

MADAGASCAR

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: LOW INCOME

LOCAL CURRENCY: ARIARY (MGA)

POPULATION AND GEOGRAPHY

Area: 581 800 km²
Population: 25.570 million inhabitants (2017), an increase of 2.7% per year (2010-2015)
Density: 44 inhabitants/km²
Urban population: 36.5% of national population
Urban population growth: 4.5% (2017 vs 2016)
Capital city: Antananarivo (11.6% of national population)

ECONOMIC DATA

GDP: 39.764 billion (current PPP international dollars), i.e. 1 555 per inhabitant (2017)
Real GDP growth: 4.2% (2017 vs 2016)
Unemployment rate: 1.8% (2017)
Foreign direct investment, net inflows (FDI): 465 (BoP, current USD millions, 2017)
Gross Fixed Capital Formation (GFCF): 15.1% of GDP (2017)
HDI: 0.52 (low), rank 161 (2017)

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

The Republic of Madagascar is a semi-presidential unitary state. The last elections for the Head of State were held in 2018, the previous ones in 2013. Sub-national governments are recognised in the Constitution, from the 1st Constitution of 29 April 1959 (Article 55 paragraph 1) to the last Constitution of 11 December 2010, Article 3 of which stipulates that "The Republic of Madagascar is a State based on a system of decentralised territorial authorities composed of municipalities, regions and provinces". Sub-national governments are governed by the following legislative and regulatory provisions: Organic law n°2014-018 of 12 September 2014 governing the powers, organisation and functioning of Decentralised Territorial Authorities, as well as the management of their own affairs; Act No. 2014-020 of 27 September 2014 on the resources of decentralized local authorities, the procedures for elections, as well as the organization, functioning and powers of their bodies; Act No. 2014-021 of 12 September 2014 on the representation of the State; Act No. 2015-002 of 26 February 2015 supplementing Schedule No. 01 to Act No. 2014-020 of 27 September 2014; and the various laws n° 2015-009/10/11 of 1 April 2015 on the special status of the urban municipalities of Nosy Be, Sainte Marie and Antananarivo.

Multi-level governance reforms have been undertaken since the mid-2000s, including a territorial reform providing for the division of the six provinces into 22 regions (Law No. 2004-001 of 1 June 2004). On 27 April 2007, a revision of the 1992 Constitution abolished the function and role of the provinces, but in the Constitution of 11 December 2010 (Article 3), the provinces were again mentioned. Finally, Decree No. 2015 - 817 of 6 May 2015 amends Annex No. 02 of Decree No. 2015-592 of 1 April 2015 classifying municipalities into urban or rural municipalities and increasing their total number to 1695. At the municipal level, Mayors are elected by direct universal suffrage. The last election was held in 2015, the next is scheduled for 2019. The regions are administered by Regional Chiefs. The current regional chiefs were appointed by the Council of Ministers in 2013. Elections were scheduled to be held in 2016, but none have been held to date. As far as the provinces are concerned, no elections have yet been held.

TERRITORIAL ORGANISATION

2017	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	Municipalities (<i>Kaominina</i>)	Regions (<i>Faritra</i>)	Provinces (<i>Faritany</i>)	
	Average municipal size: 16 121 inhabitants			
	1 695	22	6	1 723

OVERALL DESCRIPTION. Madagascar has 1695 municipalities, 22 regions and 6 provinces. At each level, the national government is represented by a State Representative. The organization, functioning, powers and legality control of the State Representative are set by Act No. 2014-021 of 22 August 2014 on State representation. The State Representative has a support and advisory role for each decentralized territorial authority.

At the municipality level, the State is represented by a Head of District who has two deputies, one responsible for general and territorial administration and the other for supporting the municipalities and local development. At the regional level, the State is represented by a Prefect; at the provincial level, by a Commissioner General.

More than two thirds of the municipalities in Madagascar have between 5000 and 19999 inhabitants and represent more than 50% of the national population. The most populated municipalities are the six districts of the city of Antananarivo, which have 130 000 to 350 000 inhabitants each.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

Organic Law No. 2014-018 of 12 September 2014 regulating the powers, organisation and functioning of decentralised territorial authorities defines the responsibilities and the division of powers of sub-national governments. Article 4 mentions the different fields of competence of decentralised territorial authorities with the assistance of the State, namely: public security, civil defence, administration, spatial planning, economic development, environmental protection and the improvement of the living environment. Article 27 stipulates that the Municipality's areas of competence include: (i) the identification of economic, social, cultural and environmental potential and needs and the implementation of related operations; and (ii) the performance of any other activities falling within its competence under specific legislative and regulatory texts. Article 28 supplements these provisions by defining the powers of the municipalities.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

	REGIONS	MUNICIPALITIES
1. General public services	Regional public buildings and facilities; Partnership and interregional cooperation	Administrative services (marriage, birth, census, etc.); Partnership and inter-municipal cooperation; Municipal public buildings and equipment
2. Public order and safety	Public safety	Local safety and civil protection
3. Economic affairs/transport	Elaboration and implementation of framework programmes and of the Regional Development Plan; Hydro-agricultural development; Agriculture and livestock; Fisheries, industrial, craft and commercial promotion; Promotion of the service sector	Realization and management of infrastructures and commercial equipment (public squares and markets, cattle markets and parking areas, slaughterhouses, green spaces, etc.); Management of roads, tracks, bridges and ferries of municipal interest; Local tourism
4. Environmental protection	Parks, green spaces and recreation areas	Parks, green spaces and recreation areas; Preservation, enhancement and management of the environment and natural resources; Prevention and control of bushfires and deforestation; Household waste management; Municipal sanitation
5. Housing and community amenities	Regional spatial planning; Social housing; Management of public facilities (high schools, regional hospitals, roads); Construction of parks, green spaces and recreational areas	Water management; Definition and implementation of housing programmes and public facilities; Allocation of social housing; Management of basic social, educational, cultural, sports and health infrastructure and public facilities (pre-schools, public primary schools, general secondary schools); Construction of parks, green spaces and leisure activities for the municipality
6. Health	Management of prefectural and regional hospitals	Primary health care (health centres); Preventive health
7. Recreation, culture & religion	Promotion of cultural and sporting activities	Sports; Libraries; Local museums
8. Education	High school management; Vocational training	Pre-school, primary and secondary education; Literacy; Civic education
9. Social protection		Social work

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: municipalities.	National Observatory of Decentralisation and Local Development	Availability of fiscal data: Low	Quality/reliability of fiscal data : Low
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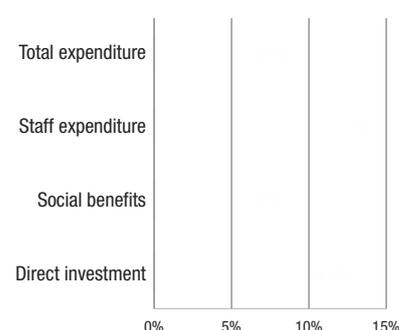
GENERAL INTRODUCTION. Law No. 2014-020 of 27 September 2014 contains legal provisions relating to sub-national finances and general comments on financial decentralization in Madagascar. Articles 137 to 238 contain the various provisions concerning the budget and resources of decentralised territorial authorities. Articles 138 to 146 stipulate that each of them must have an annual budget, including authorized planned expenditures and revenues. Chiefs of Regions and Mayors are the authorising officers of their respective budgets. The Minister of Finance and Budget validates the nomenclature, presentation and financial management. A public investment program adopted by the Council must exist in each DTA for a three-year period.

Data concerning the finances of the DTAs are centralised within the Observatory of Decentralisation and Local Development (ODDL) established at the National Office for Consultation on Decentralisation (ONCD). The latter was created by Decree No. 2014-068 of 1 July 2014, amended by Decree No. 2015-928 of 16 June 2015.

In 2017, ONCD had partial data on 993 of the country's 1 695 municipalities. The figures and indicators reported below only concern this set of 993 municipalities. No data are available for provinces and regions.

SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure				
Incl. current expenditure				
Staff expenditure				
Intermediate consumption				
Social expenditure				
Subsidies and current transfers				
Financial charges				
Others				
Incl. capital expenditure				
Capital transfers				
Direct investment (or GFCF)				



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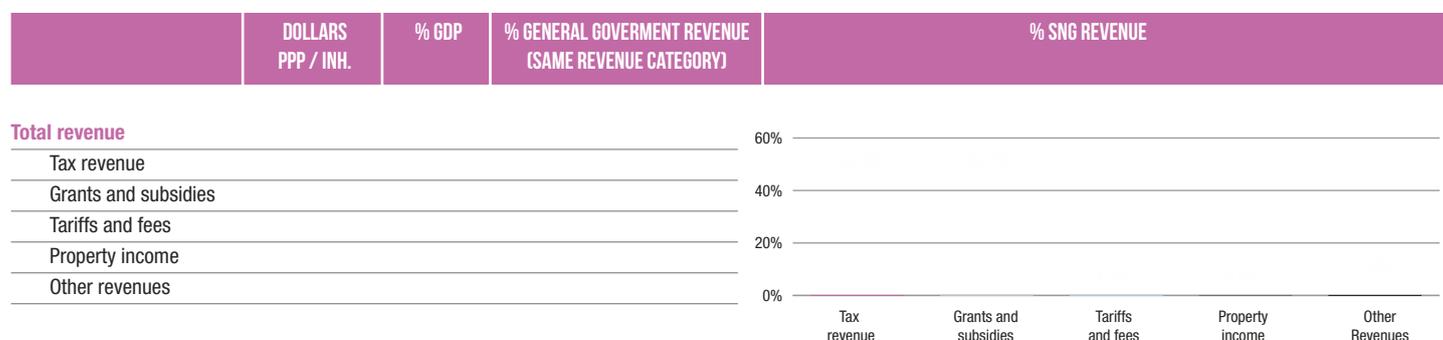
EXPENDITURE. At the beginning of the 2010 decade, various studies estimated the amount of public expenditure carried out by DTAs at about 5% of total public expenditure at the national level. In 2017, according to ONCD data, capital expenditure represents about 15% of total municipal expenditure. In addition, of the 966 municipalities for which data are available, 51% of total expenditure (68% of current expenditure) is related to staff costs.

DIRECT INVESTMENT. According to Article 22 of Decree 2015 - 959, the portion dedicated to capital investment in the budget of a DTA must represent at least fifteen percent (15%) of its own revenues. In 2017, according to the data available at the ONCD, investments represent just over 54% of municipal revenues excluding subsidies.

SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY



OVERALL DESCRIPTION. In 2008, a report from the African Development Bank indicated that DTAs were directly dependent on the central government for 97% of their resources

In 2017, according to data available at the ONCD, 46% of municipal revenues are made up of government subsidies and 54% of own resources, with tax and non-tax revenues accounting for approximately equal shares.

TAX REVENUE. The rates, basis and methods of collection of local taxes are the responsibility of the State and are set by the Finance Act and various legislative and regulatory texts.

Three main taxes account for about a third of municipal revenues excluding subsidies: synthetic tax - IS (12%), property tax on land - IFT (6%) and property tax on built properties - IFPB (11.6%). The synthetic tax applies to the income of legal or natural persons exercising a liberal activity, and whose gross annual income does not exceed 20 million ariary (~ 20 000 dollars PPP). It concerns in particular farmers, producers, shopkeepers, craftsmen, artists and service providers. The rate is 5% of the taxable base, calculated on the basis of the previous year's income, with a minimum annual tax payment of 16 000 ariary. The property tax on land is intended for owners of bare land, it amounts to 1% of the market value of the property. The property tax on built properties amounts to between 5 and 10% of the rental value of the property. If the property is occupied by the owner, the taxable amount is then estimated at 1/3 of its rental value.

In addition to these revenues, there is a tax on goods and services (7.8%) and various other revenues and taxes (15%).

GRANTS AND SUBSIDIES. A Local Development Fund - FDL, designed to facilitate and rationalize investment support for DTAs, was set up in 2007 (Decree No. 2007 - 530). With the aim of streamlining the current transfer system, in 2017 the State undertook a reform of the financial transfer mechanisms to the DTAs. By Decree No. 2017 - 014 of 4 January 2017, the FDL was reorganized to "ensure equitable, balanced and sustainable socio-economic development of all decentralized territorial authorities through the financing of their investments and related capacity building". A National Equalization Fund - FNP has also been created, defined by Article 3 of Law 2017-014 as a "mechanism for redistributing taxes to reduce inequality between municipalities". The FNP is funded by taxes on broadcasting games.

In its work to build the capacity of DTAs, the FDL is supported by several international partners, including the World Bank (through the Public Sector Performance Support Project - PSPSP) and German Cooperation (through the Inclusive Communal Development and Decentralization Project - ProDecID).

All capital grants to municipalities are in principle the responsibility of the FDL. But other Funds continue to mobilize subsidies directly in support of municipalities, for example the Road Maintenance Fund (FER), resulting in coordination problems.

OTHER REVENUES. Non-tax revenues of DTAs are mainly composed of refunds, royalties, levies and administrative fees.

Refunds and royalties are made up of mining revenues and are constantly decreasing. They have been on average divided by 4 since the beginning of the decade. They represent just over 10% of the municipalities' non-tax revenues in 2017.

Although still low, forest and fisheries revenues could increase significantly in the coming years, particularly in view of the evolution of exploitation and exports in the fishing sector.

■ SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
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Total outstanding debt

Financial debt*

* Currency and deposits, loans and bonds

FISCAL RULES. Decree No. 2005-210 of 26 April 2005 on the Public Operations Chart of Accounts (PCOP 2006) specifies that it must be used by DTAs. Nevertheless, the ONCD notes that in 2017 70% of municipalities still use the Minimum Treasury System (and not the PCOP), making it very difficult to analyse and monitor non-tax revenues in particular.

The rules for allocating and balancing budgets for operations and investment, as well as the borrowing rules for DTAs, are defined in laws 2014-020 and 2015-959. In 2017, according to data available at the ONCD, about 70% of municipalities recorded a budget surplus, while 27% recorded a deficit.

DEBT. DTAs can in principle access national and international financial markets to finance investment projects. Borrowings must be deliberated and authorized by the Council and approved by decree of the Minister in charge of Finance. No consolidated information is available on DTAs' access to financial markets.



Lead responsible: UCLG
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www.sng-wofi.org

Socio-economic indicators: World Bank // UNDP // UN Desa // ILO.

Fiscal data: World Bank, National Office for Consultation on Decentralisation – ONCD.

Other sources of information: Gouvernement de la République de Madagascar, Plan stratégique de modernisation de la gestion des finances publiques // UNDP (2018) Rapport national sur le développement humain Madagascar 2018 // UCLGA & Cities Alliance (2018) Assessing the institutional environment of local governments in Africa.