

BTI 2010 | Madagascar Country Report

Status Index	1-10	5.30	# 75 of 128	
Democracy	1-10	6.00	# 59 of 128	↓
Market Economy	1-10	4.61	# 93 of 128	→
Management Index	1-10	5.47	# 54 of 128	

scale: 1 (lowest) to 10 (highest) score rank trend

This report is part of the Transformation Index (BTI) 2010. The BTI is a global ranking of transition processes in which the state of democracy and market economic systems as well as the quality of political management in 128 transformation and developing countries are evaluated.

The BTI is a joint project of the Bertelsmann Stiftung and the Center for Applied Policy Research (C•A•P) at Munich University.

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Please cite as follows: Bertelsmann Stiftung, *BTI 2010 – Madagascar Country Report*. Gütersloh: Bertelsmann Stiftung, 2009.

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Key Indicators

Population	mn.	18.6	HDI	0.54	GDP p.c.	\$	987
Pop. growth	% p.a.	2.7	HDI rank of 182	145	Gini Index		47.2
Life expectancy	years	60	UN Education Index	0.68	Poverty ²	%	89.6
Urban population	%	29.2	Gender equality ¹	-	Aid per capita	\$	45.3

Sources: UNDP, Human Development Report 2009 | The World Bank, World Development Indicators 2009.

Footnotes: (1) Gender Empowerment Measure (GEM). (2) Percentage of population living on less than \$2 a day.

Executive Summary

Madagascar continued to modernize politically, economically and socially during the period of assessment, albeit with some intrinsic ambivalence. At the time of writing (end of January 2009), President Marc Ravalomanana was unconstitutionally ousted from power in a largely non-violent coup d'état.

Supported by a comfortable parliamentary majority (80%) in the National Assembly and by a Senate favorable to his government, Marc Ravalomanana was able to press forward with his modernization plans in political and economic development. However, he did so in a progressively autocratic manner. The president himself was reelected by a strong majority of 54.8% in the first round against a dozen contenders on 3 December 2006. In terms of overall development, shortcomings in the areas of infrastructure, education and health persist. Macroeconomic stabilization and growth have not yielded palpable improvements for the extremely poor and the poor middle class. In terms of democratic representation, most Malagasy have seen no alternative to the Ravalomananian approach for a long time, which is manifest in the fact that voters generally do not vote for competing candidates and political parties. Nevertheless, Andry Rajoelina, a young advertising manager who was elected mayor of the capital Antananarivo in December 2007, proved capable of galvanizing frustrations among the public at the end of 2008 to pursue the closure of a television station after it broadcast an interview with the exiled former President Ratsiraka. Rajoelina's call for a general strike devolved into rioting and looting that resulted in at least 60 casualties. Supported by huge parts of the capital's population, Rajoelina appointed himself "president" of an intermediate regime and seized the palace of the president and other ministries. The storming of the palace on 7 February 2009 cost another 29 lives and more than 200 injuries. Negotiations under supervision of the church failed and demonstrations against the regime of Ravalomanana ended with rendering power to a military triumvirate, forwarding it to Rajoelina.

During the period under review, Ravalomanana continued efforts to accelerate development by combating corruption, supporting institution-building, fighting AIDS, and seeking international capital, investors, grants and donors. In order to render Madagascar more attractive to international donors, Ravalomanana initiated “Madagascar Naturellement” (Madagascar Naturally) – a strategic roadmap for his second mandate that would harmonize World Bank, UNDP, EU and other bi-lateral aid and cooperation efforts under one coherent guideline. The roadmap included plans to target cross-cutting environmental sustainability goals in line with the U.N. Millennium Development Goals.

In terms of private economic activity, development was slower than expected. Privately owned facilities, regional integration, tax grants, and a one-stop-approach to foreign and domestic investors did not produce the anticipated results. Increased shipping costs, oil price surges and competition from China on the U.S. and EU product markets (low-priced apparel) caused corrections to the growth perspectives of internationally active textile companies. It is feared that the Malagasy textile sector, which is by and large a low-end subsidiary of Mauritian and Chinese companies, will shrink due to the fact that the end of the Multifibre Agreement – with its protective quota reservations for selected developing countries such as Madagascar – reduced essential differentials on the large U.S. and EU markets. Therefore, what has been a successful recipe for development in the last decade might not be one in the decades to come. The re-direction of investment decisions will be accentuated by the world economic crisis to be felt in 2009 and 2010. It will most likely curtail all export-based economic initiatives (i.e., export zones, inclusively mining and possibly oil prospecting). Most foreign direct investment went into the mining sector, which generated a growth in GDP, but with little spillover effects. Regional integration with the according reduction of import taxes led to a loss of competitiveness. The abuse of power and preferential treatment of the president-owned TIKO-company led to monopolistic structures and the marginalization of competitors. Most of the population works in the agricultural sector, making it particularly vulnerable to rising prices and relatively immune to economic growth, all of which contributed to the widespread dissatisfaction with Ravalomanana’s government.

History and Characteristics of Transformation

Madagascar’s economic and political processes of transformation have been asynchronous and repeatedly interrupted. The building blocks for a market economy and democratic order were laid after independence under the semi-authoritarian government of President Philibert Tsiranana (1960 – 1972). These foundations were, however, conditioned by the post-colonial “Communauté Française,” framework that was characterized on the one hand by oligo- and monopolistic elements and, on the other, by the fact that it extended civil liberties exclusively to a socially and economically assimilated French-speaking Malagasy elite.

Democratic transformation began toward the end of the 1980s and led to the fall in 1991 of long-term leader Didier Ratsiraka. A new constitution and a democratically elected government under the leadership of President Albert Zafy were introduced in 1993. Toward the end of Ratsiraka's leadership, "forces vives," a movement organized by clergymen, trade unionists, entrepreneurs and intellectuals, had gained momentum in response to Ratsiraka's disastrous economic management, which had yielded high levels of debt and misallocated resources. From 1988 to 1991, these forces challenged the authority of the state party, the Association for the Rebirth of Madagascar (AREMA), by initiating long strikes and organizing demonstrations and civil disobedience activities. These tensions culminated in a violent confrontation with the state in which Ratsiraka's army fired on protesters and youths, leading ultimately to Ratsiraka's downfall. However, the democratic government that followed under Zafy's leadership proved unstable and unable to face the challenges of economic and social modernization. It also struggled with changing majorities in parliament, and was finally toppled by an impeachment process in parliament. The presidential elections in December of 1996 swept Ratsiraka, in a second, dubious poll, back into office. His political innovation was to initiate territorial reorganization by introducing six "autonomous provinces" as a form of decentralization.

In terms of establishing a market economy with relative prices and resource allocation, economic transformation in Madagascar is still incipient. While Madagascar was considered an emerging nation until the 1960s, a process of de-industrialization that began in 1972 drove the country toward the level of a least-developed country. From 1972 to 1975, Madagascar dissociated itself from global developments, expropriating French citizens' property and then collectivizing large areas of domestic and international economic activity. The government took possession of the country's large enterprises, eschewing market economic principles. Investments were driven by political decisions, in part with the consent of the World Bank.

The transition to free markets and democracy was initiated in 1988 under pressure from the IMF and World Bank, when Madagascar's external debt had reached soaring levels and supplies of goods in the country collapsed. The IMF negotiated a sequence of structural adjustment programs with the Malagasy government, and the Ratsiraka government began to slowly introduce reforms that ran against its own convictions. Macroeconomic stabilization was achieved in important areas, which included the reduction of inflation and the public deficit, stabilizing the exchange rate, and stimulating economic growth. These gains, however, were accompanied by worsening figures in terms of nutrition, education, income distribution, health and employment.

The emergence in 2002 of Marc Ravalomanana, an entrepreneur-turned political leader, gave rise to high expectations among many observers. His vision of transformation in Madagascar, referred to as "Madagascar Naturellement" (Madagascar Naturally) consisted of an action plan in which economic and sociopolitical goals are integrated together as part of the "transversal task" of environmental stability. With regard to sociopolitical issues, Ravalomanana failed to deliver his promise of introducing a reform of election legislation in order to improve equality of opportunity for every candidate. He also failed to open up debates regarding the reform of party legislation, but decided on this issue by himself unilaterally. Environmental issues proved

ultimately not that important for the government. In cases where economic and environmental concerns conflicted, economic concerns won out. No genuine economic progress is conceivable unless Madagascar's population enjoys transparent political conditions that are conducive to economic progress and growth. Factors that make for sound social conditions, such as education, health, an effective state, and good governance are just as important as purely economic factors such as access to credit, private property guarantees, access to markets, low taxes, or a competitive environment. But even in this review period, which lands square in the middle of Ravalomanana's second mandate, the balance of successes and failures of his government has been disappointing.

Transformation Status

I. Democracy

1 | Stateness

Problems of state identity do not exist in Madagascar. The state's monopoly on the use of force is respected by the population. There are, however, isolated cases in marginally settled areas of the south and west (Savannah) and in some parts of the primary rain forest where the state has no representative presence, but where its authority is not fundamentally questioned. In these areas, zebu-cattle theft is a frequent occurrence, and farmers are considering other means of making a living.

Monopoly on the use of force

The definition of citizenship and who qualifies as a Malagasy is not an issue. All citizens have the same citizenship rights, reinforced by the integrative effect of a single state language – Malagasy – which has, over centuries, been codified in a written form and is used as the standard language of communication. Nevertheless, there is a long tradition of tension between the coastal Betsileo and the highland Merina, the latter having dominated politics since the state was formed in the 17th century. This fact was neglected by Ravalomanana, who formed his government primarily with Merina. Furthermore, Madagascar's civil registry is deficient, particularly in rural areas. Not all citizens have civil documents (e.g., identity cards) and many, particularly women, are not included in electoral lists.

State identity

State and religion are held separate, and the political process, by provision of the constitution, is secular. In practice however, political decisions have been strongly influenced by churches. Indeed, churches played a decisive role in the periods of democratization from 1988 to 1990 and once again from 2001 to 2002. As Ravalomanana stressed after his re-election, the churches are privileged partners in the development process. Malagasy society is a manifestly Christian society, and there is a lot of interaction between the state and the churches, particularly under Ravalomanana, who was vice-president of the protestant Fiangonan'i Jesoa Kristy eto Madagasikara (FJKM) church. The Christian churches play a key role in everyday Malagasy life by providing social services such as education, health and a context for social participation. The churches are in principle non-dogmatic ecumenical in their approach. Islamic and Bahai groups are accepted and socially integrated, and Christian splinter groups and sects are a common phenomenon.

No interference of religious dogmas

The state of Madagascar has a comprehensive system of administration that is based on the centralized French prefect model that is blended with pre-colonial local government structures also known as fokonolona. The police and the gendarmerie, being part of the armed forces' administration, guarantee public order and security. One can, however, occasionally observe dysfunctional qualities in administration.

Basic
administration

2 | Political Participation

Universal suffrage and the organization of elections have improved considerably since 2002, particularly in the election cycle from 2002 to 2008. However, there have been complaints about the fact that the elections were announced with too short a notice (only 3 to 4 months in advance), leaving people with little time to inform themselves or discuss political alternatives. Although political participation rights have always been guaranteed by the constitution, under previous regimes the actual organization of elections left much to be desired, as low levels of participation, faulty voter lists, a lack of transparency, and instances of rigging were routine. The creation of the National Election Commission (CNE) has helped improve the conduct of elections by assuring updated and complete voters' lists, introducing safe transparent ballot boxes, digitalizing electoral lists and voters' cards, and inviting the international community to monitor the elections. The European Union delegation expressed regret that the government did not provide the CNE full independence per SADC (Southern African Development Community) guidelines. These guidelines, which are followed by other African states in transition, call for an independent electoral commission. Foreign observers and the national observatory network, the National Elections Monitoring Committee (CNOE), reported serious problems with the digitalized voter list for the presidential elections.

Free and fair
elections

On the whole, the series of elections from 2006 to 2008 (i.e., presidential elections on 3 December 2006, legislative elections on 23 September 2007, municipal elections in December 2007, and Senate elections on 20 April 2008) may be considered to have been (reasonably free) and fair and to have complied with international standards – despite the infrastructural difficulties and imperfections that are commonly found in African states. In spite of this general judgment, it should be noted, however, that the elections were subject to considerable pressure from the president's party and were not scrutinized by international observers.

According to the letter of the constitution, the prime minister is the head of government. However, the highly centralized organization of powers as stipulated by the constitution effectively grants the president of the republic all power. Among the established middle class (e.g., judges), there are forces associated with the former AREMA party acting to block changes and to preserve the neo-patrimonial privileges of their class or group.

Effective power to
govern

Freedom of association is guaranteed by the constitution, but there is debate over whether the associations fairly represent and communicate the population's aspirations in a given situation. Political and civic initiatives were able to develop relatively freely until late 2008 when the government began to ban announced meetings of the opposition. According to the Ministry of Interior, there are 160 political parties in Madagascar lending expression to the public's political concerns. In November 2008, the president pushed forward party reform legislation without debate, proposing the means to provide public financing for political parties under certain formal and legal conditions. However, several parties boycotted the process and were therefore excluded from becoming financing recipients. Ethnic cleavages sometimes drive the dynamics of associations and initiatives, but ethnic strife is rather limited. Antagonistic cleavages between Muslims and Christians are practically non-existent.

Association /
assembly rights

The state and private media have considerable freedom of expression provided for by the constitution, but journalists and editors are sometimes too hesitant to exploit their liberties to the full extent. The state often restricts freedom of expression, and the president has repeatedly threatened journalists, who he considers too critical. In December 2008, a private television station, Viva, was shut down, as the chain broadcasted an interview with former President Ratsiraka. Also, during 2008, the government pressured the Catholic radio station Don Bosco and the private radio station Antsiva to cancel critical programs.

Freedom of
expression

3 | Rule of Law

The Malagasy constitution is clearly influenced by the French presidential system, and suffers considerable deficiencies in the area of checks and balances. The executive is clearly dominant; the parliament (bicameral National Assembly and Senate) is limited in terms of its ability to control or sanction the executive branch's actions and has no initiative function. As of the last constitutional reform carried out in 1996, the president has the authority to dissolve (Article 91) parliament for unspecified reasons. According to the revision made in April of 2007, the president can govern by decree without parliamentary consent in cases of emergency. Nevertheless, within the given presidential character of the constitution, there is interaction between the executive and the legislative. The government reports regularly back to the National Assembly and the Senate on achievements, initiatives and finance. In 2008, no parliamentary initiative was taken to raise or influence national debates. Due to the changes made to the internal rules of the Assembly, general deputies lost their right to question the government directly. Now, all questions must be delivered in written form and signed by the president of a commission before being admitted.

Separation of
powers

Since the Minister of Justice is at the same time supreme administrative and disciplinary head of the judges (*garde des sceaux*), the judicial corps is not an independent constitutional power. Considerable effort has been invested in modernizing the judicial institutions with program help from the European Union. In the context of a weak rule of law, justice is rendered not according to laws but according to social status, wealth or the capacity to organize a professional judicial defense. Judicial procedures are sluggish and are not appropriate to the crime committed. In addition, verdicts are often neither commensurate with the crime committed nor do they reflect the principle of re-socialization. Prisons are overcrowded and their daily management subject to bribery and corruption.

Independent
judiciary

One of the main elements of Ravalomanana's critical discourse has involved introducing a binding code of conduct for those in office. In the past, corruption has gone unpunished, allowing cabinet members, members of the presidential family, and top civil servants to enjoy a *de facto* immunity. The present leadership appears to be – in theory – more tightly monitored by the public and by anti-corruption campaigns. The government has established an anti-corruption office (*Bureau Indépendant de la Lutte contre la Corruption*, or BIANCO) as well as a unit for national integrity within the central government. BIANCO has not lived up to the population's expectations. However, it is difficult to assess whether corruption really regressed as a result of recent measures. One key problem is that while nearly everyone is subject to the anti-corruption code, the president has presidential privilege and remains exempt.

Prosecution of
office abuse

Civil rights and the freedoms of association and expression are guaranteed and protected by the constitution. However, the practical application of these rights is curtailed by the government's focus on security and the protection of the public interest. Decisions by prefectural and police authorities are often restrictive or even repressive with respect to the right to demonstrate or engage in public debate. A relative lack of civic engagement is rooted in widespread poverty, a declining middle class and a trend toward individual citizens opting out of active participation (with the exception of church membership).

Civil rights

4 | Stability of Democratic Institutions

The government remained stable during most of the period under review despite criticism and pressure from all sides. Although the composition of the two legislative chambers prompted controversy, democracy developed steadily. A revision of the constitution in April 2007 aimed at a consolidation of the president's position. The replacement of the six autonomous provinces by 22 regions in 2007 should enhance decentralization and popular participation. However, the president relied in some important cases on his own discretionary power in organizing the government and administration, as in the designation of 22 regional chiefs meant to

Performance of
democratic
institutions

be elected. In other instances he reorganized ministries, sometimes attaching them directly to the president's office. The prime minister has not been replaced since 2007, and fluctuation in the cabinet has followed constitutional rules. Finally, the last cycle of elections, from 2006 to 2008, was marked by an alarmingly reduced degree of voter participation. In regions of important interest and high foreign investment (Nosy Be, St. Marie and Tolognaro), communal elections were postponed without any comprehensive explanation.

With only a few exceptions (in AREMA and in the army), the leadership supports the democratic institutions. However, since late 2008, the political opposition and civil society have been increasingly critical of the way in which President Ravalomanana has run the country. The reaction of leading figures to the attempted coup d'état on 17 November 2006 was illustrative. Retired army General Andrianafidisoa, who had been barred from running for president, sought to establish a military-led government; however, society as a whole stuck to constitutional rule and continued preparation for the election. In January of 2009, the mayor of Antananarivo, Andry Rajoelina, called for a general strike in order to topple the government and dismiss Ravalomanana. It seems that Rajoelina was acting as an instrument of opposition groups hiding themselves behind him. Rajoelina had previously exploited the disappointment of the people to a growing degree, winning a broad level of societal acceptance when Ravalomanana shut down his TV station in December 2008. After several days of riots, looting, devastation of private and public property and at least 80 casualties, the presidential guard killed at least 28 unarmed people demonstrating in front of the presidential palace on 7 February 2009, resulting in a considerable loss of credibility for President Ravalomanana. It was evident by the close of the review period that Madagascar was in a process of transition to a different political system, which might be called a Fourth Republic.

Commitment to
democratic
institutions

5 | Political and Social Integration

Madagascar's political institutions continued to be inefficient, partly due to the lack of a stable pattern of political party organization, and in part to their relatively shallow roots in society. With about 180 registered political parties, the system is highly fragmented. The former state party AREMA is confronted by the majority party Tiako I Madagasikara ("I love Madagascar," TIM), founded by Ravalomanana after his presidential victory in 2002. But even TIM failed to gain substantial support during the period of assessment, and is less a structured political party than a loose group of like-minded senior personalities aiming at rapid transformation: in essence an "electoral machine" that works efficiently in the pre-electoral periods and provides access to positions and benefits afterwards. A large bloc of independents and one-man clusters exists. This fragmented environment

Party system

could be considered to be one of the main impediments to the consolidation of Malagasy democracy. Lack of internal democracy and erratic funding will continue to impede political parties, unless there is in-depth political party reform, including the constitutional suppression of independent candidates for legislative and other offices, and stable public finance operated in a transparent manner. These reforms were recently proposed by the president and adopted by the parliament, but without any national debate; in order to facilitate this change the constitution was changed with a two-thirds majority vote in parliament.

Madagascar also lacks a well-differentiated landscape of social interest groups. Employers (large enterprises, small scale enterprises, chambers of commerce, banking associations and an association of young entrepreneurs) are organized to a certain extent, but their integrative capacities are limited and they have no influence on the formulation of domestic or international economic policy. This phenomenon has historical roots: Enterprises were considered to be the instruments of colonial expansion or socialist ideology, and were never viewed as autonomous actors for transformation. Fiscal and economic policy created a climate whereby protective high external tariffs were sustained. The Ravalomanana government opted for regional integration (including participation in the South African Development Community, the Common Market for Eastern and Southern Africa, and economic partnership agreements in the context of the Cotonou Treaty), with reduction of customs duties as a consequence. Union organizations follow the French trade union pattern and are organized along ideological lines: communist, Maoist, socialist (Force Ouvrière) or Christian. They are also massively dominated by public sector employees and characterized government legal intervention. During the period of assessment nothing changed in this regard: Trade unions remain highly fragmented, weak and cannot be considered representative of the work force.

Interest groups

The strongest sign of consent to democratic institutions was relatively high official turnout rate (64%) in the presidential election of 2006. However, voter participation faded to alarming levels in the legislative and communal elections of 2007 (below 50%). Some skeptical national observers say that less than 40% of voters actually participated in the last presidential elections.

Consent to democratic norms

Civil society initiatives, which number in the hundreds, continue to expand, though they are starting from a relatively low level. They have demonstrated a high willingness to cooperate. Anti-AIDS initiatives, nutrition support and social development projects are run partly by civil society. However, modern self-help ideas beyond family and clan ties are not very developed, although some rudimentary initiatives exist. One classic example of such of such self-help is the efforts to deter cattle theft in the south and west. Cattle owners organized their defense as a mutual undertaking, but in the process of professionalization, these organizations degenerated into mafia-style extortion, often with political links to members of parliament or other high-ranking individuals. Cooperative, voluntary

Associational activities

approaches have been misused during the periods of colonialism, independence and socialism. This lack of self-help efforts and social trust within society must also be seen against the background of a century of Jacobin tradition and socialization, where the citizen was supposed to be part of a general will, characterized by equal welfare treatment for all, and delivered by the state.

II. Market Economy

6 | Level of Socioeconomic Development

A classic “dual economy” structure and considerable marginalization characterize Madagascar socioeconomic landscape. Between 70% and 80% of the population lives in rural areas, largely under subsistence conditions. Madagascar has gone from being one of the world’s top rice producers in the 1960s to being a net importer of rice today from Pakistan, India and Thailand. Vanilla, cocoa, litchis, mangoes and other products including coffee and tea are export items, but are sometimes of poor quality, and are often marketed by foreign-controlled (mafia) groups. Generally, these items are directed toward traditional markets in France, with limited prospects for growth. The government has invested considerable effort in diversifying its export markets to areas such as the near east, southeast Asia, China, Japan, northern Europe, and southern Africa.

Socioeconomic
barriers

Seafood products such as shrimp represent a potential growth sector, but this market is highly sensitive to non-tariff restrictions such as hygiene regulation in the European Union and the United States. Madagascar is endowed with rich subsoil products such as precious stones, chromites, ilmenite, nickel, cobalt and other metals, and crude oil. In the past their exploitation has been limited to artisan use, or managed poorly. In recent years, contracts with foreign mining companies such as Rio Tinto and Sherrit have been concluded aimed at exploiting these natural resources. These nontransparent contracts have been sharply criticized by civil society and the political opposition as failing to offer any advantage to Malagasy society. In order to develop the value chain of precious stones, the government banned export of uncut stones. But since domestic jewel-cutting skills and technology were not widespread, this action led to a total collapse of the industry. The recent progress of the textile and apparel industries has offered good export prospects to the United States and European markets in the context of the African Growth and Opportunity Act (AGOA) Initiative and the Cotonou Treaty. However, the sunset of the Multi-Fibers Agreement in 2007 changed production patterns to the detriment of third-world countries, and to the benefit of mainland China. The

world economic crisis will have a certain impact on global companies' patterns of delocalization, and will thus hamper growth.

World Bank reports on Madagascar stress relative success in poverty reduction, particularly in rural areas, although the overall poverty rate has not shown substantial improvement.

Economic indicators		2004	2005	2006	2007
GDP	\$ mn.	4363.8	5038.6	5515.2	7347.1
Growth of GDP	%	5.3	4.6	5.0	6.2
Inflation (CPI)	%	13.8	18.5	10.8	10.3
Unemployment	%	-	2.6	-	-
Foreign direct investment	% of GDP	1.2	1.7	5.3	13.6
Export growth	%	9.8	2.2	14.6	25.0
Import growth	%	8.9	-8.8	4.3	21.8
Current account balance	\$ mn.	-399.0	-554.0	-	-
Public debt	\$ mn.	3486.7	3178.8	1235.7	1424.5
External debt	\$ mn.	3790.3	3466.4	1453.4	1661.3
Total debt service	% of GNI	1.9	1.6	1.2	0.3
Cash surplus or deficit	% of GDP	-4.5	-4.6	-0.4	-2.7
Tax Revenue	% of GDP	10.9	10.1	10.7	11.4
Government consumption	% of GDP	6.9	6.1	4.6	4.7
Public expnd. on edu.	% of GDP	3.3	3.2	3.1	3.4
Public expnd. on health	% of GDP	2.2	2.2	2.0	-
R&D expenditure	% of GDP	0.2	0.2	0.2	0.1
Military expenditure	% of GDP	1.3	1.1	1.0	1.1

Sources: The World Bank, World Development Indicators 2009 | UNESCO Institute for Statistics | International Labour Organization, Key Indicators of the Labour Market Database | Stockholm International Peace Research Institute (SIPRI), Yearbook: Armaments, Disarmament and International Security.

7 | Organization of the Market and Competition

Madagascar's market economy transformation is still in progress. The demand to open and privatize the economy was respected and followed in principle during the 2007 – 2009 assessment period, according to the World Bank and IMF. State-owned banks were privatized before the period currently under review. However, French banks took the majority of shares, thus preserving a condition of oligopoly rather than creating a competitive capital market. Air Madagascar was reorganized, but has not yet reached profitability. The public utility enterprise Jirama (water and electricity) is undergoing a rather slow process of privatization. In 2008, prices increased by 15%. Deficits in public enterprises' balance sheets are more structural than of a short-term nature, and will need much more time to redress than anticipated. Jirama's management has been disastrous; during the period under review, its administrative council failed to address serious shortcomings and cases of mismanagement. Inspired socially and psychologically by a century of French interventionist economic theory and by about three decades of socialist administration, Ravalomanana's reform vision was not accepted by all, and in particular not by the academic and administrative elite, in part due to a lack of communication. Any such program will require decades to produce results. It is therefore too early to offer any adequate assessment of the short-term outcome of the government's reform initiatives.

Market-based
competition

Madagascar inherited a strong French interventionist economic tradition, under which colonial houses and capital groups built, over the course of a century, a semigovernmental, at times parastatal layer of basic industries: agriculture, processing, transport, extraction and public utilities. The colonially administered market was succeeded by a socialist system. Only since the late 1980s, under the impetus of the IMF and the World Bank, has the country turned toward a market orientation. However, this trend has been faced with a skeptical public, elite and administration. Generally speaking, an entrepreneur in Madagascar hopes to control a quasi-monopolist segment of the market rather than contribute to the advancement of market competition. In addition, large elements of the economic factor markets (labor, raw materials) remain informal or based on subsistence conditions. In principle, the formation of monopolies or market constraints are regulated or inhibited, but the results are in practice incoherent or unconvincing. The president himself established monopolistic structures to protect his own enterprise Tiko, which dominates the milk and dairy industry as well as the markets for other essential products such as rice and oil. Supply-side constraints produce direct government intervention in markets for basic products such as rice and oil in order to avoid speculation. In a 2008 report, Freedom House criticized the Tiko conglomerate of firms, run by the president's family, for consolidating an economic oligarchy; this issue contributed to Madagascar's downward trend in the report's index.

Anti-monopoly
policy

Foreign trade is liberalized and will be liberalized further through regional integration (SADC, COMESA) and through the ongoing negotiations on economic partnership agreements (EPA) within the framework of the EU/ACP Cotonou Treaty. Nevertheless, Malagasy industries such as textiles have had problems competing in the international market, and are expected to continue to shed jobs.

Liberalization of
foreign trade

A banking system is in place, made up mainly of overseas branches of French companies such as Société Générale, Crédit Lyonnais, Paris Bas, but also to a limited extent by South African banks such as the Bank of Africa (BOA). Financial institutions from China and elsewhere are expected to enlarge this sector in the near future. Investment trusts exist but the capital market is still very rudimentary. Saving banks and saving/building cooperatives are lacking for large sectors of the rural population, although some pilot schemes exist. The lack of microfinance institutions, especially in rural areas, is a big problem.

Banking system

8 | Currency and Price Stability

During the assessment period, the government tried to control inflation, but with limited success. Inflation oscillated around the 10% mark in 2008. After massive devaluation in 2002 and 2003, the Malagasy currency, the ariary, stabilized against the dollar and the euro. On technical grounds (fluctuation against the dollar and euro), the ariary gained slightly against the dollar; this was driven particularly by substantial foreign direct investment in the mining industry (ilmenite, cobalt and nickel) in 2008, which had significant influence on exchange rates.

Anti-inflation /
forex policy

The government, in accordance with IMF recommendations (but without any national discussion) has attached importance to macroeconomic stability. However, due to the country's unbalanced external commerce situation, and to a large influx of international grants for development purposes, there has been only limited ability to steer macroeconomic variables. In its regular monitoring reports, the IMF has declared the government's macroeconomic approach to be sound and sustainable; however, most of the rural population has derived little if any advantage from government policy, seeing little if any tangible progress aside from some improvements in infrastructure.

Macrostability

9 | Private Property

The private property situation illustrates Madagascar's dualistic economic structure. Although private property is guaranteed in principle, exercising this right requires social influence and the ability to bear the cost of legal consultation. Thus, only 10% of the country's total territory is registered by the land survey office and is assigned properly to individuals. In rural areas, private property ownership is mixed

Property rights

with traditional (tribal) collective forms of property. Malagasy people believe that the soil is the seat of their ancestors' spirits. Property is therefore on par with a public collective good and cannot be privatized like most other products or factors. Therefore, the attempt by South Korea's Daewoo to lease 1.3 million hectares of arable land for the next 99 years has triggered strong opposition, and can be seen as one factor leading to the public unrest and demonstrations of February 2009.

In the past, foreign investors could not buy property titles on Malagasy soil. In general, investors' property rights were long-term lease contracts, allowing for some investment stability. In a radical breach with the past, Ravalomanana introduced free access to land for foreigners in 2003, provided that they were prepared to make substantial industrial investments; under the new regulation, the process would follow a specific administrative screening procedure, performed by an investment bureau. Society was deeply split over this issue and the constitution still forbids the sale of land to foreigners. In tangible terms, the outcome of this radical initiative has been meager, and foreign private investment influx has been in some senses disappointing. The Daewoo issue – in which the South Korean company sought large-scale land contracts, lasting 99 years, for agricultural development projects – was badly mishandled, helping to lead to social unrest and ultimately to the end of Ravalomanana's reign. According to available evidence, the deal was never signed, but the president obviously underestimated the sensitivity of the land issue. An Economic Development Board of Madagascar (EDBM) was created during the assessment period in order to attract investors. In the Doing Business 2009 report, Madagascar is ranked 144 out of 181 countries, which represents an improvement of seven places as compared to 2007. In particular, the time taken to register property has been significantly improved, from a delay of 134 days to 74 days. Private companies and private economic initiatives are considered to be the backbone of the economy, but the reality is somewhat different. The privatization of state-owned enterprises such as the main sugar company is still ongoing, but has demanded more time than anticipated.

Private enterprise

10 | Welfare Regime

The Malagasy welfare regime remains very weak, both in breadth and in substance. Social security and health insurance exist, but cover only a limited portion of the population (5% to 10% of the workforce). Therefore, contributions to the system are limited. Moreover, welfare has been poorly administered due to corruption and political patronage. In rural areas, churches provide much of what public health and education services exist. In general, welfare support must be provided by informal networks such as the extended family, since the sums paid by the government are not commensurate with survival needs. The age of retirement is 60 years for men and 55 years for women, which combined with low contribution levels, poor management and corruption render the system unsustainable in the long run.

Social safety nets

Private charitable initiatives represent the only efforts to deal with disparity and the lack of opportunities in society. Churches and international development and solidarity initiatives work to provide welfare beyond what individual families can provide for each other, addressing themselves to issues such as education issues, employment and health care. In the 2007/08 Gender-Related Development Index (GDI), Madagascar was ranked 122nd out of 177 countries; given other statistics such as life expectation, literacy and purchasing power, this is seen as rather a positive sign, but in reality gender equality and gender-related questions are neglected by the government and in the wider public sphere.

Equal opportunity

11 | Economic Performance

Economic performance did not meet expectations during the period of assessment. According to the World Bank's Country Economic Memorandum, published in January 2009, economic and social performance is above the African average but is nevertheless insufficient and fragile. Madagascar is unlikely to reach the Millennium Development Goals if current trends continue. Although economic growth rates have averaged 5%, the per capita income level of 2001 was regained only in 2009. The World Bank calculates that it will require 23 years of growth at current rates to reach a per capita income level of \$1,000. The poverty rate decreased to 69% in 2008 from a peak of 80% in 2002, but is subject to statistical error and interpretation.

Output strength

Certainly, some macroeconomic data suggests growth and increased public investment (with respect to roads and schools, for example) financed by international grants. During the review period, growth was above average but did not provide substantial benefits in terms of consumable income or employment creation. Despite the unfavorable context, the government on the whole gained respect from the international donor society (as indicated in the Poverty Reduction Strategy Paper Review of the World Bank, 2008), particularly for its progress in some physical and social investment indicators (roads, schools, teachers, nutrition, health etc.). However, as the social unrest peaking in January and February 2009 indicates, improvements in the standard of living of large sections of society remained unsatisfactory.

12 | Sustainability

Environmental considerations and sustainability constituted core elements of Ravalomanana's policy. The government's roadmap, the "Naturally Madagascar" Madagascar Action Plan (MAP), put a high priority on water conservation, proper management of towns, reforestation, improvements in health and education, and preparation for long-term development that would benefit future generations. Given

Environmental policy

its natural endowments, Madagascar could be considered a sustainable entity. Water resources could produce electricity in abundance, and given proper management and organization, the industrial process could be brought in line with principles of sustainability. Although the president declared large portions of the country's surface to be protected, illegal woodcutting continues and large areas are periodically destroyed by wildfires and slash-and-burn practices. Corruption is notorious in the environmental sector. If the government were to prove prepared to allow international consortia access to large areas of land for agro-industrial production (corn, palm oil, biodiesel material or other crops), thereby neglecting environmental and social aspects, the ecological sustainability record of the Ravalomanana government would need to be re-examined.

Madagascar's education sector is in poor shape. Primary education suffers from overcrowded classes, poorly paid and demotivated teachers, and outdated curricula and methods. The reform in 2008 establishing Malagasy (instead of French) as the principal language of instruction was not well prepared. Neither books nor training for the teachers were available, and the policy was boycotted by private and Catholic schools. The first decision of the transitional government was to reintroduce French as the language of instruction in primary education. Secondary education and university systems are also in poor shape. These various shortcomings have produced unpromising academic results, with dangerous territory ahead. This is partly due to privatized secondary schooling, and partly due to an explosion in enrollment related to the country's demographic structure. Professional training is underdeveloped due to the Second Republic's failure to invest in and deepen social capital. The Heavily Indebted Poor Countries (HIPC) debt relief initiative has freed budgetary resources, which have been invested into new teachers, buildings and improved curricula in an effort to improve education. The financial commitment to education is now close to 3.3% of GDP.

Education policy /
R&D

Transformation Management

I. Level of Difficulty

Madagascar's development faces massive constraints such as widespread poverty, a persistently high rate of population growth – averaging 2.8% annually between 1970 and 2000 – a poor infrastructure, and geographical isolation.

Structural
constraints

There are also some structural difficulties that constrain overall governance capacity. Checks and balances are largely absent. The churches' influence is evident but not as strong as it was in the past. The army is weak and not likely to seriously control the government, while trade unions are in a very weak position. The opposition is divided and without effective leadership. The president's party, TIM, has had a comfortable parliamentary majority since 2007; the Senate was TIM-dominated. Some political parties boycotted the elections because the government had not changed the quite unfair electoral code, despite promising to do so. Under this system, candidates have had to bear the costs of printing and distributing their own ballot sheets to voting offices. In addition, the opposition has no access to public media. The media do not serve an independent role in the formation of public opinion, the potential value of which was not recognized by Ravalomanana and his leadership group.

Any evaluation of the period under review must consider a politico-psychological framework and structural constraints that are deeply ingrained in the Malagasy society. Dictators argue, "Me or the chaos," and call for a continuation of authoritarian rule; many citizens in Madagascar were prepared to agree to this formulation following the disastrous outcomes of the first democratic transition from 1991 onwards. France, other European partners and the United States were prepared to continue to live with Ratsiraka. The donor community adopted a passive-pessimistic vision; aid routinely showed no prospects. Malagasy society grew accustomed to a long-term economic and social decline. Indeed, the "backbone" of the Malagasy people had been broken figuratively three times: first by colonial France ("alienation"), second by Ratsiraka's communist experiment ("expropriation"), and third by Ratsiraka's comeback ("demotivation"). Ravalomanana, the successful, self-made industrialist without formal university training, and company lawyer Sylla, by contrast led the country toward transformation during a first administration lasting from 2002 to 2006. Sylla

resigned in early January of 2007, after Ravalomanana won a second mandate, and General Charles Rabemananjara was chosen as prime minister, tasked with implementing Ravalomanana's vision as formulated in the Madagascar Action Plan.

During the period under review, Madagascar remained in the midst of transition: no longer mired in the stagnation of the past, but not having yet arrived on a path of take-off. Foreign money, rendered available by the Poverty Reduction Schemes and Debt Relief Initiatives of the World Bank and the IMF, entered the country and enabled public investment in infrastructure, schools, institution/governance building, social services and health care. Simplification, including a one-stop approach to foreign and domestic private investment, facilitated entrepreneurial activities. However, the results as measured by economic statistics and tangible improvements in quality of life are mixed. With the Rajoelina-led rebellion and the formation of a transitional government in February 2009, all government economic, social and developmental initiatives will be reformulated. It is therefore difficult to evaluate Ravalomanana's impact.

Progress was noticeable in terms of gross poverty reduction figures, particularly in rural areas, but much of the population saw little in the way of improvement in their pockets or in their stomachs. Strikes regularly occurred in sensitive sectors: University students mobilized for better scholarships and better accommodation conditions, petrol refinery workers cut off gasoline flows to the capital, and public service administrators demanded salary increases. It was therefore extremely difficult for the government to claim that funds were available only for investments while withholding salary increases and social benefits.

Madagascar has some civil society tradition, but with more impact in an intellectual and analytical dimension than in terms of everyday involvement. Civil society engagement is highly personalized and lacks mass popular adherence (with the exception of churches); groups are typically poorly financed, and therefore fragile. The government has tried to gain direct influence over civil society organizations despite their weakness; for instance, the president of the Civics Society Platform is the spouse of one of the ministers.

Civil society
traditions

During the period under review, the TIM majority in parliament rendered government action easier but not always better. Apart from some politically contentious voices in the parliamentary opposition and Zafy's coastal or anti-Merina drive, there was – up to December 2007 – no political threat to the government. Nevertheless, the government and leadership has had to deal with persistent political unrest and criticisms of a lack of reconciliation or inclusion, particularly after Zafy's demands for an "all inclusive, all parties government." Although there is a historical cleavage between the "Merina" (upper class) and côtiers (lower class masses), today's conflicts are typically modern, driven by such issues as access to income, markets, political participation or welfare. There is a

Conflict intensity

strong ecumenical tie between churches – more than the Catholic Church normally admits – including the Muslim society in a larger sense. The prevailing Muslim belief (of Indo-Pakistani origin) is of an Ismailian reform tendency, and is to a certain extent a religion of the “better off,” such as entrepreneurs and capitalists. Conflict intensity associated with differences between generations has increased. In 2007, a young 34-year-old advertising entrepreneur was elected mayor of the capital, Antananarivo, subsequently calling in mass rallies to topple the government without much concern for institutions; this led the mob in the capital to go berserk and loot shops, warehouses, and other installations on 26 – 27 January 2009. Since the beginning of Rajoelina’s term as mayor of Antananarivo, the government obstructed his political decisions, such as his attempt to host the African Union summit. Seeking to avoid bloodshed during the riots, the president did not call out anti-riot troops to stop them.

II. Management Performance

14 | Steering Capability

Ravalomanana’s reform and transformation program, the Madagascar Action Plan, addresses a large number of issues, including: good governance and governance building, judicial reform, education, health and family planning, infrastructure, rural development, diversifying the private sector, environment/sustainability, national solidarity, and the aim to reach HDI rank 100 by 2012. Its implementation is channeled into six “breakthrough reform initiatives”: (1) reforming public finances in order to increase the tax quota from the current low level of 10% to 15% in 2012, by enlarging the taxable base, improving the effectiveness of tax levies, simplifying tax laws and improving expenditure management; (2) significantly boosting investment levels; (3) preparing a “green revolution” by improving agricultural productivity, making agro-industrial management and production more efficient, expanding farm credit, providing machines and other inputs to farmers, securing land tenure, and enlarging the sequence of the agricultural value-added chain; (4) improving public security by augmenting personnel and material in the gendarmerie and police, combating cattle theft and the smuggling of precious stones and tropical woods; (5) bolstering health and family planning through sex education, distribution of contraceptives and media campaigns to reduce the average number of children per family from five children to three by 2012, encouragement of the use of mosquito nets and malaria prophylaxis countrywide; and (6) transforming the judicial system through the introduction of an economic tribunal, a reform of the penitentiary system to meet international Red Cross standards, a reduction of corruption among judges and an acceleration in the speed of judicial procedures.

Prioritization

Any governmental reform initiative in Madagascar can be regarded as an organizational adventure, insofar as it seeks to implement a program with an administrative body that has been socialized over decades along the authoritarian practices of the Second Republic. The day-to-day practice of any such program is prone to trial and error. One must remotivate old administrative practitioners while introducing responsible new administrative cadres from abroad or from local training centers. Such endeavors are not immune to the risk that emerging democratic actors will return to non-democratic habits.

Implementation

During the period of review the president sought to personally monitor and motivate the process of change, purchasing a second airplane, a Boeing 737 jet, which allowed for free movement within and outside the country. This enabled Air Madagascar to operate independently of presidential timetables, which had interfered with the airline's schedules under Ratsiraka. While the costs of a presidential jet have been a constant subject of criticism, Madagascar's topography and poor infrastructure and the president's international commitments to open up the country provide sufficient argument for a presidential jet. The question is whether society as a whole shares this view and whether there might be less costly alternatives. Ravalomanana aimed at reducing hierarchy in government and administration, maintaining direct access to decisions and expediting delays caused by red tape. However, the traditional elite labeled this modernization anti-constitutional. Clearly, not all innovative proposals implemented by Madagascar's government and administration were met by widespread agreement on the part of civil society and journalists. Generally, the public demonstrates a theoretical desire for change but responds with criticism and a conservative attitude once changes are put into place.

Successful transformation is not only a question of reform being designed and launched, but also implies successful communication with the electorate in order to ensure widespread public perception of positive results. The lack of this represents the biggest shortcoming of the period under review, and possibly served as a trigger for the unrest in January 2009.

Policy learning

One of the biggest policy errors was the post-crisis tax- and tariff-reduction initiative, which had disastrous effects for the inflation target and the monetary and exchange rate target. The central bank was forced to devalue the ariary by 67%. After acknowledgment of the error, taxes and levies were changed again and the exchange rate stabilized, although at a depreciated level. The question is whether the globalization drive and EU trade theory and policy (as manifested in economic partnership agreements) force third-world governments into directions which turn out contrary to long-term development goals. Some international trade counseling seems counterproductive to the sustainable development of society and the economy.

15 | Resource Efficiency

Policy implementation is hampered by considerable administrative and bureaucratic stiffness and red tape. The degree of successful implementation ranges between 7% and 67%, varying substantially from agency to agency. This demonstrates that the government is unable to make efficient use of assets in many cases.

Efficient use of assets

In the period under review, the president's and prime minister's offices introduced an annual quantified target for ministries and a quarterly review system designed to spot dysfunctional areas in the development investment program, all based on the Madagascar Action Plan and its breakthrough reform initiatives. The previous incoherence in the various development projects and partner initiatives was tentatively corrected by the Madagascar Action Plan's roadmap.

Policy coordination

Political and administrative corruption has been, and continues to be, endemic in Madagascar. The Ravalomanana/Rabemananjara government undertook efforts to reduce this. The independent BIANCO office, assigned to a special department in the president's office (the Unit for National Integrity), was tasked with promoting good governance and anti-corruption measures. However, any substantial change in reality or in perception will be a matter of decades. During the period under review, some cases of corruption were detected by the competent institutions and referred to the judiciary. A number of public servants, officeholders and mayors were removed from their positions and prosecuted, in cases that were reported by the media.

Anti-corruption policy

16 | Consensus-Building

Given the historical experience of colonialism and socialism, and the pressure of contemporary international trends (the collapse of the Soviet Union, China's success, etc.) the majority of Malagasy actors (political parties and individual leadership) may well lean toward support for market-oriented democracy. Some unregenerate supporters of the Second Republic might be still out of phase. However, the most relevant question is not that of cognitive conviction in the abstract superiority of democracy and a market-based economic system; rather, the relative productivity of the concepts over a relatively short period of time is what has been critical. Ravalomanana desperately needed significant, tangible results and welfare benefits for the people. In general, the president's convictions and his personal, direct management style did not favor a pluralist perception of modern society which would include the easy coexistence of government and opposition. Thus, rapid decisions without discussion, often designed to generate some surprise effect, alienated elite and opposition.

Consensus on goals

In view of the political unrest since January 2009, which led to the toppling of the established government and the introduction of transitional authority, all questions

on consensus remain open. At the time of writing, Madagascar appeared headed officially toward a new constitution that would establish a Fourth Republic, the elements of which are not yet clear.

In simple terms, Rajoelina committed an unconstitutional, anti-democratic act, when he declared himself president of the Transitional High Authority, announcing to a mass public that he held the country's reins of command. This could be called high treason. At the time of writing, it was not yet clear why the elected and legitimate president did not react, and why the army finally settled with rebel Rajoelina. One unknown variable, and a veto actor of some importance, exists in the person of AREMA Secretary General Pierrot Rajaonarivelo, currently in exile in Paris (the other figure of significant political influence, former President Ratsiraka, is in effective retirement due to his age and health situation, being 73 years old and almost blind). Rajaonarivelo was de facto exiled by the Ravalomanana government, as the authorities blocked his return to the country on a weak legal basis (as there is only a provisional verdict against him, subject to appeal). Therefore, there is some possibility that Rajoelina's reign will really be only provisional or transitional, and that he will ultimately be replaced by Rajaonarivelo.

Anti-democratic
veto actors

Since relatively fair and transparent elections showed that the veto actors had little approval (less than 10% individually), there seems no particular need to call for national reconciliation, although some observers still argue that tensions remain between people from the coastal region and those from the high plateau. The decision to staff the government mainly with ministers from the high plateau did not help to overcome this tension. Conflict management took the form of administratively prohibiting meetings, a policy which might have contributed to the outburst of popular ire in January 2009. In retrospect, this might not have been the most effective strategy. In the short term, only the Malagasy Council of Christian Churches (FFKM) would be in position to lead a viable reconciliation effort, although they failed in their first such effort in February 2009. In the long run, only massive economic growth with an effective redistributive social component and real democratic participation on all levels of political life (village, region and state) will defuse the structural conflict in Malagasy society.

Cleavage /
conflict
management

The government invited civil society, in particular the churches, to cooperate, particularly in social and developmental issues and projects, where progress without public participation was not feasible. However, Ravalomanana was very result-oriented, and could not sustain long discussions and meetings.

Civil society
participation

The political leadership has made various efforts at reconciliation and granted amnesty for a group of actors involved in the post-electoral disturbances of 2002. But reconciliation can not and should not – in the interest of the rule of law – serve as a substitute for a judicial response to crimes such as murder, rape and injury. According to AREMA, reconciliation is only possible if it is accompanied by a general amnesty. This kind of policy could be considered to be extralegal, and as

Reconciliation

opening a path to impunity for politically motivated crimes and thus being regressive in a historical perspective. It was therefore unacceptable to the majority party, TIM, on various occasions. In November 2008, the president invited all actors to look forward to political party reform, which he argued would improve party functioning and the legal position of the opposition; however, this proposal may have been too late and too half-hearted, without allowing sufficient time for thorough discussion and clarification. The old veto players called for a boycott of these reform negotiations, conditioning their participation on the realization of a general amnesty.

17 | International Cooperation

Madagascar was and is dependent on external assistance. The government cooperated and pushed international donors to advance more rapidly towards the implementation of the Millennium Development Goals (MDG). The dominant question today is whether the international paradigm asserting globalization and capital growth acceleration to be the cornerstone to rapid development, and as conducive to solving developing countries' profound social and developmental problems, is still valid in the aftermath of the current world economic crisis. Or, alternately, whether the answers proffered in recent years have in fact been too simplistic with respect to countries, groupings and advancement levels; if so, a modification or rethinking of this paradigm is needed. For example, the Cotonou Treaty provisions for opening markets in the context of regional economic partnership agreements (EPAs), while comprehensive, must find appropriate modes of implementation in different types of countries such as Madagascar and Mauritius.

Effective use of support

The World Bank and the IMF seem to overstress the exemplary character of the Malagasy success story in their reports, giving the government the status of a "good guy" of international cooperation, even if particular issues such as the acquisition of the presidential plane raised strong concerns. German bilateral aid, introduced as a sign of appreciation and acknowledgement, provided budgetary help to the government. At the same time the need for good governance is stressed and additional expertise is provided.

Credibility

Since 2005, Madagascar has been fully integrated in the South African Development Community (SADC) regional grouping; it is also part of the Common Market for Eastern and Southern Africa (COMESA) and the Indian Ocean Commission (COI). It fully subscribes to United Nations, International Labor Organization (ILO), and other international cooperation agreements. In 2009, Madagascar was supposed to host the African Union summit, and in 2010 the summit of the Organisation internationale de la Francophonie.

Regional cooperation

Strategic Outlook

At the time of this writing, former President Marc Ravalomanana was in exile in Swaziland. Although he had been scheduled to re-enter Madagascar, and had named Manandafy Rakotonirina of the Movement for the Progress of Madagascar (MFM) party as his prime minister, the political situation in Madagascar was too volatile. In May 2009, the conflict parties signed an agreement that foresees elections to be held at the earliest date within the next 14 months in which both the ousted president and Andry Rajoelina could run for the presidency. The agreement was the result of a successful mediation effort carried out by representatives of international organizations, such as the African Union, the Southern African Development Community, and the Organisation internationale de la Francophonie. The agreement also calls for a wide range of transitional institutions to be established, including an independent electoral commission, a transitional government of national unity, and a truth and reconciliation commission. It remains to be seen whether the agreement will be implemented.

Ravalomanana's vision was one of industrially and socially accelerated development, similar to the Malaysian and Singapore examples. He believed that Madagascar has the potential to for similarly fast economic success, probably in a southern African axis of growth that would include South Africa, Madagascar and Mauritius.

Subsoil resources, as well as human and natural surface resources are available for a wide range of productive activities. Since the environmental conditions are conducive to their use, much depends on organization and governance; a society with endemic corruption and without transparency in politics and economics will not achieve its goals. Therefore, Ravalomanana insisted on a particularly wide-ranging transformation effort, which went far beyond purely economic or managerial terms. He aimed at restoring confidence in society, and at fostering democracy and people's participation, although many observers criticized that the president's actual implementation in fact neglected democracy or even damaged it, by pushing change too directly and too swiftly over the heads of the people or the expert elite. Once democracy, good governance and confidence had been restored, Ravalomanana appeared to believe, a correct establishment of relative prices in the economy and an operating market space (physically and economically) would automatically produce benefits.

The implicit downside was that Ravalomanana saw actual democratic procedures as a waste of time, and as not efficient enough to produce the results he wished to see. In his entrepreneurial approach he failed to understand the complex mechanisms that are needed to transform a whole society. In his case, this developed into a new model of authoritarian rule for development.

At any rate, such a transformation policy needs a far more ample financial framework than that presently offered by the World Bank, the IMF and the European Union in the Cotonou Agreement. Under present conditions, individual foreign investors were and will be by nature

hesitant before investing in developing countries, and particularly in the category of least developed countries. Therefore, the influx of capital and investment will remain too low. Ravalomanana, however, thought in terms of a dynamic interaction of domestic and international multipliers and accelerators, seeking to finance current and future investments and current consumption enlargement all at the same time. This did not follow the classical industrial development strategies of phasing and sequencing, which postulate first investment and secondly consumption. His Madagascar Action Plan, in some senses a Malagasy translation of the Marshall Plan, invited the international community to participate in such a qualitative and quantitative leap forward. But Madagascar has to compete on the highly competitive and volatile international investment and credit market with Eastern Europe, China, India and others. Latecomers in the African context therefore need some kind of “positive discrimination.” In general, during the review period, the Malagasy leadership stressed economic, political and social development objectives simultaneously. Given the presidentially dominated government structure, inherited from pre-colonial conditions, colonial practice and post-colonial orientation towards France, the likelihood for a “parliamentarization debate” in Madagascar is slender. But renewed decentralization in the form of the new regions will likely be beneficial to democratic legitimization. Enhancement of good governance, enactment of a system of checks and balances, enlarged public awareness, a reduction of corruption to one-third of its present level, and reduced cleavages between civil society, political parties and state authorities would be sufficient as a political reform agenda. Yet, the implementation of this extensive agenda is not only a matter for the political leadership at the top, but of the society as a whole and particularly its emerging elite. One core problem is that the expectations of society are increasing rapidly in the course of the transformation process. While the Malagasy government produced some results as measured by selected macroeconomic variables and in some physical terms (with the construction of roads and other infrastructure) over the course of the assessment period, society expects more in economically tangible terms. Ravalomanana’s 54.8% election result in December 2006 was seen by his electorate as a “draft on credit.” By the end of 2008, Malagasy society seemed to have lost confidence that he could effectively produce results. The revolt organized by Rajoelina and the counter-movement of “legalists,” who condemn the toppling of the government, may revive discussion of the issues of democracy and the rule of law in the months to come, as preparations are made for the drafting of the constitution of a Fourth Republic. If so, the crisis that shook society at the close of this review period might ultimately be beneficial and productive in the historic perspective. However, Rajoelina’s present populist approach, of distributing something which is not available, will first induce a downturn in economic and social well-being.