Analysis of public expenditures for social protection
Analysis of the legal and institutional framework

Serge RADERT, Consultant
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Objectives

- Analysis of public expenditures for social protection
- Analysis of the institutional and legal frame of social protection

To enrich the reflections and dialogues for the \textit{elaboration of the national policy and a sustainable policy for social protection in Madagascar}
Methodology

1) **What** ? It consists in determining the main problematic at the root of the other problems.

2) **Why** ? To what extent the game of the stakeholders results in the main problematics ? In what public expenditures contribute to the main problematics ? In what the legal and institutional frame contribute to the main problematics ?

3) **How** ? Recommendations
COFOG (functional classification of public administration by the UN)

10.1.1 – Disease
10.1.2 – Invalidity
10.2.0 – Old age
10.3.0 – Survivor
10.4.0 – Family and children
10.5.0 – Unemployment
10.6.0 – Housing
10.7.0 – Social exclusion
10.8.0 – Research and development in social protection
10.9.0 – Social protection (including: Disasters, Management of public policies, Financing)
WHAT? The main problematics

PROBLEMATIC 1: Weakness of social protection public expenditures for vulnerable groups and a strong dependency of public expenditures on foreign resources

PROBLEMATIC 2: Fragmentation and lack of coordination (at the political, strategic, operational level) of social protection initiatives

PROBLEMATIC 3: A system oriented by service-providers rather than demand, leading to the weakness of mechanisms and encouragement for the accountability of providers of social protection services (supply) to beneficiaries (demand)
Problématique 1 : Faiblesse des dépenses de social protection

WHY? Contribution of public expenditures

A strong dependence of public expenditures on political conjunctures

A strong dependence on foreign funding, which is tributary of the political conjuncture

An average of 1% of GDP from 1997 to 2012, including the external fundings, which is inferior to the average of 3.5% in Sub-Saharan Africa.

The annual need for financing is estimated at 14.1% of the GDP to sort 75% of the malagasy out of poverty, and 4.3% of GDP to sort 56.5% of the malagasy population out of extreme poverty (Worldbank 2011)

A weak fiscal pressure: about 10% in 2014
Problématique 1: Faiblesse des dépenses de protection sociale

WHY? Contribution of the legal and institutional frame

Budget allocations:

- No guarantee of minimum allocation of budget for social protection
- No fiscal earning allocated to social protection (totally or partially) (Exception: 1.55% of the sales of medicine allocated to finance equity fund).
- Weak fiscal pressure: lack of visibility of the impact of the payment of taxes, provoking a lack of willingness to pay taxes

Obligation of insurance:

- For the formally paid workers: A kind of obligation of insurance for the risks transferred to CNAPS, and the risks related to health transferred to the Interenterprise medical services.

3 systems of recovery of the compulsory contributions based on the revenues: IRSA, CNAPS, SMT/SMIE. No involvement of the decentralized collectivities

For the decentralized collectivities:

- Possibility of punctual or permanent call for public funding
- Responsibility of companies
Problématique 2 : Fragmentation
WHY ? Contribution of public expenditures

The expenditures for social are distributed in 27 missions on 58 missions identified.
The Mission « PRIMATURE » is the most prepondering (owing to the importance of FID and ONN) and paradoxically, the mission « SOCIAL PROTECTION » represents a minimal part, as it has been recently created.

External fundings are in certain cases managed by management units put in place by fund donors.
Traduction graphe

- Agriculture
- Labor and social laws
- Scientific researches
- Defence and security
- Social protection
- Education
- Office of the Prime Minister
- Population and development
• Health
• Piloting of economy
• Finances and budget
Problématique 2 : Fragmentation
WHY ? Contribution of the legal and institutional frame

At the legal level:

• Lack of an unique code indicating the rights and obligations of each actor (individual, households, State, Decentralized collectivities etc.)

• Code for social protection 1994: Determines the main principles (decentralization, establishment of a social protection floor on the basis of international conventions etc.). The texts of application, specifying the guarantees provided to individuals and households, the implementing institutions, the modalities of financing have not been drafted.

• Each sub-function of social protection is governed by a specific regulation.

• Lack of legal frame for certain sub-functions of social protection, such as unemployment, housing

• For certain large-scale interventions: It is a privilege, not a right of the beneficiaries.
Problématique 2 : Fragmentation
WHY ? Contribution of the legal and institutional frame

At the institutional level :

On the side of supply (social services and services for risks transfers),
• Numerous institutions acting as service-providers
• However, management of the budget by the service providers, not the beneficiaries

On the side of demand :
• No unified authority in charge of the design, the strategic orientation, and monitoring. The National Council for the Orientation of Social Protection has not been put in place.
• No unified authority to support the demand, but two institutions emerge: the National Fund for Social Prevention for the contributory scheme, and the Fund for Intervention for Development for the monetary transfers and labor intensive works.
• The decentralized institutions and the Community based organizations already contribute to the support of the demand by the mean of the implementation of certain social protection activities.
• Besides, the legal texts on decentralization give competence to the communes
Problématique 3 : Faiblesse de l’orientation par la demand
Why ? Contribution of public expenditures

Budget allocations managed by service-providers, Weakness of the direct transfers to households and individuals subsidies. Service-providers are entitled to effect purchases, thus there is a lack of accountability.

The experiences of monetary transfers are still recent

However, labor intensive works constitute indirectly a transfer, but are accounted as fixed assets (Civil works, maintenance, etc.)
Problématique 3 : Faiblesses de l’orientation par la demande
WHY ? Contribution of the legal and institutional frame

- Le cadre légal et institutionnel des fournisseurs de services n’est pas favorable à leur autonomie financière
  - Excepté dans le secteur de la santé avec la participation financière des utilisateurs et la réforme du secteur de l'hôpital.
  - Le paiement par les clients qui choisissent leurs fournisseurs de services les rend responsables vis-à-vis la demande.

- Non institutionnalisation de l'utilisation des outils de transparence et de responsabilité sociale

- Absence de cadre légal privilégiant les transferts directs aux individus et aux ménages pour les interventions de protection sociale.
recommendations for the Policy  
(Horizon of 15 years) and strategy (Horizon of 5 years)

• System oriented towards demand privileging direct transfers to individuals and households (ou encore des tiers-paiements)
• Decentralization of the social protection system at the level of the communes and the sub-communal structures and support of the structures by the district. Eventually mutualization of resources at the intercommunal level
• Integration of the intervention through Communal Solidarity Fund (Transfers to households and a National Solidarity Fund (Transfer to the communal Fund to ensure cross subsidy, and serving as a basket fund for donations or external funding)
• Financing by « solidarity tax » (Transfer from the rich to the poors) which could be collected at the level of the communes and apportioned between the Communal Fund, National Fund and the Budget of the State.
• Other funding: International solidarity, Subsidies from the State, part of mining revenues, Responsability of companies.
• Guarantee of minimal income for the households through public works + BIG (Basic Income Guarantee)
• Consolidation of the contributory scheme with two options to be explored:
  • Option for public monopoly at the local and national level for social insurance (disease, older person, etc.), with contributions
  • Option for privatization and competition: obligation of insurance, starting from low levels, to be applied according to the situation of the communes, associated with the promotion of mutuals and micro-insurance
  • Autonomization of service-providers who are paid by the beneficiaries of transfers
• Modernization of the system with new technologies (System of payment- information.)
Thank you for your attention
Une part importante à la sécurisation du revenu dans le système actuel

Répartition des dépenses publiques de protection sociale (COFOG)