

**International Studies Program
Working Paper 08-37
December 2008**

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Decentralization in Madagascar: A string of unfinished races¹

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¹Paper prepared for the Andrew Young School of Policy Studies, Georgia State University Conference on Decentralization: “Obstacles to Decentralization: Lessons from Selected Countries” September 21-23, 2008. This paper draws partially on work done for the World Bank in Madagascar in 2007-2008. We thank Philippe Auffret our task manager for involving us in this work and Françoise Brunet consultant for the knowledge of Madagascar she shared with us.

Introduction

This paper examines the challenges Madagascar has faced in decentralizing government activity since its independence in 1960. This is of interest as we will show that it has been plagued by a series of misstarts down that path. The paper is divided in three parts. The first one summarizes the **key** features of relevance to decentralization under five headings. The second describes the decentralized institutions under the three republics and the five constitutions. The third focuses on recent attempts to further decentralization.

1.0 Madagascar; the key features of relevance to decentralization

In our opinion, to understand both the nature and path of intergovernmental relations and thus decentralization in a given country one should look at geography, history, demography, economics and politics (Vaillancourt, 2008a). We do this in turn for each factor for the case of Madagascar.

Geography

Geographical issues encompass issues of size, topography, climate and location with respect to other units such as countries or ethno linguistic groups.

In terms of size, Madagascar is the fourth largest island in the world with an area of 587,040 sq km but only the 46th largest country in the world and the 13th largest in Africa, in between Botswana and Kenya.

In terms of topography, there is:

- ◆ A narrow band on the East coast facing the Indian ocean with fairly steep slopes or escarpments giving access in the north and center of the island to;
- ◆ a plateau or central highlands (800-1800 meters) made up of both hills and flatter areas used extensively to grow rice. Then on the other side (west) of the island, one finds :
- ◆ a gentler slope with better harbors facing Africa. This is the entry path to the highlands ;
- ◆ and in the south an arid area.

In terms of climate, it is tropical along the coast, temperate inland, and arid in the south. The east coast has a subequatorial climate (hot, humid) with tropical storms (cyclones)

during the rainy season (November April). The central highlands are drier and also cooler than the east coast and the west coast even drier since the humidity from the trade winds is discharged on the east coast and highlands. Finally the south and southwest are deserts, being at the same latitude as the Kalahari desert.

Finally in terms of location, this island is fairly far from the continent, not like Zanzibar in Tanzania for example and shares no common ethno/linguistic groups with the coasts that face it.

The presence of highlands and lowlands has resulted in one characterization of the population as plateau/côtier or highland /coastal people. These highlands, along with the sloping land, also makes for difficult communications the length of the country, in particular on the east side. The differences in climate make for different needs in terms of public infrastructure; for example east coast public buildings should be built to withstand cyclones both to ensure their long term availability and to provide shelter to population when a cyclone hits. The differences in climate also make for differences in economic activity.

Overall, the geography of Madagascar is a factor that should lead to a demand for decentralization since it generates differentiated policy needs across the island and makes central provision difficult due to the difficulty of maintaining adequate roads.

History

We will divide this review of Madagascar's history in two: pre-independence and post independence

The key aspects of pre-independence history are that:

- ◆ Madagascar was peopled by two distinct ethnic groups (Covell, 1987). One group came from the eastern Indonesian archipelago between 1500 and 2000 years ago according to linguistic analysis. They settled the highlands. The second group came from Africa later in part as a result of the slave trade overseen by Arabs. They settled the lowlands;
- ◆ Madagascar was in the process of being unified by force by the plateau based Merina kingdom of Asian origin in the 19th century .

Simultaneously, the Merina kingdom played off the British against the French to maintain its independence. But this ended in 1890 when France recognized British influence in Zanzibar and Britain French influence in Madagascar;

- ◆ Madagascar was conquered by France in 1896 and the Merina monarchy abolished. French rule was first implemented in part by dismantling Merina institutions and favoring the côtier population.² But quickly the Merinas became important auxiliaries of French rule because of their level of educational attainments. They occupied, as shown by Paillard (2002) for the early 20th century, a disproportionate share of locally staffed positions (43% of territorial administrators, 70% of police officers, 85% of teachers, 90% of railroad employees and almost 100% of MDs), creating resentment amongst other groups since they accounted for about 25% of the population of Madagascar at that time;
- ◆ After WWII, Malagasies revolted in 1947 against French rule with the rebellion being finally vanquished in December 1948. This was the only French African colony to do so. In 1958, Madagascar voted yes to becoming a member of the French union (états associés) and in 1960 it became independent. At that time, it retained close ties with France in matters of defense (use of Diego Suarez by the French navy), foreign policy, economic ties (French franc zone) and higher education (Fondation Charles de Gaulle)

The key aspects of the immediate pre-independence history are the dominant role played by the Merinas and their failure to achieve unification of the island. The first point has led, at various points in time, to mistrust and ethnic based resentment by the majority with respect to the dominance by that minority group³. The second point results in fears amongst some that Madagascar, if it decentralized too much (however defined), could become fragmented and eventually see the emergence of more than one country on the

² Hence Raison-Jourde and Randrianja write that “ la construction coloniale se fit donc contre les Mérimas mais aussi bien avec eux” (2002, p27)

³ Even during the 1947 national rebellion; see Fremigacci (2002)

island. One can also note some discussion in the period preceding independence as to the creation of a type of federal arrangement in Madagascar.

After independence, the history of Madagascar can be broken down into the various constitutional regimes in place five in total and when relevant the transition period between one and another. Thus the post independence history can be broken down into three republics, five constitutions and nine periods as follows (Vaillancourt, 2008):

1. The 1st republic from 1960 to 1972 with president Tsiranana. The five provinces are reasonably strong with poll taxes on humans and zebus;
2. From 1972 to 1975, the 1st republic is in transition with three présidents ; Ramanantsoa (18 may 1972-5 february 1975), Ratsimandrava (5 february-11 february 1975-assassinated) and Ratsiraka;
3. From 1975 to 1990, the 2nd republic presided par Ratsiraka is in place. It is a socialist revolutionary republic characterized by democratic centralism;
4. From 1990 to 1992 following an uprising, the 2nd republic is in transition with Ratsiraka as president;
5. From 1992 to 1998, the 3rd republic, 1992 Constitution is in place. Zafy is elected president 1993 and impeached in 1996. Ratsiraka is elected president anew;
6. From 1998 to 2001, the 3rd republic, 1998 Constitution is in place;
7. In early 2002, there is the important conflict of the two parallel presidents following the December 2001 elections between Ratsiraka et Ravalomana (head of a party called TIM – I love Madagascar-who will eventually prevail)
8. From 2003 to 2007, the 3rd republic, 1998 Constitution is still formally in place but de facto decentralization is weakened ;
9. From 2007 onwards, the 3rd republic, 2007 Constitution is in place with Ravalomana reelected as president in 2006.

The evolution of decentralization is addressed in more detail in the second part of the paper. One should note here however that the 2002 conflict opposed the ex-mayor of the capital Antananarivo, Ravalomana, who was supported by that province to Ratsiraka who

during that conflict was supported by the other five provinces. Roads blocks aimed at starving the capital were put in place (Rakotolahy, 2002) and threats of secession uttered⁴.

Overall, the history of Madagascar should lead to some demand for decentralization since there is a long tradition of independent kingdoms until the 19th century and an ethnic/regional basis for demanding policies that account for different needs. On the other hand, both the centralizing tendencies of the Merinas as rulers and auxiliaries of the French and of the French will have tended to suppress that in the 20th century.

Demography

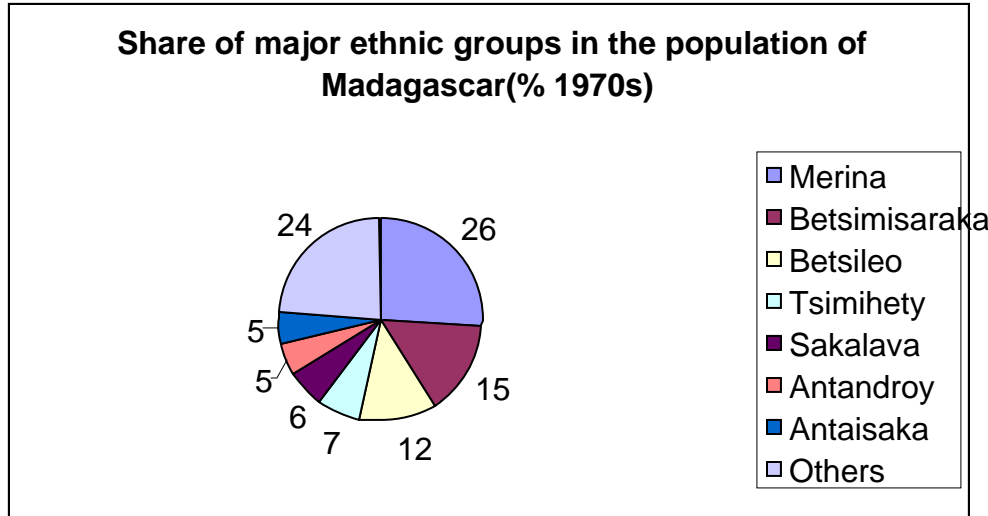
The demographic issues that matter from a decentralization perspective are: 1) the existence or not of major differences along the lines of ethnicity (skin colour/race), languages or religion in a given country; 2) the degree of regional cohesion amongst these groups and 3) are there important differences in birthrates or mortality and thus in ageing between these groups

The population of Madagascar is estimated at 20 000 000 in 2008⁵. Key facets are:

- ◆ There are 18 ethnic groups according to a widely used categorization (Covell, 1987). Ethnicity is mainly linked to the place of birth. The coastal/highland distinction is up to a point associated with the color of the skin with highlanders being of lighter skin color than côtiers. Highland groups are about 45% of the population and côtiers about 55%

⁴ See <http://news.bbc.co.uk/2/hi/africa/1993958.stm>

⁵ <https://www.cia.gov/library/publications/the-world-factbook/print/ma.html> A census is planned for 2009



Source Covell, 1987 table 2.1 ,p12 More recent numbers for Merinas and Betsileos are in agreement with these figures⁶

- ◆ Madagascar is a monolingual country in terms of native tongues with Malagasy the common language, a bilingual one in the economic and administrative spheres with French widely used and a trilingual one officially –English, French and Malagasy;
- ◆ A small majority of Malagasy adhere to traditional beliefs (52-55%), with the remainder being Christians (41-40%) or Muslims (7-5%)⁷. Christians are divided about half and half between Catholics and Protestants. In the 19th century, under the rein of Ranaivalona I Christians were persecuted but her successor Ranaivalona II made Protestantism the religion of the royal family and thus still today of upper class Merinas;

There are no important differences between the ethnic groups in terms of birth rates or mortality rates except for those associated with their variation in education.

Overall, neither language nor religion are drivers of a demand for decentralization in Madagascar. Ethnicity, particularly as it is region based/defined, is a driver of the demand

⁶ <http://www.nationsencyclopedia.com/Africa/Madagascar-ETHNIC-GROUPS.html>

⁷ The first number in bracket is from : <https://www.cia.gov/library/publications/the-world-factbook/print/ma.html> .the second is from: <http://www.country-studies.com/madagascar/traditional-beliefs-and-religion.html>

for decentralization. There have been a few incidents of interethnic strife mainly linked to migrants from one region established in another and seen as taking jobs away from the local population. But overall, the issue is more one of power sharing between the central elite and the regional ones. Rakotondrabe(2002) warns against simplifying ethnicity to a highlands -lowlands, noting that the ethnicity in Madagascar is the result of belonging to isolated regions due to the very poor internal communications -Madagascar as an archipelago of regions(p405). He indicates that recent ethnic strife in various regions can be traced to competition for economic success either as farmers (land ownership) or as employees in the government and public enterprise.

Economics

Economic activity in Madagascar is concentrated in the capital Antananarivo with about 55% of GDP (Radert, 2008) generated there while tax revenues are mainly (80%) collected in Antananarivo and Toamasina . The important share of GDP in Antananarivo is indicative of the concentration of both government services and manufacturing and wholesale while the concentration of tax revenues indicates the dependence of the government on import based taxes and wage type taxes. An important point is that one important future source of revenues are new mines which are located in specific parts of Madagascar. The sharing of the associated natural resource rents could become a point of contention.

Table 1 shows the variation across regions in the poverty rate .The lowest poverty rate is in Analamangua where Antananarivo is located while the two highest poverty rate are in the south (see map annexed) in Androy and Atsimo Atsinanana, both desertic regions. After Analamangua, Boeny has the second lowest poverty rate, something explained by its capital, Mahajanga being the second most important part of the country while Diana with the third lowest poverty rate is host to the NosyBe tourist destination.

Regions	Regional poverty rate,2005
Alaotra mangoro	57,70
Amoron'i mania	78,00
Analamangua	42,90
Analanjirofo	79,10
Androy	83,30
Anosy	73,80
Atsimo Andrefana	75,20
Atsimo Atsinanana	83,90
Atsinanana	79,00
Betsiboka	70,00
Boeny	48,80
Bongolova	64,10
Diana	49,20
Ihorombe	78,00
Itasy	68,70
Mahatsiatra ambony	72,10
Melaky	62,70
Menabe	61,70
Sava	72,50
Sofia	80,70
Vakinankaratra	74,30
Vatovavy Fitovinany	80,80

Sources : *Enquête périodique auprès des ménages 2005 rapport principal*

Madagascar: Institut national de la statistique, 2006 tableau 177.

Overall, the differences in poverty between regions probably require that any meaningful decentralization be accompanied by some kind of equalization scheme.

Politics

There are no secessionist parties in Madagascar with any meaningful following in 2008. That said, there have been in the past movements that claimed to be federalists. For example in 1991, there was a Conférence nationale des États fédérés (Rakotondrabe, 1993). But as noted by that author, it was initiated mainly by politicians that 15 years earlier supported democratic centralism. Overall, decentralization is both an answer to those that clamor for federalism without really explaining what they mean and a policy adopted by parties that support a united Madagascar

2 The many faces of decentralization in Madagascar

As shown above, Madagascar has had a checkered constitutional history. This has affected the design of decentralized institutions. The first republic continued on with the French model, the second broke with it, creating socialist inspired structure and the third returned to the updated French model⁸ with (2nd Constitution) and without (1st and 3rd Constitution) provinces. Table 2 synthesizes the structures which we now discuss.

The key points are:

1. The persistence and strength relative to other decentralized entities of the municipalities or communes
 - ◆ Under the First Republic, the entire territory of Madagascar was divided into communes, urban or rural. This is not the case in all ex-French colonies; it happened only recently in Burkina Faso and has yet to happen in Ivory Coast for example. Non communal territory in those cases is administered directly by central government representatives, either prefects or deputy prefects, often assisted by an advisory council which can be either appointed or elected. This is a less decentralized arrangement than full communal coverage however weak the communes are. Thus the basic municipal unit offers services to all of Madagascar. Introducing the

⁸ France significantly modified its organisation of decentralisation in the early 80s. These changes were, with a lag that varies from country to country, implemented in many ex french colonies.

communes was difficult as the fokonolas⁹ were seen by some as the more appropriate basic unit (Andrianirina, 2000,p 6). Provinces who go back to 1946 (replacing regions created in 1926) first numbered 8 then 6. The key institution appears to have been the deconcentrated prefectures(18) who had both human and financial resources.

- ◆ While the name (Firaisampokontany)and mode of election changed in the Second Republic from direct to indirect, the institution of the commune remained in place. But in practice, one was in a *democratic centralism* regime with key decisions taken in the centre (Radert, 2008). Thus the commune was weakened. Rakotoarisoa(2008,p36) notes that the dual role of representative of the central state and chief executive of the fokontany of so called Presicomex led most of these individuals to act mainly as agents of the central government in an environment that with four levels of decentralization was not favorable to it.
- ◆ The communes (Kaominina) remained in place and were strengthened by the decentralization law of 1994 (1994-07,de facto implemented in 1996);
- ◆ The strengthening of the fokonolas in 2007 may weaken the communes somewhat but this remains uncertain.

2 The weakening over time of intermediate entities between the central government and communes

- ◆ Under the First republic the provinces had some limited autonomy .This disappeared during the 1972 -1975 transition period when their key revenue sources, capitations on individuals and cattle, was abolished. The 2nd Republic did not strengthen them
- ◆ The 3rd republic swung from no provinces (1992 Constitution) to autonomous provinces (1998 Constitution) to again no provinces (2007 Constitution) but with their replacement by regions that have borders that

⁹ Fokontany the name for a village is where the Fokonolonas, the grouping of traditional villagers, reside; in Madagascar ,this is the basic social unit

some commentators argue better match the ethno-regional reality of Madagascar than provinces¹⁰;

- ◆ The autonomous provinces were never put in place and are now associated with a secessionist attempt by opponents of the current president. Andrianirina(2002) argues that given their different histories, Malagasy provinces could be expected to have powers that differed between them and to acquire these powers at different speeds; he argues that . ‘’ on n’est donc pas dans le cadre d’un fédéralisme...mais dans le cadre d’un régionalisme institutionnel’’(p24). This is very similar to the case of Spanish autonomous communities.

Rajaonesy (2008, p28) argues that decentralization to autonomous provinces did not occur because central government politicians feared that it would lead to the emergence of regionally based political elites, perhaps with ethnic dimensions, that would replace them (le transfert des compétences et des ressources aux Provinces Autonomes allait affaiblir l’assise politique des « représentants des périphéries » basés dans la Capitale au profit d’une nouvelle « race » d’hommes politiques locaux).Hence these politicians allied themselves with central bureaucrats to make autonomous provinces fail.

3. The existence of a French inspired apparatus of central government oversight of local entities with

- ◆ The parallel deconcentrated structures of prefecture, sous préfecture, department which impose a series of checks either a priori or a posteriori on the actions of communes;
- ◆ The use of a single treasury system with all monies except those of small rural municipalities (they use private bank accounts) flowing into a state administered treasury. This of course means that effective access to municipal resources is under the control of central government officials who grant or not access to cash.

¹⁰ Rakotondrabe argued before the changes thatThe introduction of regions can be understood in the light of the fact that provinces hide large inequalities in their midst and that "on peut craindre`a terme un risque d'implosion des provinces et une montée des revendications régionales..l'autonomie..pour être effective devrait s'étendre vers les régions et les communes', (2002) p414).This is exactly what happened with the disappearance of the autonomous provinces

These two institutional aspects weaken considerably any attempt at decentralization and thus the benefits one can gain from it.

In addition, the confusion of roles between decentralized and deconcentrated structures in Madagascar is problematic. This is particularly clear under the 2nd republic when both types of structures are merged into one for each territorial entity. But the problem also arises with the new regions of the 2007 Constitution of the third republic whose governors will be elected directly by the population and yet will also act as representatives of the central government.

3 Decentralization; the 2003+ period (Third republic Constitutions 2 and 3)¹¹

We begin this section with a description of the policies then examine their political and financial implementation and finally discuss the ongoing obstacles to decentralization.

Before a few facts on the system in place in 2008:

- ◆ There are 8 urban communes of category one, 36 urban communes of category 2 , 59 rural communes of category 1 and 1443 rural communes of category 2 and the capital Antananarivo. There is also a regional community regrouping communes around Antananarivo ;
- ◆ Communes are classified according to their size (population), function (provincial, regional or district capital) and tax capacity into one category or another. One important fact is that this classification is an old one with some category 2 rural communes located near Antananarivo larger and richer than some small urban communes (type 2) a thousand Kms away;
- ◆ Communes are administered by a council and a mayor both directly elected by the population; this is different from the traditional French system where the mayor is elected by and amongst councilors. This system can be superseded by the central government with a *delegation spéciale* being put in place; the mayor is then replaced by an appointee of the central government. Communes are financed by grants from the central government ,shared taxes and own revenues;

¹¹ One US\$=1700 ariary or so

- ◆ In 2008, communes receive a basic annual grant (subvention de fonctionnement) of 9 000 000 ariarys and for each inhabitant over 5000 400 ariarys (subvention complémentaire). They also receive an annual grant for primary schools (École primaire publique-EPP) -100 000 ariarys per rural communes and 68.60 per inhabitant for urban commune s(including Antananarivo), an annual grant for primary health centers (Centre de santé de base-CSB) of 1 200 000 (dispensateur +gardien)and an annual grant for the communal registrar (secrétaire d'état civil-SEC) of 80.4 ariary per habitant but no less than 960 000;
- ◆ taxes include property taxes (TAFB and IFPB until 2007, IFPB since then), taxes related to economic activities such as publicity or business licenses and so on. Particular to Madagascar are the fees associated with exhuming cadavers for religious purpose and zebu passports. But of greater concern are the taxes on primary products (ristournes) which are levied by rural communes on the export of primary products from quarries, wood, and agricultural products, usually by volume or weight. This is an impediment to internal trade yet an essential part of the income of many rural communes who cannot collect land based taxes due to the lack of a cadastre.

The policies

As noted above, an important law for decentralization was put in place in 1996; it, in a sense, reinstated communes to what they were under the first republic. But this was law was followed by the interlude of the two presidents. This was followed by the adoption in November 2004 by the Government of an ambitious Policy Letter on Decentralization and Deconcentration (LP2D) which was soon followed by an implementation program.¹² The LP2D is articulated around three pillars: (i) consolidating decentralization by putting communes and regions at the core of the decentralization process; (ii) strengthening *services techniques déconcentrés* so that they can better support communes and regions;

¹² 1) Government of Madagascar. 2005. "Lettre de Politique de Décentralisation et de Deconcentration (LP2D)". December. 2) Government of Madagascar. 2006. "*Programme National de Décentralisation et de Deconcentration (PN2D), Phase I [2007-2008]*". October.

and (iii) improving civic participation and enhancing collaboration between communes and regions on one side, and public and private implementing agencies on the other side.

Table 2 The decentralized and deconcentrated entities of Madagascar ,five constitutional regimes								
1 st Republic		2 nd Republic	3 rd Republic 1 st Constitution		3 rd Republic 2 nd Constitution		3 rd Republic 3 rd Constitution	
Decentralized entities	Deconcentrated entities	Decentralized/ Deconcentrated entities	Decentralized entities	Deconcentrated entities	Decentralized entities	Deconcentrated entities	Decentralized entities	Deconcentrated entities
Province 6	Province 6	Faritany 6		Province 6	Province Autonome 6	Province 6		Province 6
	Préfecture 18		Région 28	Préfecture 18	Région 28	Préfecture 18	Région 22	Région 22
	Sous Préfecture 91(arrondissement (440)	Fivondronampokontany 111	Département 111	Sous Préfecture 111		Sous Préfecture 111		District 123
Commune 778	Canton 695	Firaisampokontany .200	Commune 1392	Arrondissement	Commune 1.557	Arrondissement	Commune 1557	Arrondissement
	Quartier	Fokontany 15.000		Fokontany 15.000		Fokontany 17.000		Fokontany 17.533

Source **ECONOMIE POLITIQUE DE LA DECENTRALISATION A MADAGASCAR** par Gabhy Rajaonesy ‘ dans *L’économie politique de la décentralisation à Madagascar* François Vaillancourt, EdActes d’un colloque tenu à Antananarivo le 16 avril 2008

The key policy document for Madagascar is the Madagascar Action Plan or Map¹³. It was adopted in 2007 as the roadmap to reach the Millennium Development Goals. It lists a set of commitments which are then expressed in terms of challenges. The first commitment *Responsible Governance* has seven challenges associated with it: the sixth is *decentralize government administration*. It argues that while “several laws have been passed to strengthen Communes and Regions... Still as of 2006 policy making and administration remain excessively concentrated in the central government”. Six priority projects and activities mainly of a legal and training nature are put forward to meet this challenge. One of them is perhaps more concrete; ‘Pass laws and reforms to give Communes and Regions more tax revenues and the right of tax collection’. The concrete indicators are that public spending by communes should rise from 1.5% of the public budget to 10% by 2012 and that local tax collection rate should triple from 2005 to 2012.

The Implementation

This is the theory. But what has been done in practice? We will examine the political and financial aspects of decentralization.

Political

At the central level, the *The Ministère de la Décentralisation et de l’Aménagement du Territoire* (MDAT) was created in January 2005; it became directly linked to the presidency in 2006 as the MPRDAT (Ministère auprès de la Présidence de la République chargé de la Décentralisation et de l’Aménagement du Territoire) and was abolished in May 2008 with the decentralization directorate being put under the Ministry of Interior where it had been located in the early 2000s. This takes decentralization from a central ministry with some oversight capacity to a line ministry. This both weakens it and strengthens it; it weakens it by giving decentralization a more subordinated position and strengthens it by ending the rivalry with Interior which is the ministry directly responsible for supervising local governments.

There was also little stability of individuals with the Director General or Secretary General of decentralization changing four times in the 2006-2008 period. Finally, there was also the establishment of decentralization and deconcentration units (*cellules 2D*) in

¹³ http://siteresources.worldbank.org/INTMADAGASCAR/Resources/MAP_en.pdf

key ministries such as education health and transport but they are at best semi active and usually dormant and inactive.

At the local level, one notes that communal elections were held in December 2007 .They were overall reasonably fair with 32.6% of the mayors elected not belonging to TIM; this varies across regions as shown in table 3, ranging from 0 to 61%. There is no correlation between poverty and support for the ruling party TIM; but there is some link between distance from the capital¹⁴ and support for the opposition (coefficient of correlation is 0.24). Regions created in 2004 had their councils elected in March 2008.

But while this looks promising for political decentralization, one must note that the capital was lost by TIM. As a result a series of measures have been taken by the central government since then to weaken that communal administration. Traditionally, local politicians tended to be elected as a result of their belonging to the party in power at the center. The one historical exception is the capital where revolts often start.¹⁵ Hence perhaps an explanation for the decisions to withhold financial resources from Antananarivo and to strengthen the role of the central government in appointing heads of fokonolas.

Ending this section, it is interesting to note that nowhere in the MAP are either the regions or the communes given a goal to achieve; all goals, challenges, etc are to be met by the action of a central government ministry, agency or state owned enterprise. Yet a substantial number of these goals could benefit from regional or communal inputs .For example, leaving aside primary education and health of newborns, why should regions not be involved in promoting the branding of regional products (priority 7, challenge 6, and commitment 4, p69). This shows how decentralization is one policy amongst many of the central government and not a policy tool of the central government.

¹⁴ Found in table A-1

¹⁵ For a discussion from the perspective of the municipality of these measures see <http://www.iarivo-town.mg>

Regions	% non TIM mayors ,
ALAOIRA MANGORO	37.5%
AMORON'I MANIA	33.9%
ANALAMANGA	28.4%
ANALANJIROFO	42.9%
ANDROY	9.8%
ANOSY	54.7%
ATSIMO ANDREFANA	20.0%
ATSIMO ATSIANANA	33.3%
ATSIANANA	17.6%
BETSIBOKA	28.6%
BOENY	34.9%
BONGOLAVA	30.8%
DIANA	33.3%
HAUTE MATSIATRA	31.7%
IHOROMBE	30.8%
ITASY	0.0%
Madagascar	32.6%
MELAKY	18.9%
MENABE	45.1%
SAVA	35.4%
SOFIA	61.1%
VAKINANKARATRA	31.0%
Madagascar	32.6%

Sources: Calculations by the author using data provided by ACORD.

Financial

In 2006, the central government budget for Madagascar set internal revenues at 1335 billions and expenditures at 2571 billions of ariarys¹⁶. We estimate total communal budgeted expenditures at 85 billions as shown in table 4 or 3.3% of central government expenditures. We say estimate since there are no official figures on the size of the communal sector of Madagascar (and thus no comparable data over time). This results from the fact that while three of the four types of communes (urban communes type 1 and 2 and rural communes type 1) are part of the unified treasury system, the vast majority of

¹⁶ <http://www.mefb.gov.mg> see under the heading *textes et lois* loi des finances 2006

communes (rural type 2) are not and data are not available for them¹⁷. These amounts are unconsolidated expenditures. In 2006, central government transfers to communes were 28.2 billions while transfers to regions were 3.9 billions.

000 ariarys 2006 communal survey	Urban communes type 1	Urban communes type 2	Rural communes type 1	Rural communes type 2	All communes
Total expenditures	27 259 612	3 809 127	2 614 245	51 494 759	85 177 743
Total revenues	27 020 628	4 144,490	3 421 481	73 541 871	110 128 470

Source: data from the 2006 Madagascar communal census. Since Antananarivo is not covered by this Census, we added 20 billions to both expenses and revenues of type 1 urban communes based on information provided by the commune of Antananarivo and discussions with Treasury officials for Antananarivo; we know that realized amounts were lower but data from the Census is for budgets ,not realized amounts.

Note Data was not available for all communes in each category. We thus modified ed the total for reporting communes to correct for under reporting. For example for type 2 rural communes, 1443 were surveyed and information on expenditures was missing for 440 of them. In that case, we multiplied the reported total by 1443/1003 (ie 1.44).

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. This 3.3 % is consistent with the observations in the 2003 World Bank Decentralization report that communes are about 3-4% of the public sector in Madagascar. There appears to have been no major change in the relative importance of sub-national units in total public spending or revenues in Madagascar from 2000 to 2006. There is also no evidence to show a change in the financial autonomy of urban communes (75% self financing and rural communes (25% self financing); thus the vast majority of communes has little financial autonomy. Under the first republic according to Radert (2008), communal revenues were made up for 2/3rds of own tax revenues while nowadays transfers represent 80% of communal revenues.

That said, the 2008 budget reduced the tax autonomy of subnational units by abolishing the *taxe professionnelle* (TP) and the associated CATP and the *Taxe sur les transactions* (TST). These two taxes were central government taxes fully dedicated to subnational

¹⁷ In theory ,they should all send an annual financial report(compte administratif) to the Ministry in charge of decentralization . In practice ,they do not and what is sent is not computerize d.Hence,one has access to some flow datas from a treasury perspective

units. The main source of revenue was the TST; it is replaced by an increase of 2% points (from 18 to 20) in the VAT rate. The proceeds of these extra tax points are to be distributed to sub national units according to a formula that remains to be set but that should mainly fund regions. The importance of the TST-VAT substitution remains to be seen. Estimations based on imprecise data due to a lack of information on the impact of the increase in the minimum VAT registration threshold from 50 to 200 million ariarys indicate a possible four-fold increase in the amounts involved (from 15 billions to 60 billions ariarys)

Thus recent tax policy choices aimed at simplifying the taxation of goods and services did away with local taxation and increased the dependency on transfers. The decision to modify the distribution of the Impôt Synthétique (IS) from 25 % state, 50% region and 25% communes to 40% regions and 60% communes while making this only a subnational tax does not increase tax autonomy as such. The only move in this direction is abolishing the TAFB (taxe annexe to IFPB) which ranged from 2 to 5% and increasing the rate range of the IFPB (impôt foncier sur la propriété bâtie) from 2 to 5% to 5 to 10% and thus overall increasing the minimum tax rate on properties from 4 to 5%. Combined with the *Politique foncière* adopted in 2005 that facilitates establishing who owns what (land and structures) and thus the issuing of property tax bills¹⁸ and with the 2008 budget simplification in the collection procedures of the property tax¹⁹. This should lead to an increase in property tax revenue.

Finally, we noted above that some regions were poised to benefit from new mining activities. One policy response to this is the creation of a Fondation minière pour le développement communautaire (FMDC) in the Anosy region which will see a share of mining revenues made available to three actors: the communes affected by the mining activity, the regions where they are located and a foundation²⁰. It is not clear how this is integrated in the overall financing scheme of regions and communes; do Anosy communes receive less from other transfers from the central government as a result?

¹⁸ See the introduction (exposé des motifs) LOI N° 2006-031 DU 24 NOVEMBRE 2006 fixant le régime juridique de la propriété foncière privée non titrée

¹⁹ le recouvrement des impôts fonciers (IFPB et IFT) ne s'effectue plus par voie de rôle mais par "versement spontané auprès du Régisseur de recettes de la Commune, dès réception de l'Avis d'imposition établi par le service d'assiette de la Commune".

²⁰ See Proposal for the creation of the Fondation minière pour le développement communautaire (FMDC) Business Community Synergies mimeo, 2007

Finally we note the legal creation in 2007 of a *Fonds de développement local* (FDL) (Decree 2007-530)²¹; it will substitute itself to the FID (Fonds d'Intervention pour le Développement). This represents a shift from a community driven approach to a commune driven approach. It will make infrastructure grants to communes. It was staffed in 2008 and should be operational disbursing European Union and World Bank funds in 2009.

The obstacles

A workshop on decentralization in Madagascar was held in 2008 (Vaillancourt , 2008). The participants raised interesting points before agreeing on three possible threats to decentralization.

First, Rajaonesy(2008) argues that one key difficulty of decentralization is the Malagasy preference for orality and thus their lack of understanding of the written codes of decentralization. This is accompanied by a belief of the elites that the people are incapable of intelligent decisions and must thus be told what to do

Second, one constant threat to decentralization is the opposition of line agencies. Ten year before the workshop, Rajaona(1998) wrote that under the second republic 'l'échec de la décentralisation entreprise résulte en grande partie du comportement des administrations centrales'(p54). The changes under the first constitution of the third republic which did away with fokonolas had the aim of introducing "décentralisation effective" along the lines of the 1982 French reforms. Implementing this effective decentralization however did not work for various reasons mainly linked to the lack of a coherent legislative framework. For example, the effective decentralization approach replaced ex ante controls by ex post controls with such controls being the result of a central government official asking the *competent authority* to rule on the legality of the action of a decentralized body. But the *competent authority* was not specified (Rajaona, 1998, p62-63). In that vein, Ramamonjisoa (2008) notes that the Malagasy practice of

²¹ <http://www.mprdat.gov.mg/fdl1.htm>

adding legislative text upon one another without clarification and consolidation is one major obstacle to decentralization ,

This lack of effective decentralization is one reason why autonomous provinces were created under the second constitution of the third republic. This federalist initiative is seen by some as a ' crime et une infamie'' (Rajaona, 1998, p65). How decentralized would have been this new constitutional design will never be known but one notes that several articles of the constitution limited the autonomy of the Malagasy provinces.

Rajaonesy(2008) argues that there has been some progress under the 3/3 regime. Key explanations are the election of an ex-mayor to the presidency ,the abolition of the two-term limit for mayors and the creation of only two levels of decentralization which should clarify matters. But obstacles remain; the main ones are the exact roles of fokotany and , until may 2008, the lack of cooperation between the MPRDAT and the Ministry of Interior .This last obstacle has now disappeared

Let us now turn to the three threats to decentralization in Madagascar, over and above the endemic lack of communal control/ presence of central control of communal financial resources. They are:

1. A weakening of communes from below following an increase in the role of fokotany who each occupy a part of the communal territory and who are hybrid creatures of the central state;
2. A weakening of communes from above following the implementation finally of regions that will attempt to take over communal functions and in particular inter-communal ones;
3. A weakening of regions from above, the central state taking away from them some responsibilities

Let us examine each threat in turn.

Covell (1987) writes that the attractiveness of the strengthening of the fokonolas put forward under the 2nd Republic can be explained by their traditional role (p81). The fokotany then had the only directly elected people's council of all the sub national units. It elected its executive committee but its president was directly elected. Fokotany sent delegates to the people 's council of the Firaisampokotany and the councils of those

bodies send in turn delegates to the council so Fivondronampokontany and so on. The original intent of this reform put forward by Ratsimandrava as minister of Interior was revolutionary; ‘‘ a radical vision of rural autonomy and urban populism aimed at the destruction of the state apparatus and the creation of popular control of development ‘‘(Covell, p54).In practice, this was used to control local activity from the center. The governing (Arema) party won 88% of the fokonola seats in the 1997 elections giving as a consequence control of all decentralized bodies; the exception was Antananarivo where they got less than 50%(Covell, p 62).

In 2008, the fokotany are weakened by the appointment mechanism used to select their chief. The fokotany assembly elects five candidates for the position, the mayor of the commune selects three names from that list and the district chief chooses the fokotany chief from that list. So direct elections, choice by a directly elected individual and final decision by an appointee of the central government, with no requirement that the individual with the largest number of votes initially is the one selected. This weakens the legitimacy of that chief who acts as both a representative of the president of the country and an official of the commune, collecting revenues and so on. This makes the first threat low. But in 2007, under the leadership of the President, all heads of the 17,000 *Fokontany* (there is an average of 10 *Fokontany* per commune) have received capacity building training, which may be a prelude to their reinforced role in local politics or policy.

The second threat is until now quite theoretical as regional presidents have yet to be elected. But Rajaonesy(2008, p28) notes that there were fears when autonomous provinces were put in place that they would weaken communes; this was more likely since they had some legal authority over them ,which is not the case with regions. One can imagine that in regions where a large city is in the hand of the opposition while the region is under the control of the party in power at the central government level that. Radert (2008) raises the possibility that in the long run one could use regions as a building block for a federal Madagascar.

The third threat was seen as quite unlikely as this would contradict recent policy choices. This is particularly true in light of the fact that all regional councils are in the hands of TIM.

Conclusion

Rakotondrabe(2002) argues that both the pre colonial merina kingdoms and the French administration were very centralizing. The first and second important presidents, Tsiranana, father of independence, and Ratsiraka guide of the revolution centralized power in their own hands, personalizing centralization(411).The current president in our opinion continues in that tradition. Thus the recent changes in the various texts are not an indicator of true decentralization. They are once more a new start along the road of decentralization .This trip will, if past Malagasy history is a guide, be once again interrupted in a few years. Hence the question is how to break this path dependence. We would argue that reinforcing communes by freeing them from the shackles of central control is the way to go. Large communes should be given full control of their financial affairs

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_____ *Regional fiscal flows: determinants, measurement and meanings*

Paper prepared for the **Regional fiscal flows, 'balance-sheet' federalism and the stability of federations** symposium, Barcelona, IEB, June 2008

Table A-1 Population and area shares ,22 regions Madagascar			
	Distance from the capital in Kms	% of population of the region in Madagascar	% of area of the region in Madagascar
Analamangua	52	14,5	2,9%
Alaotra mangoro	259	4,9	4,6%
Amoron'i mania	324	4,8	2,8%
Analanjirifo	633	3,4	3,7%
Androy	1024	3,5	3,2%
Anosy	1083	3,5	5,0%
Atsimo Andrefana	1065	5,3	11,4%
Atsimo Atsinanana	848	3,1	2,8%
Atsinanana	354	6,5	3,7%
Betsiboka	363	1,9	5,0%
Boeny	578	2,5	5,1%
Bongolova	226	2,4	3,0%
Diana	1110	1,9	3,4%
Ihorombe	653	1,5	4,4%
Itasy	101	4,5	1,1%
Mahatsiatra ambony	448	7,9	3,4%
Melaky	858	1,1	6,9%
Menabe	726	2,2	8,3%
Sava	1245	3,5	4,0%
Sofia	792	5,8	8,7%
Vakinankaratra	177	9	3,0%
Vatovavy Fitovinany	600	6,5	3,5%
Total		18878500	59150101 hectares
<p>Sources ::Distance from Antananarivo : distance for each commune from Antananarivo calculated by Viorela Diaconu using the 2006 Communal census. We use the average for each region</p> <p>Population: EPM: Enquête périodique auprès des ménages 2005 rapport principal Juin 2006 MEFB, table 8 and 177 avec Population totale= moyenne tableau A-1</p> <p>Area; communal areas provided par Ambre Associates ,Antananarivo</p>			