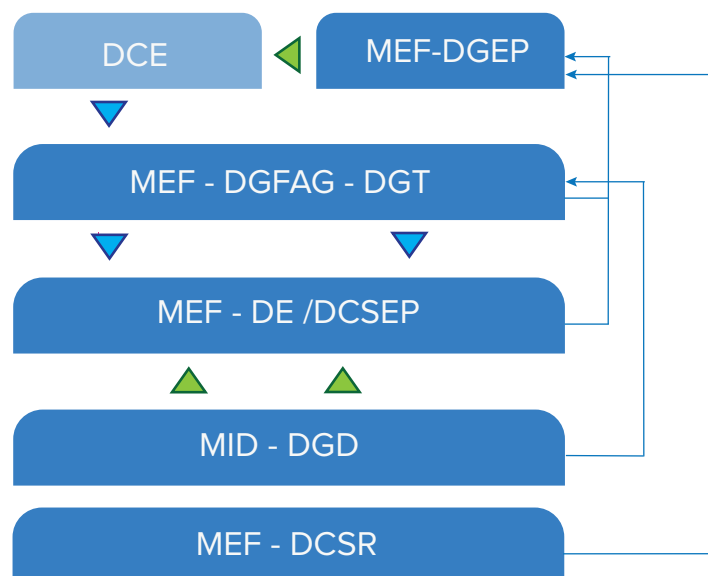
**Figure 19: The Interlocking Entities and Functions for External Assistance Planning, Management, Implementation, Monitoring and Evaluation**



To help address the current situation, it is recommended that the GOM adhere to a more streamlined public investment management architecture by fixing the “ecosystem” based on existing governance entities and identifying linkages of cooperation, as exhibited in Figure 19. A strengthened structure will offer a stronger “backbone” to the processes and procedures and help to better execute the planning, management and implementation, and monitoring and evaluation cycle. A strengthened and clearer institutional framework can enhance GOM-development partner coordination and increased emphasis on regional and local development. The following is a description of the main entities and their actual or refined functions including identifying areas that need attention.

The DCE has the main coordination functions given its mandate and position at the central level. The main linkage is with the MOEF units involving economic planning, monitoring and evaluation, social and economic and PFM reforms, budget, and Treasury units per Figure 13. There are also recommended strengthened linkages with line ministries to have or (or strengthen existing) planning, coordination, and monitoring units as well as pilot planning, coordination, and monitoring units at the regional or local level. The following description divides the functions of each of the primary and secondary entities per the planning, management and implementation, and monitoring and evaluation roles.

**Figure 20: Flowchart of Functional Relationships**



## PLANNING:

### **Primary Entity: DCE**

The directorate's planning-related functions are: 1) identify available national and international public and private financing in alignment with the PME and other national and sector development objectives; 2) produce and update the matrix of reform programs and projects related to public and private investments; 3) follow up on the implementation of programs and projects with external financing; 4) prepare and promote dialogue between the public and private sectors regarding addressing the GOM's development objectives; and 5) promote relations with technical and financial partners and act as the "entry point" and "clearing house" for development partners.

As the primary entity, coordinates planning with the following entities and works to establish linkages amongst these entities to have an effective planning mechanism that links national and sector strategies and priorities with development partners and external assistance financing. These entities are at the central level (mainly MOEF's DGEP, DGFAG, Treasury Department, Direction de la Coordination et du Suivi des Reformes), line ministries (planning, coordination and monitoring units) and regional/local governments (planning, coordination and monitoring units).

### **Secondary Entities:**

**Delivery Unit** – Linked directly to the DCE and works on a subset of project and programs that are priorities of the President. The main function is to establish and implement a mechanism and a systematic approach to monitor the implementation of presidential projects and priorities consistent with DCE and MOEF (DGEP, DGFAG and Treasury Department) analysis, process, and reporting procedures.

## **MOEF**

**Direction de la Coordination et du Suivi des Reformes** - 1) coordinate, plan and monitor implementation of reforms; and 2) coordinate the development of policy documents and strategy guidelines of the MOEF consistent with the General Policy of the State and ensure consistency with multi-year action programs. And, with the Treasury Department and other entities, prepare the public investment manual(s) for grants and loans and manage the documents implementation including periodic reviews to adjust the manual(s) if needed.

**DGFAG – The Budget Department** – Prepare the budget (annual and medium term) based on inputs of DCE, other MOEF units (Treasury Department, DGEP, etc.), and line ministries inclusive of external assistance financing (loans, credits, budget support, grants). Budget has direct links to national and/or sector strategies.

**Treasury Department** – The Treasury Department is a main cooperative partner with the DCE for external assistance planning as it is the main entity that conducts public debt planning, management and monitoring and conducts associated accounting and other financial processing. General functions are: 1) participate in the development and conduct of the national, regional and international financial policy; 2) help determine public sector policy financial implications; 3) help establish the macroeconomic framework; 4) develop and implement regulations on public accounting; 5) participate in the preparation of negotiations with international organizations by providing the relevant documents and participate in review missions and joint donor missions; and 6) define, implement and monitor the financial inclusion policy. And, with the Direction de la Coordination et du Suivi des Reformes, prepare the public investment manual(s) for grants and loans.

*Directorate of Public Accounting* - Develop and implement public accounting reforms and regulations.

*Directorate of Public Debt* – 1) establish a legal framework for indebtedness and ensure that it is applied and updated; 2) develop and implement the public debt strategy in line with other MOEF units and DCE; and 3) work with development partners, DCE, other MOEF units (DGEP), technical supervisory ministries and PIUs in terms of planning external financing.

*Directorate of Studies* – 1) participate in the development of financial programs and macroeconomic frameworks within the framework of the preparation of finance laws and the monitoring of their implementation; and 2) develop and propose strategies to strengthen the performance of the Treasury Departments and its services

to include managing the implementation of the public investment management operation manual(s) and their periodic adjustment, as needed.

*Directorate of Finance Investigation and Audit* – 1) plan audits of the accounts and financial statements of the state, local authorities and public establishments; and 2) plan compliance audits of transactions underlying the accounts and financial statements of the state, local authorities and public establishment; and 3) plan evaluations of the performance of government accounting posts.

**DGEP** – The DGEP is a main cooperative partner with the DCE for external assistance planning as it is the main economic management entity in the GOM. Relevant planning functions are: 1) develop and coordinate the economic policy and the macroeconomic framework in line with other MOEF units (DGFAG and Treasury Department); 2) design and operationalize macroeconomic models to support the authorities in decision-making; 3) monitor and provide economic analysis of macroeconomic indicators; 4) conduct prospective studies as well as the process of strategic and operational planning of the country's development over the medium and long-term; 5) coordinate sector policies and strategies, thus guaranteeing the coherence of the activities of the various development actors with the macroeconomic and sectoral objectives in order to achieve sustainable and inclusive development; 6) ensure consistency of public investment projects with the National Development Strategy as well as their maturity; and 7) strengthen the technical capacities of all development actors in terms of planning and monitoring-evaluation.

*Directorate of Planning* – 1) design and develop planning methods, mechanisms and tools; 2) develop the country's National Development Strategy in the medium and long-term; 3) participate in the process of developing the tools and documents needed to understand the regional development situation and to draw up communal, regional and provincial development plans; 4) strengthen the technical capacities of all line ministries in terms of planning; 5) ensure the consistency of public investment projects with the National Development Strategy as well as their maturity; and 6) integrate the various dimensions of development into policies and strategies at all levels: population, gender, environment.

*Directorate of Studies of Economic Modeling* – 1) define the strategic orientations of the economic policy in cooperation with DCE and other MOEF units (Directorate of Planning, Budget Department, Directorate of Public Debt, Directorate of Studies); and 2) prepare forecasts and the medium-term macroeconomic framework; and 3) carry out analysis of the economic situation and outlook.

*Directorate of Coordinating Monitoring and Evaluation of Programs* – The directorate provides monitoring and evaluation information inputs to the planning process. Relevant planning-related functions are: 1) develop and implement the National Evaluation Policy; 2) lead the process of developing the National Policy for External Cooperation in the area of economic development; and 3) ensure the consistency of the intervention strategies of development partners with the objectives and priorities of the National Development Strategy.

**Line Ministries** – Line ministry planning functions are mainly aimed at 1) preparing or participation in the preparation of sector or cross-sectoral plans; and 2) project and program planning in line with the central entities (described above) and development partners.

#### MANAGEMENT and IMPLEMENTATION:

##### **Primary Entity: DCE**

The directorate's management and implementation functions are: 1) Update the matrix of reform programs and projects related to public and private investments; 2) follow up on the implementation of programs and projects with external financing; 3) prepare and promote dialogue between the public and private sectors regarding addressing the GOM's development objectives; and 4) promote relations with technical and financial partners and act as the "entry point" and "clearing house" for development partners.

As the primary entity, coordinates overall public investment management program from a policy perspective to ensure continued adherence to the national and sectoral strategies and priorities. However, the DCE does not have

an operational or technical role in terms of implementation and processing. The implementation role is mainly with the office of the Prime Minister, MOEF and line ministries. Works with the following entities and works to establish linkages amongst these entities to have an effective management and implementation mechanism to complete externally financed projects according to agreed upon time plans.

### **Secondary Entities:**

**Delivery Unit** – Linked directly to the DCE and works on a subset of project and programs that are priorities of the President. The main function is to monitor projects and facilitate, where necessary, the priority projects in cooperation with other implementing actors (MOEF units, line ministries, PIUs, etc.).

### **MOEF**

**Direction de la Coordination et du Suivi des Réformes** – 1) Continue to ensure the coordination and monitoring of the implementation of public finance-related reforms; 2) coordinate technical assistance missions, governance-related projects of the MOEF in relation with technical and financial partners and ensure their follow-up; 3) coordinate the development of policy document and strategy guidelines of the MOEF; 4) ensure the consolidation and monitoring and evaluation of the implementation of the MOEF's action plan and annual work plan of the MOEF, in collaboration with other ministry units; 5) assess the relevance and efficiency of the execution of revenue and expenditure of the ministry for better public finance governance; and 6) support the actors in charge of the reforms in the management of change, the promotion of transparency and accountability for a better quality of services provided to users. And, with the Treasury Department and other entities, implement the public investment manual(s) for grants and loans and manage the documents implementation including periodic reviews to adjust the manual(s) if needed.

**DGFAG** – The Budget Department – Monitor the budget and ensure external funding data is reported and recorded in terms of future planned funding and the spending of committed funding within the budget framework. Collaborate with the DCE and other MOEF units (Treasury Department, DGEP, etc.), and line ministries.

**Treasury Department** – The Treasury Department is a main technical cooperative partner since it is responsible for the accounting and financial processing of the externally-financed funds. General functions are: 1) coordinate macroeconomic policies and programs in the real, public finance, monetary and external sectors; 2) preserve the good governance of public funds; 2) ensure the management of the state's cash and ensure its permanent balance; 3) develop and implement regulations on public accounting; 4) ensure the financial and accounting management of the state, local authorities and public establishments; 5) participate in the preparation of negotiations with international organizations by providing the relevant documents: review missions, joint donor missions; 6) manage internal and external public loans, donations and external aid and their counter value, cash operations and the recovery of state debts; and 7) implement and monitor the financial inclusion policy. And, with the Direction de la Coordination et du Suivi des Réformes, implement the public investment manual(s) for grants and loans and suggest areas that need attention.

**Directorate of Public Accounting** – 1) Implement public accounting reforms and regulations; 2) execute public expenditure, centralize state revenue and ensure the keeping of state accounts; 3) close the accounts of the state; 4) ensure the financial and accounting management of the state, local authorities and public establishments; and 5) organize, coordinate and operate the activities of accounting positions.

**Directorate of Public Debt** – 1) manage, analyze and implement public loans and credits; 2) monitor the debt strategy on an ongoing basis; 3) coordinate with development partners, technical supervisory ministries and PIUs in terms of external financing; 4) ensure the management of individual Treasury accounts, excluding trading accounts and participation accounts; 5) plan and pay the servicing of the internal and external public debt; 6) carry out the accounting regularization of the debt service; and 7) prepare periodic reports on the public debt.

**Directorate of Studies** – 1) periodically produce the "Global Treasury Operations" dashboard; 2) collect, manage and analyze data relating to economic sectors; 3) produce statistics on public finances for internal and external use; 4) ensure the management and follow-up of litigation cases involving the interests of the Public Treasury;

and develop and propose strategies to strengthen the performance of the Treasury Department and its services to include managing the implementation of the public investment management operation manual(s) and their periodic adjustment, as needed.

*Directorate of Finance Investigation and Audit* – 1) conduct audits of the accounts and financial statements of the state, local authorities and public establishments; and 2) conduct compliance audits of transactions underlying the accounts and financial statements of the state, local authorities and public establishment; and 3) conduct evaluations of the performance of government accounting posts; 4) conduct all the investigations necessary for the implementation of the prosecution of accounting, budgetary and financial offenses or embezzlement committed; 5) carry out review or evaluation missions relating to public finances requested by the hierarchical authorities; and 6) ensure the restoration of good governance in the accounting and financial management of public funds.

**DGEP** – The DGEP has less of a management and implementation role compared to its planning and monitoring and evaluation roles. Relevant management and implementation roles are: 1) coordinate the economic policy and the macroeconomic framework; 2) operationalize macroeconomic models to support the authorities in decision-making; 3) monitor and provide economic analysis of macroeconomic indicators; 4) prepare the Report on the Economic and Financial situation of Madagascar; 5) coordinate sectoral policies and strategies, thus guaranteeing the coherence of the activities of the various development actors with the macroeconomic and sectoral objectives in order to achieve sustainable and inclusive development; 6) ensure consistency of public investment projects with the National Development Strategy as well as their maturity; 7) monitor and analyze indicators related to the Sustainable Development Goals as well as the preparation of the National Human Development Report; and 8) strengthen the technical capacities of all development actors in terms of planning and monitoring-evaluation.

*Directorate of Planning* – 1) participate in the process of developing the tools and documents needed to understand the regional development situation and to draw up communal, regional and provincial development plans; 2) strengthen the technical capacities of all sectors in terms of planning; 3) lead the entire process of implementing the Sustainable Development Goals; 4) ensure the consistency of public investment projects with the National Development Strategy as well as their maturity; 5) continuously integrate the various dimensions of development into policies and strategies at all levels: population, gender, environment.

*Directorate of Studies of Economic Modeling* – 1) prepare an annual report on the situation and probable development of the various sectors of the economy with the input of DCE and other MOEF units (Directorate of Planning, Budget Department, Directorate of Public Debt, Directorate of Studies); 2) monitor macroeconomic policy through studies and analyzes of the economic situation; 3) carry out analysis of the economic situation and outlook; and 4) provide quarterly notes on the economic and financial situation in Madagascar.

*Directorate of Coordinating Monitoring and Evaluation of Programs* – The directorate provides monitoring and evaluation functions that are important to the monitoring and evaluation phase of the program cycle. Ongoing implementation functions include the following: 1) monitor the implementation of the National Integrated Monitoring-Evaluation System; 2) design and develop methodological monitoring-evaluation tools; 3) build the capacity of stakeholders regarding methodologies, mechanisms and monitoring-evaluation tools; 4) prepare progress reports on the implementation of programs at central and regional levels; 5) monitor the implementation of the Public Investment Management Strategy; 6) ensure the consistency of the intervention strategies of development partners with the objectives and priorities of the National Development Strategy; and 7) monitor the implementation of external cooperation in terms of financial commitments and disbursements by technical and financial partners.

**Line Ministries and PIUs**– Line ministry operational units and associated PIUs are key managers and implementors. The following are several characteristics that may benefit project execution and delivery of results.

o *Alignment* – Alignment of national and sector strategies. Alignment of GOM and development partner procedures so one set of requirements are followed, not two sets or overlapping or repetitive requirements. And, alignment



of line ministry work programs per sector objectives that integrates national and development projects into an integrated annual work plan to actualize the national and sector strategies. The annual work programs should be updated annually along with the annual budget process so the plans and finances are linked. This approach is currently being applied in at least one ministry. If successful, there should eventually be a move toward 2–3-year medium term planning (and accompanying financing in line with medium term budgeting).

o *Rightsized Organizational Structures* – PIUs are integral to a line ministry as possible to help improve ownership and implementation oversight. Makes use of government personnel and resources to the extent possible. Have established criteria to consider implementation modality: a) sole ministry implementation; b) internal PIU; c) external (to ministry) PIU; d) cross cutting PIU.

o *Transparent and Practical Processes* – Have available transparent and practical monitoring and oversight process with clear timelines. Processes should consist of one set of requirements agreed to by GOM and development partners.

o *Adequate Human Resources* – Personnel needs should be identified during project design including assessment of availability inside or outside of government. Adequate training should be available on management and other process (personnel recruiting, procurement, payment approval, etc.) on an ongoing basis.

o *Public Investment Coordination Unit* - Each line ministry should have a coordination unit that liaises with PIUs and central agencies (DCE, MOEF, PMO) for planning, implementation and monitoring. The units should have at least one person who is knowledgeable and capable to facilitate financial processing and approvals, one person to facilitate other approvals and requirements, and one person for monitoring and evaluation. The Unit's main functions are: 1) participate in ministry/sector strategic and annual planning; 2) coordinates with DCE and development partners; 3) facilitate PIUs in implementing operations manual (and associated processes and systems) to allow for efficient and timely processing; and 4) provides ministry, sector and project monitoring information to MOEF and DCE. A first step would be to assess the institutional frameworks and next steps of each line ministry to see which of these functions currently exist since some ministries have such units or staff. The aim would be to have consistent structures and capacities across government to work with the central units, PIUs and development partners.

Amongst the responsibilities of a PIU the following functions (and associate personnel should be present): 1) prepares and implements annual and multi-year work plans; 2) conducts personnel management and conducts hiring and management per aligned GOM and development partner procedures (one procedure, as outlined in operations manual, that fulfills necessary requirements of both stakeholders and is workable in a timely manner); 3) conducts financial management and adheres to aligned GOM and development partner financial processes, including procurement (one procedure that fulfills necessary requirements of both stakeholders and is workable in a timely manner); and 4) reports on project outputs, outcomes and results on an agreed to timely basis.

#### MONITORING and EVALUATION:

##### **Primary Entity: DCE**

The directorate's monitoring and evaluation main function is to coordinate monitoring and evaluation of the central units including the President's Office and MOEF units and line ministries with the main executing unit being the DGEP's Directorate of Coordinating Monitoring and Evaluation of Programs.

An important element of the monitoring and evaluation effort is to have an effective information system. The main information system should continue to be the AMP now housed in the DGEP's evaluation unit. This issue is further addressed in Section D, below.

##### **Main Executing Unit:**

DGEP's Directorate of Coordinating Monitoring and Evaluation Programs has a role of managing and providing oversight



of GOM's external assistance monitoring and evaluation efforts. Its linkages with other stakeholders are essential to conduct systematic monitoring and evaluation and be a focal point for data and reporting.

The main functions are: 1) monitor the implementation of the National Integrated Monitoring-Evaluation System; 2) develop and implement the National Evaluation Policy; 3) design and develop methodological monitoring-evaluation tools; 4) build the capacity of stakeholders regarding methodologies, mechanisms and monitoring-evaluation tools; 5) prepare progress reports on the implementation of programs at central and regional levels; 6) monitor the implementation of the Public Investment Management Strategy; 7) lead the process of developing the National Policy for External Cooperation in the area of economic development; 8) ensure the consistency of the intervention strategies of development partners with the objectives and priorities of the National Development Strategy; 9) monitor the implementation of external cooperation in terms of financial commitments and disbursements by technical and financial partners; and 10) prepare the annual Report on Development Cooperation.

### **Secondary Entities:**

**Delivery Unit** – Linked directly to the DCE and works on a subset of project and programs that are priorities of the President. The main function is to monitor projects and facilitate where necessary, the priority projects in cooperation with other implementing actors (MOEF units, line ministries, PIUs, etc).

### **MOEF**

***Direction de la Coordination et du Suivi des Reformes*** – 1) Continue to ensure the monitoring of and reporting on the implementation of public finance-related reforms; 2) ensure the consolidation and monitoring and evaluation of the implementation of the MOEF's action plan and annual work plan, in collaboration with other ministry units; 3) assess the relevance and efficiency of the execution of revenue and expenditure of the ministry for better public finance governance; and 4) support the actors in charge of the reforms in the management of change, the promotion of transparency and accountability for a better quality of services provided to users. And, with the Treasury Department, implement the public investment manual(s) for grants and loans and suggest areas that need attention.

**DGFAG** – The Budget Department – Monitor the budget and ensure external funding data is reported and recorded in terms of future planned fund and the spending of committed funding within the budget framework. Collaborate with the DCE and other MOEF units (Treasury Department, DGEP, etc.), and line ministries. Verification of external assistance financial data with DGEP's Directorate of Coordinating Monitoring and Evaluation Programs.

**Treasury Department** – General functions are: 1) coordinate macroeconomic policies and programs in the real, public finance, monetary and external sectors; 2) participate in the preparation of negotiations with international organizations by providing the relevant documents: review missions, joint donor missions; 3) manage internal and external public loans, donations and external aid and their counter value, cash operations and the recovery of state debts; and 4) define, implement and monitor the financial inclusion policy. And, with the Direction de la Coordination et du Suivi des Reformes, monitor the public investment manual(s) for grants and loans and suggest areas that need attention.

*Directorate of Public Accounting* – Develop and implement public accounting reforms and regulations including monitoring public investment manual implementation and make suggestions for improvement based on user feedback.

*Directorate of Public Debt* – 1) Monitor public debt and foreign aid; 2) participate in the analysis of the sustainability of the public debt; 3) monitor and report on the public debt strategy; 4) prepare periodic reports on the public debt and ensure data consistency with budget and AMP data.

*Directorate of Studies* – 1) participate in the development of financial programs and macroeconomic frameworks within the framework of the preparation of finance laws and the monitoring of their implementation; 2) ensure the programming of the activities and the budget of the General Directorate of the Treasury as well as their monitoring and evaluation; and 3) develop and propose strategies to strengthen the performance of the

Treasury Departments and its services including monitoring public investment manual implementation and make suggestions for improvement based on user feedback (in collaboration with the Directorates of Account and Public Debt).

*Directorate of Finance Investigation and Audit* – In addition to implementing audits as indicated above, functions are: 1) carry out review or evaluation missions relating to public finances requested by the hierarchical authorities; and 2) ensure the restoration of good governance in the accounting and financial management of public funds.

**DGEP** – The DGEP has a direct role in systematic monitoring and evaluation as indicated by the abovementioned roles of the Directorate of Coordinating Monitoring and Evaluation of Programs. Relevant general monitoring and evaluation roles are: 1) monitor and provide economic analysis of macroeconomic indicators; 2) ensure consistency of public investment projects with the National Development Strategy as well as their maturity; 3) monitor and analyze indicators related to the Sustainable Development Goals as well as the preparation of the National Human Development Report; 4) monitor and evaluate the implementation of development programs at all levels through the operationalization of the National Integrated Monitoring-Evaluation System following the Results-Based Management approach; 5) develop and implement the National Evaluation Policy; 6) analyze external aid and prepare the annual Report on Development Cooperation; and 7) strengthen the technical capacities of all development actors in terms of planning and monitoring-evaluation.

*Directorate of Planning* – 1) monitor planning methods, mechanisms and tools; 2) monitor and report on the National Development Strategy; 3) monitor the implementation of the Sustainable Development Goals; 4) monitor the consistency of public investment projects with the National Development Strategy as well as their maturity; and 5) monitor the various dimensions of development into policies and strategies at all levels: population, gender, environment.

*Directorate of Studies of Economic Modeling* – 1) monitor macroeconomic policy through studies and analyzes of the economic situation; 2) monitor forecasts and the medium-term macroeconomic framework; 3) carry out analysis of the economic situation and outlook; and 4) provide quarterly notes on the economic and financial situation in Madagascar.

*Directorate of Coordinating Monitoring and Evaluation of Programs* – Monitoring and evaluation role and functions provided above as the main executing unit describe above.

**Line Ministries and PIUs**– Line ministry operational units and associated PIUs are essential to providing the project and program financial and performance information to the main GOM counterparts, per the above and to development partners. Ministry and/or PIU focal points should have direct linkages to the DCE and Treasury Department and DGEP’s monitoring and evaluation unit so the necessary data can be recorded analyzed and reported on.

### C. Recommendation 2: Improving the Public Investment Process and Building Capacity

The existing processes used to implement external assistance projects have impeded project delivery and results. While the organizational architecture needs to be streamlined with linkages to induce cooperation and the ecosystem clarified, the management and implementation procedures must be transparent, streamlined, workable and be more results oriented. The balance between accountability and development effectiveness and results, as illustrated in Figure 18 warrants attention.

The GOM has set the following timeframe to adopt the GIP strategy and Operations Manual. The DCE has also reported that it is preparing an International Cooperation Strategy.

**Figure 21: Timeframe for GIP Strategy and Operations Manual**

Deadline	Output
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<b>12/2022</b>	Finalization and adoption of GIP Strategy
<b>2/2023</b>	Finalization and adoption of GIP Decree
<b>3/2023</b>	Arrangement of the management of the Public Investment Database (streamlined and consolidated in line with AMP and other databases existing or under construction and linked, with verifiable data, to budget and accounting needs of MOEF)
<b>5/2023</b>	Approval of GIP Operations Manual

The following is a set of tools to help support the organizational architecture described above.

**Public Investment Program and Strategy** – The PEM is being advanced as the nation’s development strategy for the medium term. The GIP Strategy should help to activate the PEM and draw Development Partner attention to priority areas and areas where there are gaps in funding and support. The GIP Strategy draft that is currently available was originally drafted during the time of OCSIF in the 2019-21 period. The strategy has been reviewed by the GOM and reportedly updated. A thorough review should first take place to ensure that strategy is aligned with the elements identified in this report’s analysis and is implementable in an active way to: 1) provide support to the GOM’s entities in fulfilling the strategy; and 2) providing direction to Development Partners to design interventions that are in-line with the strategy. There is also the question is if the PEM is a sufficient roadmap to help government guide development partners to priority areas? Since the PEM is just being made available, government-development partner discussions will be needed to determine what can be supported during the PEM’s timeframe and if development partner interventions can be aligned with these priorities. From these discussions, priority needs Development Partners can address should be identified along with a roadmap to address these priorities.

**Public Investment Management Operations Manuals** – The MOEF is currently in the process of finalizing two public investment management operations manuals: one for the processing of loans, credits and budget support, and the other for grant projects. The interest is to capture as much external financing for accountability and reporting purposes as well as having transparent processes and procedures to eliminate existing processing issues. The manual(s) are reportedly to be completed by May 2023.

At the time of this writing, the operations manuals have not been available for review. The manuals will reportedly offer step-by-step processes so that implementors at the ministry and PIU level have clear direction and development partners are aware of the requirements. A review by the relevant GOM entities described above and representatives of several (not all) Development Partners should take place.

Two factors that should be considered for the final operations manuals are: 1) timing of process steps so that there are clear timeframes for the different steps and approvals (and assurances timeframes are adhered to); and 2) alignment with development partner practices so that project implementors have one set of requirements to follow rather than two processes. If there are discrepancies between the operations manuals and development partner requirements, such discrepancies should be resolved during project design and before project implementation.

**Ongoing Capacity Development** – While transparency is an essential element of the operation manuals processes and procedures, ongoing capacity development will be essential to make the processes “stick” and be adhered to over the short and medium term. The lack of capacity to follow processes correctly has been one of the main impediments to implementation. The MOEF and several Development Partners have also reported that line ministry and PIU personnel that have received training have a better project implementation rate. The MOEF, as the central point for the process requirements and “holder” of the operations manual should provide ongoing training of ministry and PIU personnel on

the processes and procedures provided in the operations manual. Or, a training program should be implemented by a reliable local education institution. However, actual practitioners in the system should be included as trainers. Such training should not be one-time but a consistent scheduled program, offered quarterly or at least every 6-months. Possible topics are:

- Overview: The Program Cycle and GOM's Public Investment Architecture
- Work Plan and Schedule Development
- Financial Administration and Management
- Hiring and Contracting Procedures
- Procurement Procedures
- Monitoring and Evaluation Information Preparation and Reporting

One existing unit in the MOEF should be responsible for organizing and hosting the training using personnel (from the entities identified in the previous sections) who are actors in the implementation of the operations manuals. The use of positive examples (real success stories) that already exist should be used so the positive characteristics are multiplied. The training can also be used to gain feedback on the processes and procedures so the manuals can be improved upon over time. The training should start with project execution managers and personnel. The training should eventually include personnel from the external assistance coordination units at the regional level (such units are recommended below).

The training can be a certification program with participants being certified for project and program execution.

#### **D. Recommendation 3: Providing Well Coordinated and Ongoing Monitoring and Evaluation and Adhering to the Program Cycle**

The GOM has monitoring and evaluation practices and some reporting. However, an uncoordinated system has evolved with the development of several external assistance databases and several government units collecting and reporting on data. The current situation should be simplified to be more transparent, use scarce available resources, and provide useful monitoring and evaluation information used internally within the GOM, used by development departments, and made available to the public.

**Central Institutional Unit** - The main focal point for the monitoring and evaluation system is the MOEF/DGEP's Directorate of Coordinating Monitoring and Evaluation Programs. Its functions and location in the MOEF clearly place it as the body that creates the monitoring and evaluation policies, provides support to line ministries and PIUs, collaborates with donors, prepares reporting such as the annual Aid Coordination Report, and houses the AMP.

The Directorate should have direct linkages with the DCE, Delivery Unit, other MOEF units and line ministries and PIUs to conduct its functions in a coordinated way and avoid overlap and duplication of effort. A formal or informal M&E Working Group can be established so the stakeholder units work together to have an effective monitoring and evaluation system. The working group can also reach out to Development Partners so that monitoring and evaluation efforts are better aligned and reduces overlap and repetition.

**External Assistance Databases** – The AMP is seen as a reliable database that has moved to the DGEP's monitoring and evaluation directorate. The database has remained active and is currently being vetted and updated given the recent move to the directorate. The AMP has provided the data for the annual Aid Coordination Report. At the same time other databases have been created, namely in the DCE and Delivery Unit and another is under construction at the MOEF's debt management unit. From the descriptions of these databases, there does seem to be repetition and overlap. Also, the Treasury Department and Budget Department collect, maintain, and report on external assistance finance data.

A more streamlined effort is needed given the limited resources (time, money, personnel) it takes to maintain and update such databases. The AMP should be the main database with other databases either feeding into or using AMP as a source of the necessary information. Such an alignment would help to reduce and eventually eliminate offsetting data and reporting. It is understandable that the DCE and Delivery Unit databases may collect other information (non-external assistance-related such as for sole GOM public investments and public-private partnerships). However, linkages are

needed to ensure the proper information is being collected and reported in an efficient manner.

There also needs to be a verification of the finance information between what is collected in the databases so that the financial data corresponds with what is used in the budget formulation and reporting process and in the accounting process as undertaken by the Treasury Department and the Budget Department, including for debt management.

A Public Investment Management Database working group (a subset of the M&E Working Group indicated above), led by the DGEP's monitoring and evaluation directorate, should be established to coordinate the information needs, reporting and verification so there is one systematic information management approach with related, not competing, databases. The Working Group should identify the system and data needs, identify ways to avoid overlap, set reporting (data input and reporting output, develop access standards. Also, the Group should identify improvement such as 1) creating a baseline of planned development spending, per project (in addition to expenditure data) so absorptive capacity can be monitored and reported on an ongoing bases; 2) address how to identify monitoring indicators (planned indicators that can be monitored over time) so more of an emphasis can be place on measuring results and effectiveness.

**M&E Use for the Program Cycle** - The use of monitoring and evaluation information in the program cycle is one way to keep the cycle rolling forward. The monitoring and evaluation information that is produced should feed directly to the planning component of the cycle to help inform progress or issues of the PEM, the annual and medium-term budget, sector and cross sector strategies, and specific public investment projects. The data and reporting should also feed into the planning and programming efforts of Development Partners.

The M&E Working Group indicated above could address methods and reporting that can better inform the planning process within government (working with the DGEP's planning directorate amongst others) and Development Partners.

#### **E. Recommendation 4: Enhancing Government – Development Partner Systematic Linkages**

The GOM and Development Partners have ongoing working relationships to plan, manage and evaluate external assistance-funded public investment projects, as reviewed above. The cooperation and collaboration have been useful to plan and monitor interventions as well as address some issues as that have arisen. There is an opportunity to improve upon the established relationship in a more formal manner.

In June 2021, Development Partners presented to the GOM the Mécansisme Conjoint de Coordination pour l'Émergence (MCCE) to facilitate actualizing the PEM. The MCCE was presented by the Strategic Dialogue Group and aligned with the 13 sectors of the PEM. As of this time, it does not appear that the framework was accepted and implemented. There is a need for close monitoring of the PEM as well as to have a continued dialogue. Given the blockage problems that are being confronted, ongoing discussions are needed to ensure there is government-Development Partner alignment and improvements so that more external assistance is flowing through GOM processes and projects are being implemented more directly by ministries rather than external PIU structures.

An annual schedule of meetings can be established to address 1) general direction regarding planning and monitoring and addressing key development issues (at a senior level); and 2) sector or cross sector (organized around the PEM as agreed to) working groups. The senior level meeting could be organized and chaired by UNDP and DCE, in cooperation with other development partners and GOM stakeholders. The sector or cross sector working groups could be organized by a DCE and the Development Partner(s) most active on the sector or issue and the responsible GOM counterpart(s) and involve other Development Partner, GOM and civil society stakeholders. The meeting topics would include but not be limited to: 1) status of sector or issue; 2) issues being confronted; and 3) next steps.

DCE is suggested as the main GOM focal point to work with UNDP and others to organize the annual schedule of meetings.

#### **F. Recommendation 5: Emphasis on Regional Development**

Regional and local development is key to Madagascar's future progress. Most of the external assistance is targeted

in the Antananarivo region but more attention is being given to other regions. Such attention is hindered by a lack of infrastructure, such as roads, and the lack of other infrastructure such as electricity and water. There are sector specific and cross-sector development efforts in other regions with more efforts taking place in Toliara and Antsiranana as well as other provinces. Governance in terms of local government development and the provision of public services are also issues with some attention to developing local capabilities and the provision of services. However, the mindset continues to be managed and controlled by central government, i.e., with the central government providing the financing, public services, and infrastructure and extending its remit to the regions.

As previously discussed regarding the allocation of resources on an annual basis to the regions, the disbursements fluctuate from year-to-year. Part of the fluctuation can be attributed to the basic start and end dates of projects; part can also be attributable to the implementation barriers previously identified and oftentimes magnified at the regional and local level given basic infrastructure, weak human resource capacity, and other implementation issues.

It is suggested the external assistance coordination institutional framework, as described above, be extended to pilot regions. In these pilot regions, external assistance coordination units would be established within local government units to: 1) work with local communities, central government and development partners to identify regional development needs; 2) act as a liaison to help eliminate any implementation issues at the local level by working with the relevant stakeholders (local government administrations, civil society, project implementors (PIUs, ministries, etc.), and development partners); and 3) provide monitoring inputs to central government agencies and development partners for reporting purposes. The units and personnel should directly link with any public finance decentralization efforts so the finance and public investment activities are being addressed in a parallel and integrated manner. Given RINDRA's remit to work with the regions and local governments, it is recommended that 2 to 3 local governments be identified to build-up these units and human resource capacities.

Also, UNDP has studied the Rwanda example of decentralizing national funding and decision making to the regional level. Further exploration is suggested for GOM officials to learn more about the Rwanda example and possibly other decentralization models, including establishing regional government service centers.

## G. An Implementation Roadmap

The following are a set of next steps to help implement a more streamlined and functional external assistance management system so absorptive capacity is improved and the GOM makes quality progress on its development agenda. The steps indicated below are to be set in the framework of the existing public administration and public finance reform efforts and should not be viewed as a separate set of activities.

To help implement the roadmap, it is recommended that a Development Assistance Coordination Steering Group be established. The Steering Group should have representatives from:

- President's Office
  - DCE (Steering Group Coordinator) with representatives from each of its units
  - Delivery Unit
- Prime Minister's Office
- MOEF
  - DGFAG
  - Treasury (accounting, public debt, studies and audit units)
  - DGEP (planning, economic modeling, monitoring and evaluation coordination units)
  - Direction de la Coordination et du Suivi des Reformes
  - Bureau d'Appui a la Cooperation Exterieur

Steering Group Functions: implementing and improving the external assistance system and process; improving aid absorption and addressing aid effectiveness; and improving working relationships in a coordinated manner with development partners and improve development assistance attraction.

The Steering Group would initially address the next steps identified below in the next 6-9 months.



**Figure 22: Potential Next Steps**

#	Activity	Implementor	Timing
1	<p>Establishing Development Assistance Backbone: Establish Development Assistance Coordination Steering Group. Begin linking central units (DCE, Delivery Unit, MOEF units) and then central units with line ministries through a set of coordination meetings amongst the main stakeholders.</p> <p>Initiate periodic workshops (quarterly) to implement “backbone” and actively engage all development assistance government stakeholders and to identify resources to strengthen the development assistance management and system</p>	DCE with MOEF, Line Ministries	2-3 months to establish working group; conduct periodic workshop quarterly
2	<p><b>Public Investment Strategy and Operations Manual Validation:</b> Review Public Investment Management Strategy and validate to ensure alignment with national strategy (PEM) and institutional structures and operational procedures. Consultants would work with DCE and MOEF to ensure strategy is clear and actionable, is aligned with PEM, and is aligned with operations manual.</p> <p>Validate Public Investment Operation Manuals to ensure workable, timed, and efficient procedures. Review manuals and based on existing barriers and capacities determine if processes are workable and maintain accountability. Make sure institutional framework is included to enhance transparency. Discuss and work with MOEF to address possible fixes, if needed. Assist the PFM on issues as they relate to development assistance planning, budgeting, accounting, monitoring, and reporting.</p> <p>If an International Cooperation Strategy is being development by DCE, review outline and contents and compare how it fits in with GIP Strategy and PEM.</p>	CE, MOEF with Development Partner (Strategic Dialogue Group and Public Finance Management platform) Input, representative Line Ministries	1-2 months
3	<p>Address Capacity Development Needs and Adopting Annual Work Programs with National and External Assistance Funding and Activities: Design Training Program to improve human resource capacity to conduct development assistance planning, coordination, and monitoring at the central, line ministry and regional/local levels (one integrated training program to address the training needs of these 3 groups) including on operations manual. Identify training source (local educational institution and trainers that would include existing practitioners.</p> <p>Develop and implement plan to extend annual work programs that integrate national and development assistance financed activity into one annual program for selected line ministries, preferably those ministries participating in the RINDRA project (MOEF, Justice, Interior and Education – Education has already been addressed). Partner with EU funded program aimed at improving the annual budgeted workplan drafting at new pilot line ministries. The effort should include assessing planning, implementation and monitoring structures and capacities so line ministries have consistent capacity to work with central government units, PIUs and Development Partners.</p> <p>Identification and conduct of educational missions to see experience of public investment management and development assistance coordination as well as decentralization of coordination and financial management (possibly Rwanda and maybe other examples).</p>	DCE, MOEF and relevant education institution (INDDL, ENAM, ENMG), EU, relevant Line Ministries	3 months for training design; 6-9 months for annual work program adoption

#	Activity	Implementor	Timing
4	Streamline and Improve Monitoring Process and Database Use: Form the M&E Working Group (a subgroup of the Steering Committee) to evaluate existing public investment and aid management databases and identify ways to streamline the number of databases and align financial data between databases and budget and accounting systems (and verify data). Address reporting needs and establish schedule of reports and identify any associated training needed. Ensure that baseline (planned) expenditure is recorded and measurable indicator data can be collected and analyzed. Discuss information gathering and associated template to collect planned development assistance, preferably using AMP, and, after collecting data, compare planned to disbursed data in annual Official Development Assistance report so absorptive capacity and more results and effectiveness discussions can take place.	DCE, Delivery Unit, MOEF (DGEP, Treasury), Development Partner representatives	3-4 months
5	Improving GOM and Development Partner Linkages: Prepare an annual schedule of GOM-Development Partner meetings with DCE coordinating preparation within government and with Development Partners – one overall senior meeting and followed by sectoral or thematic meetings.	DCE, Development Partners	1.5 months
6	Initiating Coordination and Improving Implementation at the Local Level: Identification of pilot regional/local governments (2 to 3) where planning, coordination and monitoring units will be placed and human resource capacities developed and work on designing institutional and capacity framework and aligned with public finance decentralization efforts.	DCE, MOEF, Ministry of Interior, RINDRA	1-2 months
7	Development assistance and cooperation mission to link aid management and public finance (example: OECD/DAC, World Bank, IMF, UNDP)	DCE, MOEF, UNDP, World Bank, IMF	8-10-day mission



## Annex A: List of Documents Reviewed

Améliorer le Suivi de l'Exécution des Investissements Publics, Madagascar, Rapport Technique International Monetary Fund, Décembre 2020

Annual Cooperation Report (Draft) 2021, September 2022

Appui à la Préparation d'un Guide Methodologique pour la Gestion d'un Projet d'Investissement Public – Aid Memoire, AFRITAC South, Technical Assistance Report International Monetary Fund, Decembre 2019

Assessing Africa's Policies and Institutions, CPIA Africa, Office of the Economist – Africa Region, World Bank, October 2022

Bref aperçu du dossier GIP, Directorate of Economic Cooperation, Office of the President, 2022

Circulaire d'Exécution Budgétaire, Relative à la Loi de Finances Rectificative 2021

Communication – Présentation de la Politique Général de l'Etat, Présidence de la République, 31 Août 2021

Coopération Sud-Sud, Note Synthétique, Direction de la Coopération Economique, Présidence de la République, 2022

Country Development Cooperation Strategy, September 2021-September 2025, USAID Madagascar

Croissance Inclusive et Développement Durable, Terms of Reference, PNUD

Debt Management Performance Assessment (DeMPA) Madagascar, La Banque Mondiale, Décembre 2017

Déclaration de Politique de l'Aide Extérieure au Développement (draft), Direction de la Coopération Economique, Présidence de la République, September 2022

Décret No. 2015-1457 Fixant les modalités d'ouverture, de gestion et de régularisation des opérations sur les comptes de Projet ouverts au niveau de la Banque Centrale de Madagascar (Fixing the modalities for the opening, management and regularization of operations on the Project accounts opened at the level of the Central Bank of Madagascar)

Décret No. 2016-1160 Définissant les mesures transitoires de mise en œuvre du décret n° 2015-1457 du 27 octobre 2015 fixant les modalités d'ouverture, de gestion et de régularisation des opérations sur les comptes de Projet ouverts au niveau de la Banque Centrale de Madagascar (Defining the transitional measures for the implementation of Decree No. 2015-1457 of October 27, 2015 setting the terms and conditions for opening, managing and and regularization of operations on the Project accounts opened at the at the Central Bank of Madagascar)

Décret No. 2017-094, Portant création de l'Organisme de Coordination et de Suivi des Investissements et de leurs Financements (OCSIF) (For the creation of the body to coordinate and monitor investments and their financing)

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Décret No. 2018-590, Portant modalités et conditions d'octroi de prêts directs et de rétrocession par le Gouvernement Central (To establish the terms and conditions for the granting of direct\ loans and on-lending by the Central Government)

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## Annex B: List of Those Interviewed

Abraham, Felicite Lantaniaina, Directeur de la Coordination et du Suivi des Reformes, MOEF

Andriamarofara, Haja, Governance Consultant, World Bank Madagascar

Benjamine, Mokhtar, Resident Representative, IMF

Chiche, Mailan, Chargée de Programme Gouvernance et Appuis Budgétaires, Economiste, Délégation de l'Union Européenne auprès de la République de Madagascar et des Comores

Cichocka, Anna, Chef d'Equipe Gouvernance, Secteurs Sociaux et Societe Civile, Delegation de l'Union Européenne auprès de la République de Madagascar et des Comores

DCE Director and staff

Diouf, Henre René, Deputy Resident Representative, PNUD Madagascar

Fantl, Tomas, Implementation Coordinator, UNDP-SIGOB Regional Project

Fernandez de Soto, Ana Maria, International Consultant, UNDP-SIGOB Regional Project

Gbetnkom, Daniel, Phd, Principal Economist, Chief of Policies and Strategies, PNUD Madagascar

Guicquero, Yves, Directeur, Agence Française de Développement

Manantsara, Anjara, MIONJO Project Coordinator

Mandimbisoa, Kleoni, Director General – Sewerage, Ministry of Water, Hygiene and Sanitation

Najar, Atika, Spécialiste Coordination de l'Aide, PNUD

Pelandroy, Esperance, Secrétaire General de la Présidence de la République

Rabemananjara, Maminirina Muryell, Chef du Service du Suivi des Projets, Inspecteur du Trésor, MOEF

Rabemananjara, Muryelle, Service of Project Monitoring, Directorate of Public Debt, Direction General du Trésor, MOEF

Radert, Serge, Economist/Statistician Consultant, World Bank Madagascar

Rahaingonjatovo, Anne Murielle, Director, Department of Economic Cooperation, Office of the President (and DCE managers and staff)

Rajaofetra, Andry Nirina, Directeur General du Tresor, MOEF

Rajaorison, Colette, Director of Coordination, Monitoring and Evaluation of Programs, Direction Générale de l'Economie et du Plan, MOEF

Rajoelina, Hery Mandimby, Directeur, Bureau d'Appui à la Cooperation Extérieure, MOEF

Rakoto, Dimby, Acting Director General, Direction Generale de l'Economie et du Plan, MOEF

Rakotondrabe, Nivontsoa Zoliarinoro, Director of Budget, Direction Générale des Finances et des Affaires Générales, MOEF

Rakotovao, Alain Iarivony, Coordonnateur National, Unité de Coordination des Projets (UCP), Ministère de la Santé Publique (and 6 UCP colleagues)

Rakotozafiarisoa, Hasina, Coordonnateur General par interim, Programme de Réformes pour l'Efficacite de l'Administration (PREA), Secrétariat Général, Présidence de la République

Ramanampanobarana, Andry Velomianana Bearison, Secretary General, MOEF

Ramindo, Gaetan, Director General - Industry, Ministry of Commerce and Industry

Randimbarisoa, Oliva, Direction Générale des Finances et des Affaires Générales, MOEF

Randrianandrasana, Hajanirina, Director General, Ministry of Public Works

Randrianaritiana, Pierrot Serge, Coordonnateur National, Programme de Développement des Filières Agricoles Inclusives

Randrianirina, Hanitra Olivia, Director of Studies, Direction General du Tresor, MOEF

Raobson, Michael Alberteau, Director of Planning, Direction Générale de l'Economie et du Plajn, MOEF

Raonizafinarivo, Voasary Ravo, Chef de Service de la Programmation et du Suivi Evaluation, Inspecteur du Tresor, MOEF

Rasamiravaka, Ioby, Director of Public Debt, Direction General du Tresor, MOEF

Razafimanantsoa, Faniry, Economist, Macroeconomics, Trade and Investment, World Bank Madagascar

Thiam, Abdou Salam, Expert en Gestion de Projects (IPSA), Secrétariat Général de la Présidence de la République de Madagascar

Voninirina, Amelie, Coordonnateur de Projet Planification Stratégique, et Mise en Œuvre des ODD et de l'Agenda 2063 (PSOMDD), PNUD

Zafera, Marion, Commissaire Général, Organisme de Coordination et de Suivi des Investissements et de leurs Financements (OSCIF), Présidence de la République

## Annex C: Finance Process and Control Actors

Abstracted from the 2021 budget circular<sup>26</sup>:

### 1.2.3 Actors and their roles in implementation

The budgetary actors duly appointed by regulatory act are the only ones authorized, to the exclusion of any other person, to sign, endorse and/or certify the various expenditure documents.

In the event of a change of actors, in order to ensure the continuity of the Administration, the transfer of service must be carried out between the incoming actor and the outgoing actor.

Thus, the Financial Control (CF), the General Directorate of Finance and General Affairs (DGFAG) or the regional budget representatives must be notified of the administrative acts relating to this change.

#### 1.2.3.1 The Program Coordinator (CoP)

Appointed by Order of the Delegated Authorizing Officer, the CoP is responsible for all the programs of the Institution/Ministry to which it belongs.

It is responsible for coordinating the programs, ensuring their monitoring and evaluation while considering the opinion of the Program Managers. He is responsible for drawing up the budget of the Institution or the Ministry.

At the end of an internal management dialogue, he establishes the distribution of credits between the programs according to the prioritization of his department, according to the set regulation rate and monitors it. It consolidates the quarterly monitoring documents, physical achievements and the Annual Performance Report (RAP) and sends them to the DGFAG. He also signs the related presentation notes.

#### 1.2.3.2 The Program Manager (RdP)

Appointed by Order of the Delegated Authorizing Officer, the RdP is the one who commits to the objectives of a planned activity. It contributes to the development of strategic choices, under the authority of the COP and is responsible for their operational implementation. More specifically, he is responsible for the strategic management of the program.

After notification of the COP of the prioritization according to the regulation, it is up to the RdP to distribute the credits to be committed for the Operational Services of Activities (SOA) contributing to the realization of its program.

It draws up the quarterly monitoring documents and the RAP which will be sent to the COP.

#### 1.2.3.3 The Person Responsible for Public Procurement (PRMP)

Appointed by Order of the Delegated Authorizing Officer, the PRMP is both the Contracting, Approval and Control Authority for public procurement. It is the natural person authorized to sign the contract on behalf of the Contracting Authority.

As such, it is responsible to:

- conduct the procurement procedure as defined in Title IV of the Public Procurement Code (CMP), from the choice of procedure to the designation of the holder and the approval of the final contract; and
- ensure the management and monitoring of the execution of contracts.

The appointment of the PRMP can be made as needed. It can be named by type contract (PRMP Supplies, Works,

<sup>26</sup> Circulaire d'Exécution Budgétaire, Relative à la Loi de Finances Rectificative 2021  
Communication – Présentation de la Politique Générale de l'Etat, Présidence de la République, 31 Août 2021

etc.) or according to the budget volume (by General Management, Regional Management, by Program).

Each legal person governed by public law holding public funds subject to the CMP (Public procurement code) must appoint a PRMP for the conduct and execution of public contracts.

At EPN level, the appointment of delegated PRMPs is made by decision of the Head of the Establishment.

#### **1.2.3.4 The Authorizing Officers**

Delegated authorizing officers, secondary authorizing officers and revenue authorizing officers are responsible for:

- the budgetary and financial management of the credits allocated to them and compliance with the rules of commitment, liquidation and authorization (or mandate) of public expenditure;
- compliance with legislation and regulations relating to personnel management;
- entering and updating the commitment plan in the Integrated Computerized System of Public Finance Management (SIIGFP);
- the requisition orders which they have used with regard to the payment of expenses;
- compliance with the rules relating to the recognition, liquidation and scheduling of public claims;
- the collection of public debts for which they may be responsible under the Laws and regulations;
- the presentation of the periodic performance report, presenting the evolution of credits to RdP; and
- archiving of scheduling files.

The function of expenditure authorizing officer (secondary authorizing officer) and revenue authorizing officer may be carried out by the same person, but their appointment is made by separate decree.

The act of appointment of the titular and alternate "Secondary Authorizing Officers" must specify the full names of the actors.

In addition, they are personally liable in the event of gross and intentional negligence.

#### **1.2.3.5 The Activity Manager (GAC)**

In accordance with the provisions of General Instruction No. 001-MEFB/SG/DGDP/DB of March 16, 2005 on the execution of the budget of Public Bodies, in particular in its appendix, point B25: "The GACs of a program are responsible for the execution (under the authority of the Program Manager) of activities within the framework of a program. To this end, they are assisted by the Operational Services of Activities. It is the GACs who are responsible for certifying the services provided". As a result, the function of GAC must be assigned to a person belonging to the program concerned, failing that to that of the Administration and Coordination program.

Appointed by decree of the Delegated Authorizing Officer, the GAC is, in general, the person in charge of the services placed with the ORDSEC having the authority to present to the latter expenditure proposals to ensure the implementation of the program to which it contributes.

Therefore, the GAC defines the needs beforehand with the technical specifications as well as the Annual Work Plan. This must be part of the files to be communicated to the ORDSEC. The GAC is responsible for carrying out the activities. He has the obligation to transmit quarterly, to the RdP and to the ORDSEC, the realization or not of

his activities and the reasons for the deviations.

At the central level, the functions of GAC and ORDSEC must be carried out by two different people.

At the remote level, despite the lack of staff, the functions of GAC and ORDSEC should, as far as possible, be carried out by two different people. Also, to avoid delay in budget execution, a central level GAC should not be appointed for remote SOAs.

In order to ensure the smooth execution of the budget, in the event of a delay in the appointment of the SOA manager who should be the incumbent GAC, an interim GAC may be appointed. As a result, the GAC appointment order must designate both the incumbent GAC and its interim. The appointment of the GAC is functional. The interim GAC can only exercise his functions in the absence of the incumbent GAC, justified by a note signed by the incumbent or his immediate superior in the event of absence.

#### **1.2.3.6 The Import Duties and Taxes Credit Manager (RDTI)**

All Institutions/Ministries which carry out imports or which receive donations from outside must appoint an Import Duties and Taxes Credit Manager (RDTI) by means of a Decision signed by the Delegated Authorizing Officer.

The RDTI ensures the accounting of DTI credits and the monitoring of all related operations. To this end, in collaboration with the various Departments of the MEF, it:

- represents importers who could be NGOs / Projects, Associations..., beneficiaries (Ministry, management, hospital center, university...) with control entities (DGD-DGFAG-DGCF-DGT). Therefore, before each importation, the RDTI must be informed by the beneficiaries, so that there is no error or confusion in the establishment of customs clearance files (bill of lading, LTA, invoice, etc.);
- creates customs clearance files for goods and activates all related procedures (customs formalities, regularization of tendered documents, DTI payment) in collaboration with Customs declarants
- processes files relating to imports intended for Ministries, other associations, Non-Governmental Organization (NGO) or International Organization; and
- inform the competent authorities of his Ministry of the situation of DTI arrears and proceed to their regularization as soon as possible.

NB: - All imports planned for year N must be authorized by the Finance Law of year N-1 to avoid any risk of absence or insufficiency of credit for the payment of DTIs.

- Only Institutions and Ministries can be recipients of imported goods and whose payment of DTIs is made by blue State, that is to say that in the Single Administrative Document (SAD), NGOs, projects, associations, international organizations, ... cannot be recipients but only importers of goods.

As such, he must ensure the follow-up of the "Blue Forms". The period for regularization of the "Blue States" must not exceed two months after the exit of the goods. The budget execution circuit for DTI payment operations on a blue statement is shown in Appendix 01.

#### **1.2.3.7 The Value Added Tax Manager (RTVA)**

Each Institution/Ministry appoints a "VAT" credit manager by decision signed by the Delegated Authorizing Officer, a copy of which should be sent to the DGFAG, DGCF, DGT and DGI. The RTVA must ensure the accounting of all related operations.

The RTVA will mainly be responsible for verifying and accounting for the VAT credits of the Institution/Ministry to which it belongs and ensures that the total amount of committed VAT credits does not exceed the total amount of open payment credits.



As VAT credits are evaluative at the project level and limited at the Institution or Ministry level, the RTVA establishes the release request to the DGFAG which will issue a dispatch slip to the General Directorate of the Treasury (DGT). Thus, any VAT Financial Commitment Request (DEF) must be approved for credits by the RTVA. The General Directorate of Financial Control (DGCF) or its delegate will not process any DEF without the visa of the RTVA.

In addition, the RTVA of the Institution or the Ministry in collaboration with the ORDSEC must take the necessary measures to carry out an adjustment or transfer of credits to bail out the credits concerned at the end of the current quarter or, at the latest, before the budget closing.

In addition, the RTVA must ensure the procedure for requesting payment of VAT arrears from the MEF and the execution of all related operations.

Indeed, he is responsible for transmitting the list of VAT arrears for a census to the DGFAG at the MEF. Thereafter, he will be responsible for preparing the support request files and sending them to the MEF.

