

BTI 2014 | Madagascar Country Report

Status Index	1-10	4.27	# 103 of 129	
Political Transformation	1-10	4.37	# 89 of 129	➔
Economic Transformation	1-10	4.18	# 102 of 129	➔
Management Index	1-10	3.61	# 109 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2014 – Madagascar Country Report. Gütersloh: Bertelsmann Stiftung, 2014.

This work is licensed under a [Creative Commons Attribution 4.0 International License](http://creativecommons.org/licenses/by/4.0/).

Key Indicators

Population	M	22.3	HDI	0.483	GDP p.c.	\$	978.3
Pop. growth ¹	% p.a.	2.8	HDI rank of 187	151	Gini Index		44.1
Life expectancy	years	63.8	UN Education Index	0.490	Poverty ³	%	92.6
Urban population	%	33.2	Gender inequality ²	-	Aid per capita	\$	13.5

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

The 2009 – 2013 period in Madagascar saw the longest political conflict in a country with a history of significant political conflict. Democratic institutions have been in place for two decades, but they have continued to lack the strength to channel political forces into a competitive process. As a result, challengers to the status quo have exited the constitutional process and relied upon social movements and para-governmental support to establish their political viability. Democracy remains the only game in town, but the rules of play are being constantly changed by embedded political actors atop competitive and often predatory political networks.

The 2009 overthrow of Marc Ravalomanana was military-driven and normatively reprehensible, but it reflected structural concerns. The government's approach to land tenure, extractive resources, contracting, and private sector relationships were publicly challenged even while donors started to question transparency and accountability. Madagascar went from a flawed democracy with a near-imperial presidency to an autocracy with rent-seeking tendencies.

Since 2011, economic management has been surprisingly strong. Performance across most major indicators has been relatively constant even while many other countries resorted to fiscal measures or monetary policy that hobbled prospects for years to come. Rather than borrowing, pegging the exchange rate or the like, the country embarked on austerity measures that crushed key sectors and undermined social services and the small social safety net, but kept the government fiscally responsible.

Popular unrest was limited in the 2011 – 2013 period, replaced with a popular disquietude and general malaise. Opinion in the capital shifted from a decision between two Merina houses (Presidents Ravalomanana and Rajoelina) to a rejection of both and a splintering of popular support. Meanwhile, the High Transitional Authority (Haute Autorité de la Transition, HAT) of Andry Rajoelina, once a broad political net, shrunk to an intimate base. Extractive industries, already on the rise, became a significant source of revenue and are now poised to grow

substantially in the coming years, dwarfing all other income-generating sectors. With clear losses in government oversight and regulatory capacity, rent-seeking became apparent not only in high production sectors such as extractive resources, but in social sectors, infrastructure and elsewhere as the public-private fusion that emerged under Ravalomanana took on new, often more insidious, forms.

The 17 September 2011 Road Map of the Southern African Development Community-led mediation team rejected the previous approach that focused on the four living heads of state and instead centered on Ravalomanana, Rajoelina, diverse smaller parties and a coalition of civil society leaders. There were key factors left unaddressed, including the question of amnesty for President Ravalomanana, and it was seen by many as a capitulation to an autocrat who came to power through force, as Rajoelina was left as head of state for the transition. Nonetheless, it paved a way forward. In 2012, the World Bank, the country's largest donor, released an Interim Strategy that clearly signaled a scaling up in 2013. Other donors appear to be following suit. A U.N.-led, World Bank-supported electoral census was completed, the electoral code was revised, and elections finally appeared possible. In December 2012, Marc Ravalomanana announced he would not stand in the 2013 elections. Rajoelina followed suit. This commitment from the conflict protagonists appears to have finally given hope to a country that is suffering from a profound malaise.

History and Characteristics of Transformation

While many African states were created by colonial forces, modern Madagascar began with the Merina King Andrianampoinimerina (1787 – 1810), who began the process of taking control of the highlands first through the twelve sacred hills of Imerina and then towards the coasts. By the time the French deposed the monarchy in 1897, it controlled nearly the entire territory, and the colonial power had merely to take advantage of the administrative system in place. The brutal Merina system of slavery was abolished, but the caste system was adopted in order to develop a new plantation system. Even the system of taxation established by the Merina monarchy was maintained in order to pay for labor and infrastructure development. The Malagasy uprising of 1947 was one of the most violent anywhere in the colonial world, with an estimated 100,000 losing their lives, but it helped bring about the French Loi Cadre of 1956 and, ultimately, the move to an independent Madagascar on 26 June 1960.

The importance of this history is that two centuries of Merina privilege have led to a capital established in the heart of feudal Merina lands, a cadre of “big families” that have had critical sway in Malagasy political and economic decision-making, and a distinct Merina advantage in both education and market access. Merina dispersed throughout the regions commonly play critical roles in government, education or business rather than tenant farming or other activities

common to migrant groups. Peoples of other regions and ethnicities are largely outside of these network exchanges, but engage political and economic entrepreneurialism in other ways.

The president of Madagascar's First Republic (1960 – 1972), Philibert Tsiranana, is largely viewed as having remained too close to France. Social movements in the capital led to a peaceful handover to a succession of four military leaders. The last of these, Vice Admiral Didier Ratsiraka, adopted a particular brand of scientific socialism in 1975. By 1979, poor economic decisions led to a complete depletion of foreign reserves. Ratsiraka called on the IMF and adopted a market-oriented economy that remains in place today.

Political change came in the form of a civil servants' strike that led to the establishment of a transitional government on 31 October 1991. A new constitution was ratified a few months later, and the country's first nominally democratic elections were held in November 1992, bringing Albert Zafy to office. The Zafy period was marked by economic decline, and he was impeached on 26 July 1996 after manipulating a constitutional change and being charged with corruption and abuse of power. The 1996 election was an exercise in banality, with the choice between the disgraced Zafy, the technocratic interim president Norbert Ratsirahonana, and Didier Ratsiraka running as a new kind of democrat. Ratsiraka won, changed the constitution through popular referendum, and set out to consolidate much of the character of the Second Republic.

The 2001 electoral cycle began with Zafy and Ratsiraka again looking towards the presidency, but the stage was set for a newcomer. Marc Ravalomanana, the popular mayor of Antananarivo and a self-made millionaire, received a majority vote in all but one part of the country (the powerbase of his competitor, Didier Ratsiraka), largely because it was hoped that he could use his market skills to aid development of the country. His victory after six months of social conflict was a significant challenge to the popular notion that a Merina couldn't be president. It was a hallmark of a period of ethnic fluidity and growing tolerance. At the time of his overthrow, in March 2009, there was much public consternation that the military had moved to galvanize support for another Merina leader, Andry Rajoelina. Looking towards the 2013 elections, ethnic difference is unlikely to play a role, except in the case of anti-Merina sentiment stemming from a popular view that the country fell down a rabbit hole due to intra-Merina conflict.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

Question
Score

The roots of the modern state of Madagascar lie in the precolonial monarchy of the late 18th century. Through the 19th century, the ethnically Merina monarchy of the central highlands spread throughout the island, diminishing or eliminating competing monarchical structures. French rule (1896 – 1960) further consolidated the central power of the state. As a result, state power in Madagascar and the sense of stateness have been strong in comparison to the country’s continental counterparts. Nonetheless, periods of political tumult have eroded the capacity of the state to effectively govern parts of the territory. When transitional President Andry Rajoelina took over after the military overthrow of President Marc Ravalomanana in 2009, he did so with a broad base of support. A year later, he began consolidating his base, using the military as a bulwark at the expense of inclusiveness. Factionalism began to grow with an increasing number of local militias established to protect order.

Monopoly on the
use of force

7

There are, nominally, 18 “tribes” in Madagascar, but these were French political creations as part of colonial Governor Joseph Gallieni’s “politiques des races.” The degree to which these identities have taken root varies, but other regional identities, such as kinship, universally take precedence. There are significant regional cleavages on political, economic, resource and identity lines. However, the localization and relative fluidity of identity have made it possible for most people to embrace multiple identities. The unifying sense of national identity – of being “Malagasy” – is strong.

State identity

9

There is one Malagasy language spoken throughout the island, but dialects vary significantly. Most political analyses point to a division between the Merina of the capital region and the “côtiers,” an aggregation of coastal ethnicities. The competition and at times conflict have been high, but it is nonetheless almost universally viewed as a conflict amongst Malagasy groups sharing a common Malagasy identity.

The vast majority of Malagasy are Christian, nearly evenly divided between Catholics and Protestants. More than half are syncretic, blending these practices of faith with

traditional practices revolving largely around the role of ancestors. While religion has fueled political difference, it is not bound to particularly geographies and has not served to undermine Malagasy identity.

There is a politics of difference when it comes to the role of religion in Madagascar. The Council of Christian Churches in Madagascar (Fiombonan'ny Fiangonana Kristianina eto Madagasikara, FFKM) has, historically, played a critical political role. The FFKM is comprised of the various Christian denominations, most notably the Protestant Church of Jesus Christ in Madagascar (Fiangonan'i Jesoa Kristy eto Madagasikara, FJKM), the Catholic Apostolic Church of Rome (Eglizy Katolika Apostolika Romana, EKAR), the Malagasy Lutheran Church (Fiangonana Loterana Malagasy, FLM), and the Malagasy Episcopal Church (Eklisia Episkopaly Malagasy, EEM). The Catholicism of President Didier Ratsiraka's Second Republic (1975 – 1992) was challenged by the FJKM, and the FFKM played a significant role in the transition to the democratic constitution of the Third Republic. The FFKM is also viewed as playing an important role in bringing President Marc Ravalomanana (2002 – 2009) to power. Ravalomanana was a lay leader in the FJKM, and started the day with mandatory prayer for statehouse workers. In the aftermath of the 2009 political violence, Protestant FJKM leaders came under attack and at times were even assaulted, yet most of all the FFKM will be remembered for its failure to provide a path out of the political debacle that continues to torment the country. Despite the significant political role of and expectations on religious groups, religious dogma has not significantly permeated politics. Laws regulating abortion, intermarriage, divorce, burial and other critical socio-political issues have passed after largely secular debate.

No interference of religious dogmas

8

During the first mandate of President Marc Ravalomanana (2002 – 2006), there were significant internal and donor investments in state administrative process. Donors funded teams to help the government realign and retool diverse ministries. Key social sectors, including health and education, saw significant technical reform effort with the express purpose of increasing functionality of state-led service delivery. Yet Madagascar has unusually high levels of fiscal centrality. There is a low income tax rate, a 21% capital gains tax, and other individual taxes. The legal infrastructure is strong but state capacity to enforce individual taxation, particularly amongst the majority rural population, is weak. The majority of tax revenues come from central taxation such as import taxes, corporate taxes and value added tax.

Basic administration

5

With the overthrow of President Ravalomanana in 2009, the new Rajoelina administration focused its efforts only on select sectors. As the World Bank's Country Policy and Institutional Assessment (CPIA) indicates, macroeconomic management, social inclusion, budgetary and financial management, social protection, structural policies, and transparency and accountability have all declined. The slow but steady loss of state capacity to administer across sectors has led to increased local and

community efforts in some areas such as schools, security militias, transportation and water management.

2 | Political Participation

With the founding of the Third Republic in 1992, Madagascar embarked on a regularized period of elections, parallel to those taking place on the African continent and around the world. This has included local (mayoral), legislative and presidential electoral processes, as well as referenda, mostly held in a timely fashion. Yet in all cases the legislative elections have served as a tool for ratifying the near-imperial president and his party rather than creating a balance of powers. The most recent presidential elections were in 2006 and the most recent legislative elections were in 2007. The 2006 presidential elections were perceived by the population to be highly flawed. President Ravalomanana successfully pushed back against significant international and domestic pressure to reform a multi-ballot system that decreased transparency and exacerbated regional cleavages. The 2007 legislative elections were called in haste by the president in an unusual procedural move to dissolve the National Assembly, which his own Tiako i Madagasikara (TIM) party controlled. He did this in order to purge elements in his own party seeking to create a national platform that might ultimately challenge his authority.

Andry Rajoelina, a young entrepreneur, came to power after a unit of the military successfully ousted Ravalomanana. The lion's share of the peace negotiations, sponsored by the African Union and Southern African Development Community (SADC) with United Nations support, have focused on the restoration of an electoral timetable. The peace process focused largely on the four living current and former heads of state: Andry Rajoelina, Marc Ravalomanana, Didier Ratsiraka and Albert Zafy. This "four movements" approach led only to increased rancor and distrust. In Madagascar, the question began to be asked: Why is this an international process rather than a Malagasy one? Other Malagasy interlocutors, such as civil society, the military, business interests and the other 150 or so political parties, did not have a voice. A coalition of civil society groups – the National Coordination of Civil Society Organizations (Coordination Nationale des Organisations de la Société Civile, CNOSC) – began gaining traction in 2011, launching a new initiative aimed at promoting a local solution. It ultimately won SADC backing.

A road map was signed on 17 September 2011 between the major political movements and the CNOSC. Unfortunately, key terms of the road map, including the right of Marc Ravalomanana to return to Madagascar without fear of prosecution, were left vague and became problems nearly as the soon as the ink dried. Concurrently, a disagreement between the International Francophone Organization (Organisation internationale de la Francophonie, OIF) and the U.N. clouded the timetable according to which Madagascar could successfully hold elections.

Free and fair
elections

2

Elections were scheduled for spring 2012 and then fall 2012. At the time of writing, they still have yet to take place.

There have been significant reforms to the capacity and structure of elections in Madagascar. Law number 2012-004 of 1 February 2012 created a new Independent National Electoral Commission for Transition (Commission Electorale Nationale Indépendante pour la Transition, CENI-T). Electoral law also changed the process of voting to a single-ballot system and reduced some of the economic barriers to running.

In December 2012, former President Ravalomanana announced he would not run in upcoming presidential elections. President Rajoelina followed some time later with the same announcement. The commitment from both politicians not to run has brought about a renewed sense of optimism that the electoral impasse will soon be resolved. The presidential elections were scheduled for May 2013, but were postponed to July 2013.

At its zenith, a democratically elected presidency in Madagascar was tremendously strong both formally and informally. Formally, the rights and decision-making power of the president enshrined in the constitutions of the Third Republic (1992 – 2010) were significant compared to other semi-presidential systems. Informally, presidents have consistently maintained significant networks of power outside of the formal sphere, empowering select business elites, established families and others – even over other elected officials. The organizational capacity for elections, and democratic institutions themselves, were significantly undermined by the March 2009 overthrow of the elected Ravalomanana government. The constitution of the Fourth Republic (2010 – present) if anything increases formal presidential power, and an ongoing crisis forestalling elections has nurtured the growth of informal expressions of power.

Effective power to govern

2

The successive constitutions of the Third Republic and the constitution of the Fourth Republic all clearly articulate guarantees of freedom of association and assembly. Political parties are also assured as evidenced by the significant proliferation of registered parties. However, a law passed in January 2009 imposes significant requirements on parties. To be registered, they must have representation in 12 regions within the first 30 months of their creation, participate in at least three consecutive elections and hold regular national meetings. While consistent with a system of proportional representation, the law is seen as advantaging urban areas, particularly the capital region, due to the logistics and cost associated with meeting the terms.

Association / assembly rights

6

As a general rule, political groups can associate freely. However, there are significant points where this has come into question. Today that space to freely assemble has grown smaller. The constitutional and legal guarantees remain, but obtaining a permit and holding unfettered events have become more difficult.

By contrast, associational life at the community level thrives, particularly in rural areas where the majority of the population lives. There are significant numbers of agricultural associations, herding associations, rule-making associations, environment and natural resource organizations and the like; they just rarely hold political power above the local level. These community associations generally remain free from unwarranted state interference in their affairs. There is evidence that such groups are proliferating in the increasing absence of state assertions of power. Security groups, educational associations and even health clinics have grown to fill the void.

The Malagasy constitution has consistently guaranteed freedom of expression, though the laws governing the freedom of expression are relatively convoluted and weak. In practice, the press has published freely, but it often comes under attack for doing so. A decade ago, just as the new government of President Ravalomanana was taking root, Reporters Without Borders (RWB) cited the ongoing impact of the 2002 crisis on new media, citing everything from intimidation to physical attacks on reporters. As the years wore on, RWB cited the use of the press by Malagasy politicians as a political weapon. There was a significant downturn in freedom of expression after March 2009. A 2010 RWB report cites the increasing polarization, harassment and self-censorship of the Malagasy press. This is an ongoing and significant challenge. At its root is the significant alignment between political and media interests. President Ravalomanana and his family privately owned the largest media network in the country (radio, television and newspapers), and there was fluid movement between corporate management in the media empire and government positions. The then-largest newspaper, *Midi Madagasikara*, was managed by a close associate. The 2009 conflict was sparked when, in December 2008, the Ravalomanana government shut down the radio and television transmissions of the stations owned by Rajoelina. Looking ahead, some of the leading candidates for the Malagasy presidency, should elections indeed take place in 2013, already have significant media investments.

Freedom of
expression

4

3 | Rule of Law

Madagascar has a semi-presidential system. Beyond informal or network considerations, there are an unusually high number of specifically constitutional powers the president has long enjoyed. While the 1992 constitution significantly limited presidential power, the revisions of 1995, 1998 and 2007 reversed that.

Separation of
powers

3

The November 2010 constitution identifies several key oversight institutions, but their constitutional mandates do not appear to safeguard the independence of their functions.

Under Article 80, the president of the republic has the sole authority to convene an extraordinary session of the legislature. Rather than a third of seats in the Senate, the president, under Article 85, appoints half the seats. The president can propose referenda without check from the legislature or judiciary (Article 164). As in the current constitution, the president can be impeached (Article 50). Veto overrides are left unclear while (Article 63) the president reserves the right to force the parliament to re-deliberate on laws. The president retains the right to dissolve the assemblies (Article 64) – he must consult with the presidents of the assemblies and the Circle for the Preservation of the Fihavanana (Cercle de Préservation du Fihavanana), but the consultations are nonbinding. The president maintains the power to proclaim an “exceptional situation” (Article 65) giving him emergency powers, but the term is to be set by law.

Since there have been no legislative elections since the National Assembly was dissolved in 2009, its role is not relevant. The legislature is historically dominated by the president’s party, and we should expect that to continue to be the case for the next round of elections, whenever they materialize. Informally, legislatures often complain that bills require executive vetting even to make it to the assembly floor, and that other bills appear in the legislature having been written in the executive.

Madagascar has a juridical system with a clear articulation of powers for the judicial branch and clear articulation of relationships between courts across levels. There is a network of institutions including Administrative and Financial Constitutional Court, Supreme Court, Courts of Appeal, Tribunals, and a High Constitutional Court. The High Constitutional Court (HCC), the highest court, is the institution in charge of the state. The HCC has enjoyed extreme membership stability, with the same group of justices ratifying President Ravalomanana’s ascension in 2002 and his ouster in 2009. While stability has its merits, it has come at the expense of judicial independence: Justices have almost systematically sided with the executive.

Independent
judiciary
4

At a local level, the court system is represented through local tribunals. Legally, tribunals are open to all petitions including those against the state. In practice, that is hindered by insufficient legal knowledge by the citizenry, particularly in rural areas. Tribunals require court fees many Malagasy cannot afford to pay, and they are chronically underfunded and understaffed. The backlog in many tribunals is significant enough to create discrepancies between the types of cases they will hear, and in many cases low-level corruption is required to have a case heard. In some areas, such as the vanilla regions of the northeast, where illicit forestry has been a significant concern since 2009, regional elites have had success influencing the priorities of the burdened courts.

While the juridical structure is relatively sound in writing, in practice it is subservient to political and economic exigencies. This is, in part, why Madagascar ranks 49th out of 52 African countries in the Ibrahim Index on Rule of Law.

Madagascar has an institutionalized anticorruption program. Under Articles 2 and 3 of Decree No. 2004-937 of 5 October 2004, the Independent National Anti-Corruption Bureau (Bureau indépendant anti-corruption, BIANCO) is charged with leading the implementation of the National Strategy for the Fight against Corruption (Stratégie Nationale de Lutte contre la Corruption, SNLCC). While this includes a public education component, the primary focus of the organization is to hold public officeholders accountable. Since 21 March 2006, the Committee for the Safeguarding of Integrity and its advisory committees have shared the responsibility of setting policy against corruption.

Prosecution of
office abuse
4

BIANCO's leadership has consistently been independent of the government, but its capacity to perform its functions has never been fully realized. Key sectors of concern, such as mining and illicit forestry, are beyond its capacity, and public officials have commonly served as interlocutors for private-sector exploitation.

Perhaps more alarming, BIANCO has become increasingly subject to political pressure. The executive commonly stymies information flows to BIANCO. There are no cases of high officials having a dossier transmitted for investigation, let alone facing a trial. Some BIANCO officials have argued that while there is good internal integrity and accountability, there is also insufficient transparency. Externally, the juridical system is opaque, making it difficult for BIANCO to carry out its primary function even when funds are available.

During the 2002 – 2006 period, Madagascar enjoyed renewed civil rights with non-state actors operating with relative freedom from persecution. The government allowed strikes, work stoppages, and social disruption, which was caused largely by the high rate of inflation. Workers continued to enjoy the right to join unions. By 2008, political rights began to slide. There were renewed concerns that the successful April 2007 constitutional referendum effectively increased presidential power, and that the increase of seats for the president's TIM party in the 2007 National Assembly was achieved largely through political gamesmanship.

Civil rights
4

As of March 2009, Madagascar no longer had a democratically elected government. Charismatic authority began to reign over the rule of law, and the outlets for public voice were obstructed. On 7 February 2009, the presidential guard of Marc Ravalomanana opened fire on unarmed demonstrators, killing dozens. This proved a watershed moment in the state's patience with civil rights that challenge the status quo. While there have been no large massacres in the country, the Rajoelina period has been marked by low-grade unrest, with an estimated 150 to 300 deaths nationwide. Unlawful killings and detentions have risen even while the 2010

constitution reaffirmed sweeping civil and political rights. Since 2009, political rights have been curtailed, and Madagascar belongs more and more to the category of authoritarian regimes.

4 | Stability of Democratic Institutions

National-level government institutions including the presidency, the National Assembly and the Senate ceased being democratic in March 2009. The level of disruption to the judiciary was relatively limited, if only because of the juridical dysfunctions already present. Madagascar's technocratic class is relatively strong, and has historically been an important driver for public administration. But, with the rise of conflict and the narrowing of political space, many leading technocrats were either ousted from their positions or chose to leave for the private sector or international organizations.

Performance of
democratic
institutions
3

The capacity of the state itself has diminished substantially.

Madagascar's democratic structures have been truncated and the democratic process itself remains fluid. Elections have failed to materialize and state capacity continues to erode. Yet there is a certain level of bureaucratic functionality within the relatively undemocratic institutions that remain. This bodes well for state-strengthening and the potential for institutional performance following a return to constitutionality.

Every Malagasy president since the dawn of the democratic era has changed the constitution to serve his political needs (save the acting presidency of Norbert Ratsirahonana in 2006). The changes affected the power of the presidency vis-à-vis the legislature, the way in which the territory is divided into provinces or regions, the official languages of the country, and other fundamental aspects of the government and society. The process leading to the November 2010 constitution of the Fourth Republic recognized the political challenges and the resultant constitutional confusions, but ultimately it produced a document that is even more obfuscatory. As a result of two decades of institutional manipulation, there is a general disregard for political institutions as guaranteed by the constitution. Often, relevant actors pay only lip service to democratic institutions, then try to manipulate them. Meaningful governance tends to take place through interlocking public and private networks seeking to control rents as a mechanism for maintaining stability and power. Social movements, prominent in Madagascar, have served as expressions of the lack of institutionalized avenues for public participation in the governing process.

Commitment to
democratic
institutions
3

5 | Political and Social Integration

Political pluralism is enshrined in the Malagasy constitution. Malagasy political culture has a highly liberal character compared to most of its continental counterparts, as evidenced in surveys by Afrobarometer and diverse academics. Legal codes have been well drafted by a cemented technocratic class, leaving electoral laws institutionally fortified. Party politics in Madagascar are highly personalized and the party system is fragmented, while a well-functioning party system serves to aggregate public interests, build political platforms, recruit and nurture new leadership, and incubate ideas. Even in democratic periods of Malagasy rule, parties have had an authoritarian flavor, with individuals creating parties as vehicles of rule. Thus the rise of an individual president has consistently meant domination by his party in the legislature, and the fall of that president has meant party irrelevance.

Party system
4

The pattern of party personalization has existed since the French colonial government began allowing parties to form in the latter part of the colonial period.

Party systems have long been governed by well articulated party politics laws. Yet these laws have long been seen as part of the problem, excluding competitors while creating a bureaucratic labyrinth. In 2008, then-President Ravalomanana commissioned two respected public servants from outside of his own political network to write a white paper on how to change the party politics law. The white paper was well received by scholars in Madagascar and abroad, but the resulting party politics law, 2009-02, left most analysts and politicians cold. In many ways, it increased the barriers to competition and discouraged the institutionalizations of parties that could survive succession of leadership.

Moving forward, there is little reason to believe that the party system will stabilize or parties will serve their institutional purpose in the foreseeable future.

Estimates on the number of cooperative associations and interests groups in Madagascar vary widely. The number of nationally registered associations is less than 200, but European Union, World Bank and United Nations Development Programme studies all point to between 3000 and 5000 such organizations. In the main, they appear to do a good job of bringing people together for a focused purpose such agricultural cooperation, business communication or environmental protection. However, capacity is concentrated in a very small number of groups. In most cases, these are groups that are either non-government organizations funded by donors for a specific community-level purpose, but with limited capacity for representation, or they are groups based in the capital that are largely dependent on the singular funding and activities of their leaders. Organizational capacity, therefore, remains very low

Interest groups
5

with limited financial resources, human resources and communication even amongst core constituents.

The top-heavy nature of civic life in Madagascar means that, for larger organizations, there tends to be a divide between politically connected if not embedded leaders on the one hand, and their primary constituent groups at local levels on the other. Smaller organizations tend to interact vertically only when they are development-related, non-government organizations. As a result, interest groups have an extremely limited role in acting as a check on state power.

There are notable exceptions to interest group limitations. Some religiously based development organizations, such as Sehatra Fanaraha-maso ny Fiainam-pireneña (SeFaFi), have created significant vertical integration and thus can communicate more effectively both up and down organizational levels. Churches themselves have historically played an important political role even if their political activities tend to be conducted independently of their spiritual bases. Professional associations, particularly in the capital, regularly promote dialogue and coordinate advocacy, even if communications with government are often stymied by the complex nature of state-private relations.

Survey research is relatively limited in Madagascar, particularly since the beginning of the political crisis. The most recent Afrobarometer survey, conducted in mid-2008, pointed to a country facing a crisis of democratic legitimacy. Only 39% of respondents saw democracy as preferable to other forms of government, with 27% saying it didn't matter and the rest abstaining. Some 59% of respondents said that it is the job of opposition parties to cooperate with the ruling party without examining or criticizing it. In nearly equal numbers, respondents argued that the democratic system of governance should be given more time to solidify, and, if the present system could not produce results soon, another form of government should be tried. A strong majority (61%) agreed with the proposition that the success of government is defined by its ability to improve the economic lot of the poor majority, rather than by increasing personal liberties (10%) or giving the people more say (6%). Only 11% of respondents saw Madagascar as fully democratic. Elections appear to have been thought of as separate from democracy in that the overwhelming majority (86%) said that leaders should come to power via elections. This is consistent with the relatively liberal political culture identified both in earlier Afrobarometer surveys and in academic studies.

The above figures come from a study completed at the end of an election cycle, and while the elected president Marc Ravalomanana was still in power. Scholarly surveys in the capital since then point towards an increasingly fragmented electorate. The priority today appears to be stability. Interestingly, the percentage of the population in the capital that views Madagascar as largely democratic appears to have shifted little since the military overthrow of the elected president. In urban areas of the 2008

Approval of
democracy
n/a

Afrobarometer survey, a slight majority argued that they had trust in the president. Less than half had trust in the legislature, the ruling party, opposition parties, the police, the courts or the electoral commission, and all were seen by a majority as corrupt. This is an indicator that there was little approval of democratic institutions prior to the overthrow – an indicator of a crisis in the making in a country known for social movements that spark as a result of institutional failure. Scholarly surveys in the capital appear to point to a further drop in trust since the crisis began. In 2010, the electorate in the capital appeared to be choosing tepidly between Ravalomanana and Rajoelina. By 2011, there was no clear preference for any particular leader, and trust had eroded in the office of the presidency itself.

In Madagascar, trust is built, first and foremost, along clan and kinship lines. Ethnic or “tribal” identities are largely French social constructions and have relatively limited meaning. Exceptions can be found where precolonial monarchies flourished: The Merina empire came to dominate the island in the 19th century at the expense of other monarchies, in particular the Sakalava kingdom of the northwestern part of the country. Caste identities are controversial but do persist within certain identity groups. In Imerina, for instance, andriana (nobles), hova (commoners) and andevo (descendants of slaves) are not the lines of economic distinction they once were, but they do figure prominently in social life and, thus, the formation of social capital.

While surveys on social capital are limited, there is clear research pointing to common findings. Trust tends to be localized and horizontal. As a result, community organizations such as those for tillage, community rule-making (dina) and funerals are active and important parts of daily life. There are signs that the political crisis, four years on, has increased voluntarism. As state capacity has diminished, communities have had more need to provide services for themselves. Some of these areas, particularly security, require heightened levels of trust at the community level.

Social capital
4

II. Economic Transformation

6 | Level of Socioeconomic Development

Madagascar has bountiful natural and human resources, but it has not been successful in translating those into sustained periods of economic growth. Political crisis and economic downturns significantly overlap.

The United Nations Development Programme (UNDP) ranks Madagascar 151 out of 186 in its Human Development Index, down from 143 in 2008. While the country has, until recently, fared well in comparison to other African countries in education and health access, income has continued to trail. The World Bank estimates that 93%

Question
Score

Socioeconomic
barriers
2

of Malagasy live below the \$2 per day poverty line, up from 89% in 2001, and 43% live below the \$1.25 per day extreme poverty line, up from a low of 26.5% in 2005. Spending on health in Madagascar has increased steadily in the 2002 – 2008 period, from 113 billion ariary to 245 billion ariary. Education followed the same trend, with public expenditure increasing from 243 billion ariary to 585 billion ariary. Much of this growth, however, is attributed to direct budget and sector support at the ministerial level by donors. With the political crisis of 2009 and the freezing of new donor spending, health and education spending plummeted. Starting in late 2009, a consortium of U.N. programs increased social sector spending markedly to address an alarming monthly rate of 66 deaths of children aged 0 to 5 per 1,000 (2012: 58 per 1,000).

Most identity factors do not substantially differentiate the patterns of poverty. The CPIA Gender Equality Index, which assesses the extent to which the country has established institutions and programs to enforce laws and to promote equal access, gives Madagascar a score of 3.5. This is an indication of continued challenge, but it places Madagascar well above the African average, closer to Latin American averages. Catholics and Protestants are evenly dispersed throughout urban and rural areas, removing economic biases. The one significant exception is in Imerina. The capital, Antananarivo, was the center of the Merina monarchy, and people of Merina identity had significant advantage in access to both education and markets throughout the precolonial and colonial period. In early caste systems, even Merina commoners were seen as superior to regional elites. Today, the so-called “big families” continue to be primarily Merina, education systems disproportionately advantage the capital and people of Merina ethnicity, and the new business elite is disproportionately Merina. This is, in part, the reason why the struggle between Presidents Ravalomanana and Rajoelina, both Merina and from the entrepreneurial business sector, has been so widely viewed as a struggle between two houses in which not all ethnic groups participate. There are, decidedly, significantly portions of the Merina population in extreme poverty, but Merina dominate the middle, business and now political classes.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	8589.6	8837.0	9911.8	9975.1
GDP growth	%	-4.1	0.5	1.9	3.1
Inflation (CPI)	%	9.0	9.2	9.5	6.4
Unemployment	%	-	-	-	-

Economic indicators		2009	2010	2011	2012
Foreign direct investment	% of GDP	12.4	9.7	9.2	-
Export growth	%	9.3	-	-	-
Import growth	%	-10.5	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	36.0	36.2	37.4	38.3
External debt	\$ M	2788.1	2699.3	2769.3	-
Total debt service	\$ M	54.7	60.4	42.1	-
Cash surplus or deficit	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	11.5	9.2	10.0	-
Public expnd. on edu.	% of GDP	3.2	-	2.8	-
Public expnd. on health	% of GDP	2.2	2.1	2.6	-
R&D expenditure	% of GDP	0.15	-	-	-
Military expenditure	% of GDP	0.8	0.6	0.7	0.7

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

Malagasy political culture is liberal and some parts of the country have a long history of market integration. The country is, for instance, the world's largest supplier of vanilla, and the vanilla industry of the northeastern coast has remained a significant economic and political force since the colonial period. There are, nonetheless, significant market distortions. The vanilla coast is one of the world's wettest inhabited regions and infrastructure remains a challenge. Vanilla growers remain largely at the mercy of organized vanilla companies and a scandalously ruthless, largely Chinese, middleman market. As a result, growers commonly receive less than 5% of the international market price for their product.

This dichotomy between a market culture and opportunity on the one hand, and significant structural barriers on the other, is characteristic of the ongoing challenge Madagascar has faced in market fundamentals. The World Bank's Doing Business As index ranks Madagascar 142nd, down from 138th only a year ago. It is very close to the sub-Saharan Africa average. This places it amongst countries in significant

Market-based
competition
4

market struggle but not amongst the direst cases. The currency has long operated on a floating exchange with relatively little political chicanery. The informal market is relatively small (estimated at approximately 17% by one scholarly study). There are areas of improvement. It has become easier, since 2005, to trade across borders, pay taxes and register property. International investors have been given significant liberties to invest even while nascent capital markets have helped domestic entrepreneurs to flourish. Madagascar is now ranked 17th in the world in ease of starting a business; the procedures and the cost to start a business have both fallen precipitously.

Nonetheless, structural barriers remain and even have worsened. Insolvency has reached crisis proportions and addressing that problem has become more difficult. The formal sector has improved structurally, but it has actually shrunk. As industries that face a large tax burden have grown, the percentage of small and large businesses that have exited the formal sector for an informal one has increased.

Madagascar has recently become an industrial mining country. Since 2009, the permitting of new mining activities has proliferated, with loose oversight driving new employment where investments from new international partners have little transparency. During the same period, the trade of illegal timber increased dramatically. Finally, the textile industry has been significantly stymied by the political crisis and, in particular, by the loss of American Growth and Opportunity Act (AGOA) trade preferences.

During the 1990s and, particularly, the 2000s, Madagascar saw a large sell-off of state-owned enterprises. The state companies for sugar (SIRAMA), cotton (HASYMA), and air travel (Air Madagascar), were all privatized, with the airport authority (ADEMA), telco (Telma) and others to follow suit. The state water and electricity company (JIRAMA) has been an economic and political bête noire with longstanding challenges in profitability, viability and leadership. It has received significant attention from donors over the years and the government has actively sought to reform it to the point where at least a majority share could be sold.

Within the private sector, antitrust laws are few and have a history of exploitation. Former President Marc Ravalomanana was rarely accused of breaking laws, but he was regularly accused of unfair business practices, using his company, The Tiko Group, to solidify his political position and then award its subsidiaries contracts, preferred tax incentives and other advantages. Today, Tiko is not a monopolistic force, but many of its areas of dominance have been replaced by equally dominant private competitors.

Foreign direct investment (FDI) in Madagascar showed only modest changes in the aggregate in the 1970 – 2001 period. The political crisis of 2002 dropped FDI from 2.5% of GDP in 2001 to 0.23% in 2003. This was followed by a period of

Anti-monopoly
policy

3

Liberalization of
foreign trade

6

unprecedented growth, peaking at 12.55% of GDP in 2009 before dropping back to 9.1% after the political crisis. Exports followed a similar pattern. However, the height of 32.7% growth, in 2007, was followed by a contraction of 3.3% in 2008. This was a year before the crisis, and rising export challenges rather than political instability were likely the cause.

Madagascar has been a member of the World Trade Organization since 17 November 2005. It has a simple average applied most-favored-nation tariff of 11.65 (2011) placing it close to the mean of least developed countries (LDC). While trading partners have diversified over the last decade, European Union states are still the dominant partners (\$580 million in 2011), followed by China (\$57 million), Côte d'Ivoire (\$49 million), India (\$46 million) and the United States (\$45 million).

Since 2008, the country has been viewed as meeting other cardinal requirements, such as the Agreement on the Application of Sanitary and Phytosanitary Measures and the Agreement on Trade Related Investment Measures. It has also been active in joining treaties, including bilateral investment treaties and the Agreement Establishing the African Trade Insurance, aimed at reducing the cost of trade finance in Africa. Madagascar has never been a regular participant in import licensing committee meetings, but for a long time remained in compliance. Today this no longer applies because, since 1992, there have been no restrictions on imports (other than goods prohibited by treaty). Madagascar doesn't have any laws pertaining to countervailing duties, but this is because it does not grant industrial subsidies.

Technical expertise is high in Madagascar across sectors. As a result, awareness or ability to take advantage of trade preferences is not a major constraint. The major constraints are rules of origin, non-tariff measures and supply-side constraints.

Madagascar qualifies for all generalized systems of preferences (GSPs) except for the U.S. African Growth and Opportunity Act, which it lost as a result of the 2009 conflict. The GSPs allow Madagascar non-reciprocal market access preferences, which entitle LDC exporters to pay lower tariffs or to have duty- and quota-free access to third-country markets.

Perhaps the largest trade challenge moving forward is further integration of the extractive industries sector. While only two large industrial mining operations operate at present in Madagascar, mining permits have proliferated and extraction is expected to grow exponentially.

Madagascar has a central bank and six commercial banks. There are three other major financial institutions, the CECAM (mutualist), the SIPEM (non-mutualist), and the Equipbail-Madagascar (leasing) as well as smaller mutualist and non-mutualist organizations. Under law number 95-030 of 22 February 1996, they are governed by the Banking and Financial Supervision Commission.

The establishment of a Banking and Financial Supervision Commission in 1995 was watershed for the sector. It defined banking operations and established a single regulatory authority. Since 1999, according to the IMF, organizations have regularly applied to the regulatory authority for legal status. Despite two significant periods of political crisis, the IMF views the Malagasy banking system as relatively sound. Banks are generally profitable, liquid, adequately capitalized and stable.

The number of borrowers, according to the World Bank, has increased steadily from 6.5 per 1000 people in 2004 to 18 per 1000 people in 2010. Non-guaranteed long-term commercial bank loans from private banks and other private financial institutions have increased from \$665,000 in 2008 to \$879,000 in 2011. Data has been more difficult to procure since 2009, but profit margins have been steady at approximately 12%, return on assets (ROA) has continued at about 60%, and return on equity (ROE) about 4%. Short-term loans account for nearly half of all loans, and deposits account for 82% of total current and savings.

While the banking sector is generally free to support the flow of resources, is profitable, remains free from direct government intervention, enjoys an effective regulatory system, and has successfully allocated credit on market terms to domestic and foreign investors, it is relatively underdeveloped.

New donor activity is likely to have a positive impact. World Bank spending is expected to jump from \$6 million in 2012 to \$167 million in 2013 as it continues to slowly reengage under its 2012 Interim Strategy.

8 | Currency and Price Stability

Exchange rates in Madagascar have been floating since the 1980s. Inflation is persistent but managed. In 1995, significant effort was made to tame a 45% increase in the consumer price index. By 1997 it was down to 4.5%. Since then, it has hovered around 9%, closing at 9.5% for 2012. To ensure success and maintain inflation rates below 10%, the central bank has maintained open-market operations, interest rates and minimum bank reserves.

These efforts have been successful. Broad money has consistently stayed between 23% and 25% of GDP for nearly two decades. The ratio of broad money to total reserves dropped to 1.74 in 2010, indicating a slide on reserves, but by 2011 it began building again, to 1.92. Money and quasi-money has also remained stable, hovering at 24% of GDP since 2004. Private sector credit has remained stable throughout the period, though government credit has nearly doubled, to \$158 million.

The stability of monetary policy has come despite two periods of significant political upheaval and a transitional government in which the executive was not held accountable through an electoral process. In many such instances, in which the future

Anti-inflation /
forex policy

6

of the executive is unclear and autocracy has supplanted the democratic process, leaders have sought to use monetary policy to bolster their political position. This is all the more true in clientelist systems like the one found in Madagascar, where there is significant pressure on the executive to share the spoils of political power. Yet, in the Madagascar case, the executive has shown consistent restraint, the central bank has been able to make decisions relatively free of political interference, and the national statistics office (Institut National de la Statistique, INSTAT) has been free to publish data on a monthly basis.

Madagascar had a World Bank Country Policy and Institutional Assessments (CPIA) debt policy rating of 4.0 in 2011, up from 3.5 in 2006. By comparison, sub-Saharan Africa as a whole averages a 3.3 rating, and Latin America a 3.6 rating.

Macrostability
6

Consistent with this aggregate finding, average interest on new debt has declined from 1.14% in 2007 to 0.75% in 2011. In 2011, according to INSTAT, Madagascar had 1401.12 million special drawing rights (SDR) in external debt, up slightly from 1376.2 million SDR in 2008, but no longer near the 3040.60 million SDR of 2001. There was a significant clearing of debt in 2012, including France's erasure of €375 million.

Since the 2009 political crisis began, the Malagasy government has reacted by implementing austerity measures. Malagasy government accounts have been kept under control. Public expenditures have been adjusted to the amount of revenue available. This has kept debt under control. The official estimate, according to the World Bank's most recent figures, are less than 2% of GDP. As a result, interest rates, inflation and exchange rates have remained steady.

There is nonetheless reason for caution. An increasing percentage of society is living beyond the grasp of the state. This effectively erodes the tax base. Globally, Madagascar stands at 68 in the ranking of 185 economies on the ease of paying taxes, according to the World Bank's 2013 Doing Business As report. Tax rates dropped from 47% in 2008 to 36% in 2011, placing it well below the African average but above the best performers.

With tax revenue at 13% of GDP, Madagascar's challenge is not the lack of a viable legal code or technical capacity but rather the state's ineffectiveness at collecting revenues. Madagascar also suffers from one of the most fiscally centralized economies in the world. This puts significant pressure on value added taxes (VAT) and corporate reporting. In the post-2009 period, revenue collection has fallen significantly, though this is partially attributable to diminished production in key sectors.

9 | Private Property

Madagascar's legal system is based on French civil law. Private property rights are differentiated by property types, with commercial law ascribed largely to the Code of Commerce and Annexed Laws and land rights governed through a mosaic of laws and norms established and altered with varying levels of success throughout the various periods of Malagasy history.

Property rights
5

The Code of Commerce and Annexed Laws is applied with a relative lack of discrimination. Since 1996, this has included a bankruptcy law and, in 2000, a Malagasy Arbitration and Mediation Center (CMM) was created as a private organization to mediate commercial disputes. This has served as an important tool, avoiding the often problematic court system. Madagascar is largely in conformance with international norms on commercial property rights arbitration.

The right to establish a business and earn a profit is well enshrined for both foreign and domestic private entities. Banks and insurance companies respect property rights and lend to both domestic and foreign entities. Capital markets are relatively effective. The legal framework for the protection of commercial property rights is well established, though enforcement has sometimes waned. There is a pervasive problem of transparency in the regulatory system, with complex and inconsistently applied bureaucratic processes. Major brands are generally respected but pirated movies, music, computer software and other common goods proliferate. During the recent political conflict, there were no significant claims of flagrant violation of commercial property rights norms, but there have been accusations of strong-arm tactics for securing new commercial property rights, business positioning on commercial property rights, and ad hoc taxation and fees of properties.

Private lands in Madagascar are inextricably tied to complex and often competing systems of land tenure. Madagascar is one of the world's great environmental treasures, with some 80% of flora and fauna unique to the island. There is low-grade but ongoing tension over what is often perceived as foreign (vazaha) and foreign-Malagasy (vazahagasy) use of environmental concern for property rights attainment.

More than two-thirds of Madagascar's population live on subsistence agriculture. Following the adoption of investment law 2007-036, a 2008 law was enacted to give foreigners, who are barred from owning land, land leases of up to 99 years. Since 2006, the Economic Development Board of Madagascar (EDBM) has been the issuer of authorization documents. The EDBM is intended to bridge public and private interests and facilitate investment. However, land leases have become one of the most politically controversial issues in Madagascar, with challenges creating conflict

around mining interests and large-scale foreign agricultural operations seen as benefiting a small urban elite at the expense of the majority rural poor.

Despite the significant political differences between the various leaders of the Third Republic (1992 – 2010), all of them advocated a free-market system in which both domestic and foreign private companies are viewed as critical engines of economic growth. In recent years, Madagascar has increased by 50 points in the World Bank's Starting a Business indicator, making it one of the highest performers in Africa. The economic freedom score continues to increase, up 1.2 points from 2011 to 62.4 in 2012, making it above the world average and amongst the top six in sub-Saharan Africa.

The greatest threats to private companies come, as indicated by the latest Enterprise Surveys, from the growing informal sector, crime, theft and disorder, and infrastructure. Specific areas of increasing challenge include dealing with construction permits, registering corporate property, collection of taxes, and protecting investors. Madagascar scores particularly poorly in Doing Business As and Enterprise Surveys in resolving insolvency, enforcing contracts and getting credit. It takes an average of 871 days to enforce a contract. The legal framework for private companies remains strong. With the exception of credit, which is a scale issue more than a governance issue, these growing concerns are closely tied to reductions in state capacity to enforce legal claims in core areas since the beginning of the political crisis.

There is continued concern that the public and private sectors in Madagascar are intertwined. The Tiko Group has essentially been dismantled since Ravalomanana's ouster, but the pattern of public-private relations has remained and is apparent in most of the likely 2013 contenders for the presidency.

10 | Welfare Regime

The UNDP gives Madagascar an aggregate Human Development Index score of 0.483, making it 151st out of 185 in the most recent report. It notes a rise in inequality of income of 36.1% over previous years. It marks, in a measurement scale slightly different from the World Bank's, 81% of the population as below the \$1.25 PPP per day poverty line.

Social safety nets in Madagascar have been insufficient and unable to respond to surging poverty and vulnerability. There is a relative dearth of public resources dedicated to the most vulnerable in the population, and funding that does exist is poorly mobilized. Even though successive constitutions address the need for equality and development, there are few laws pertaining to poverty provisions and few systems for social safety nets. With the exception of limited efforts such as highly

Private enterprise

6

Social safety nets

3

labor-intensive public works projects, social safety nets, where they have existed, have largely been the product of donor interventions.

The Malagasy government undertook austerity measures starting with the 2010 budget law. The central budget was trimmed by 15%. Spending on health care dropped 34% in real terms under the law and 23% overall during the period. The total share of the national budget spent on health care dropped to 7%. Such changes did not happen in a vacuum. At the same time access to health plummeted, price stabilization of rice, sugar, salt, cooking oil and other necessities failed.

As a result of the political crisis, most donors froze aid or even suspended missions. Official development assistance and aid dropped significantly in 2009, from \$819.14 million to \$441.19 million.

UNICEF estimates that poverty increased sharply, from 68.7% of the overall population before the 2009 crisis to 76.5% in 2010, and from 73.5% to 82.2% in rural areas. The increase in donor spending on social sectors in the 2009 – 2012 period should be read as an effort to head off human catastrophe in the absence of adequate safety nets. Donor spending on education and health care, for instance, grew from \$179.8 million in 2008 to \$255.8 million in 2010. The 2010 Permanent Household Survey (Enquête permanente auprès des ménages, EPM), Madagascar's national demographic survey, demonstrates high correlations between levels of poverty and incidences of illness, particularly in children under 5 years old. For a highly skilled worker earning an average of 1.58 million ariary (\$763.60) per annum it takes an average of eight work days to pay for the average medical visit and 23 days to pay for the accompanying drugs. This leaves medical care for the nearly half the population in extreme poverty, earning less than \$1 per day, well beyond reach.

Racial, ethnic and gender equity has long been enshrined in the Malagasy constitution.

In practice, equality is more problematic. Madagascar scores a 3.5 (out of 6) on the CPIA gender equality rating. From 1990 to 2010, women never comprised more than 8% of the legislature (though that has increased to 17.5% in the 2012 non-democratic legislature). Women make up 37% of the non-agricultural labor force. World Bank figures show a rural-urban divide in educational access, but the difference between the sexes for ages 7 to 14 is negligible. There is nonetheless a clear correlation between fertility and women's access to education. In some areas, such as the extreme south, female literacy is exceptionally low. The more significant problem is that discrimination still exists in relation to inheriting land and property. In some regions, depending on local ethnic and kinship norms, women have difficulties acquiring land. Early marriage is common, particularly in rural areas, and violence against women is widespread amongst some ethno-cultural groups.

Equal opportunity
4

No ethnicity is systematically excluded from educational access, employment, legal rights or political participation. There are also no mechanisms for consociational rights. Longstanding historic trends provide for greater educational, employment and market access in different parts of the country. Since identity groups are largely divided on geographic lines, there is a de facto differentiation along ethnic lines. In the capital, the Merina-côtier divide runs deep in politics, society, and employment. While racism is legally barred, in practice some groups are often viewed as being intellectually inferior. This applies to employment but even more acutely in social circles related to marriage and ancestral ceremonies.

11 | Economic Performance

The global economic downturn and the political crisis have combined to take a dramatic toll on the Malagasy economy. GDP contracted by 4.6% in 2009. It rebounded to 1.6% growth in 2010 and 0.99% growth in 2011, an insignificant figure to mark a turnaround. Exports have shown marked decline and cardinal sectors, including tourism and construction, suffered from low public investment until recently. Between 2011 and 2012, there have been modest signs of improvement, including a 13.7% increase in tourism.

The marginal change in GDP masks more significant challenges. Inflation has remained constant, between 8% and 10% throughout the crisis, but exports dropped by more than 50% between 2008 and 2011. The formal employment sector in textiles dropped 25% in 2009, with tens of thousands of workers losing their jobs and estimates of over a million people impacted by the loss of employment by someone in their family. Similarly, agro-industry has been highly volatile, surging 34% in 2010, only to drop 18.4% in 2011. The mining sector grew by 54% in 2010, and continued to grow by 49% from the first to last trimester of 2011. While exports dropped by 8.4% in 2011 – 2012, mining exports grew by 19.1%. The impact on labor markets, however, were disproportionately low as labor demand in industrial mining is significantly lower than artisanal mining and the largest mining employer, Rio Tinto-QMM, both imported a majority of workers from other countries and saw a boom and bust employment cycle in the southern Anosy region. Unemployment claims grew 4.6% from 2011 to 2012, with women impacted disproportionately.

Much to the surprise of the international community, the government of Rajoelina and his prime ministers has done a good job of creating balanced fiscal policy. After four years of political crisis, the fiscal situation has remained under control. From 2011 to 2012, receipts and expenditures both dropped marginally in equal turn.

In 2012, the agricultural labor sector continued to employ some 80% of the country's labor force while it only accounted for about a quarter of its GDP. The main crops

Output strength

4

are coffee, vanilla, sugarcane, cloves, cocoa, rice, cassava, beans, bananas and peanuts.

According to a recent study by the Central Bank of Madagascar (Banque centrale de Madagascar, BCM), FDI inflows increased significantly, to over 10% in 2011 from less than 2% in 2007. This is largely due to ilmenite mining in Taolagnaro (in the extreme south) and cobalt and nickel mining in Ambatovy (eastern coast). Nonetheless, FDI has fallen precipitously in recent years. Between 2007 and 2010, the growth in value of FDI stock has continued to fall, from growth of 112% in 2007 to 22% in 2010.

Production has also continued to wane during the period of conflict, dropping 23.9% from 2008 to 2011. Production volume followed the same trend, dropping 33% in the same period.

Madagascar produces more than half of the world's supply of vanilla, exporting between 800 and 1,200 tons per year. Producers at all points of the value chain are therefore highly vulnerable to shifts in global market prices. In 2003, vanilla sold for \$500 per kg. This dropped to \$25 per kg in 2009 before rebounding to about \$40 per kg in 2012. The extreme variation is owed to shifting climate patterns, liberalization of the industry by government under significant pressure from donors, and the discontinuance of a quota system.

The services sector accounted for 55% of GDP in 2011, down from 60% in 2009. While tourism and financial services saw declines in the post-conflict period, services have shown a marked turnaround in 2011 – 2012. Tourism, particularly ecotourism, plays an important role in the service economy. A reduction of conflict has already shown positive impacts, but stabilization with a post-election government in 2013 is likely to have a sizable positive impact.

12 | Sustainability

Madagascar is one of the world's most distinct and important environmental hotspots, with more than 80% of flora and fauna unique to the island. It is home to as many as 12,000 of the world's plant species. The French colonial government recognized this through the establishment of protected areas nearly a century ago. The government of Madagascar embarked on significant environmental policy reform in the 1980s, which would lead to the creation of a National Office for the Environment, a national park service, a three phase environmental plan and an effort to align efforts with international norms including International Union for Conservation of Nature (IUCN) categorization of parks and protected areas.

The success of environmental efforts has been mixed. Significant infrastructure has been created and environmental laws are far-reaching. Marc Ravalomanana

announced at the 2003 World Parks Congress in Durban, South Africa, that Madagascar would triple its parks and protected areas to 10% of the territory. While that figure has not been met, there have been significant augmentations including the creation of the 373,000 ha Makira National Park in 2005 (elevated to permanent status in 2009).

There have been significant setbacks. First, historically the greatest environment threats have come from the swidden or slash and burn agriculture of subsistence farmers. Second, the increase of areas under protection has come at the expense of local communities, giving rise to community views that the state is using environmental efforts oppressively. Third, there is a growing scholarly body of work arguing that it isn't actually the state of Madagascar that has led the way, but rather that ecopower has largely put environmental management in the hands of international donors and international non-government organizations. Fourth, laws allowing for land leasing have led to the commodification of land, with limited environmental consideration. Fifth, the rise of natural resource extraction in Madagascar has posed a significant threat to environmental gains. Mining area permits and protected areas started seeing significant overlap in 2005, particularly in the System of Protected Areas of Madagascar (Système d'Aires Protégées de Madagascar, SAPM), a 2006 designation which integrates private and external management of protected areas such as Makira, Mikea and Ranomfana-Andringitra.

Since 2009, environmental governance appears to have lost significant ground. There has been effort at the edges, including an active Madagascar Biodiversity Fund, intellectual support from donors, particularly the UNDP, and more active and energized civil society organizations. The ministry created its own New Protected Areas Management Plan and has maintained an active work plan. Territorial mapping has continued and the data capacity is meaningful.

Looking towards the 2013 elections, development remains the top concern raised by potential candidates, but talk of sustainability is scant. A return to an environmental ethos is unlikely to take place before a new administration is in place, and even then it is likely to happen only with international pressure, funding and leadership.

The Ministry of Education estimates that 33% of all Malagasy children have limited access to formal primary education. Education is divided into primary (ages 6 – 11) and secondary (ages 12 – 18). Vocational secondary schools also exist.

There are three official executive policy interlocutors in Madagascar's education sector: the president of the republic, the mayors of the communes, and the presidents of fokontany (most local level of governance). The administration of education runs vertically in parallel with governing bodies across eight levels, from the Ministry of Higher Education and Scientific Research, through regional directors of national education (Directeurs Régionaux de l'Éducation Nationale, DREN), local CISCOS,

and down to the schools. The private sector plays an important role, with faith-based and independent schools subject to national instructional and examination guidelines. The majority of teachers used to be civil servants. Today the majority are Fikambanan'ny Ray Amandrenin'ny Mpianatra (FRAM) teachers, who are hired and funded by parent associations. In sum, the system is well organized and pervasive, but the challenges of ensuring funding, training, oversight and payment through the official system have become acute.

In 2007, Madagascar launched a major new education plan. It was just barely getting off the ground in 2009 at the time of the overthrow. Since then, funding for education has been reduced or delayed (up to eight months' delay in teacher payment), and funding has become more disparate (the number of FRAM hires has dramatically increased). As a result, there is great confusion in the sector, and there are reports of a significant increase in private non-regulated educational delivery. The 2007 plan has been neither fully implemented nor replaced.

In 2011, according to government figures, less than 3% of GDP was spent on education. This equates to less than \$7 per capita. Compared to an index of like countries (Burkina Faso, Mozambique and Rwanda), this is 40% less of the total state budget spent on education. The sub-Saharan African average spending on education is 5.1% of GDP.

There is growing concern that public spending is not just low but geographically uneven. There are (speculative) accusations that funding has served clientelist needs rather than educational ones. This has continued since re-division of the country into regions in 2004.

Transformation Management

I. Level of Difficulty

There are structural factors that constrain political leadership. Poverty is endemic and impacts the majority of the population. Less than 15% of the labor force has a secondary education (and only 3.4% have a tertiary education). The geographic location of the country makes trade expensive. Parts of the country are plagued by near-annual cyclones. And there is a significant urban-rural divide, with less than one-third of the population in cities. Infrastructure remains a challenge. Yet the cardinal constraint in the quality of governance has continued to be the reliance on political networks to maintain power and the prioritization of those networks over the national good.

Structural
constraints

8

Since 2009, responsible governance has significantly declined. Transportation and communications infrastructure, education, rural development, health, family planning and combating HIV/AIDS, economic growth stimulation, environmental protection plans, and boosting national solidarity have largely fallen by the wayside. While donors share some responsibility for sectoral declines when abandoning sectors of high investment, the government has done little to stave off state declines. Some analysts have begun calling Madagascar a “fragile state.” This is probably technically inaccurate, but the state has slowly but continuously lost capacity across a majority of sectors. Regular assessments have become nearly extinct, and regulatory policies have continually weakened, particularly in moneyed sectors such as mining. The government has limited capacity to set strategic priorities that plan months ahead, let alone years.

To its credit, the government has pursued prudent fiscal and monetary policies aimed at mitigating the economic fallout of the political crisis and the global downturn.

Civil society, considered as intermediate organizations between society and the state, is weak in Madagascar. A robust civil society requires vertical communication up and down the channels of power and independent institutions capable of aggregating interests to challenge the state. Church groups have, at various points in Malagasy history, played an important role in brokering political outcomes, but their aggregation of interests has often been challenged. There are examples of civil society at work, but they remain limited. In most cases, civil society organizations

Civil society
traditions

7

suffer from a rupture in communication between the grassroots and the national leadership, with the latter acting as embedded political actors more than community interlocutors.

Associational life in Madagascar is, nonetheless, relatively active. Various surveys have put adult participation in associations between 40% and 60% of the population, with many belonging to more than one association. These associations tend to be either for labor (such as agricultural associations) or faith (churches or church activities). Perhaps surprisingly, collective action in Madagascar tends to be more prevalent than participation in associations. By some accounts, more than 60% of the population have been involved in at least one collective action. This implies strong horizontal engagement but weak vertical engagement.

Social capital – the features of social organization such as networks, norms and social trust – follows this pattern of weakness. Afrobarometer surveys demonstrate a startling level of distrust by the population of virtually every public office.

Madagascar's political space is commonly defined by the relationship with the Merina of the central highlands and the c tier, nominally the other 17 ethnic groups. Merina ethnicity is based on the Merina monarchy of the 18th and 19th centuries, but ethnicity is generally a fluid identity marker in Madagascar. Some scholars have referred to a more prevalent pseudo-ethnic divide dating back to the 1947 anticolonial conflict, which cost an estimated 100,000 lives.

Though ethnicity itself might not be so clear an indicator as some might think, Madagascar's history can be told through its social movements. The social forces that led to the resignation of Philibert Tsiranana, leader of the First Republic, roused popular sentiment that 1972 marked the country's true independence after 12 years of leadership that was too close to the former colonial power. Smaller social movements persisted through the 1970s and 1980s, including a large conflict in the capital in 1984 between youth groups that supported different political leaders. A significant social movement, stemming from a civil servants' strike, shut down the government for nine months in 1991, bringing an end to the Second Republic. When the opaque, government-controlled vote count of the 2001 – 2002 elections did not produce a clear victory for Marc Ravalomanana, an estimated 100,000 people filled the streets of the capital, spreading throughout provincial capitals, and, ultimately, nearly balkanizing the country before Ratsiraka was forced to flee. The social movement of 2009 was less encompassing of broad swaths of society, and followed the convictions of higher social echelons, but nonetheless reflected a tendency to see institutions as a poor way to create change, and street protest as a populist activity.

The common thread in these social movements is that, since 1947, they have been largely urban and political. Ethnic and other identity groups have come together to push for particular political leaders or causes, and allegiances have not been

Conflict intensity
6

consistent. The 2009 conflict, not the largest but perhaps the most dangerous in post-independence history, was one in which each side largely supported one of two leaders, Ravalomanana and Rajoelina, who are both Merina. It was seen in the capital as a struggle over the private sector, land rights, poverty, development, political process and the direction of the country. The pressing question at the time was whether this would become a rural question. If it did, the fear went, 1947 might be repeated with tens of thousands of lives lost and decades of recovery required. It remained an urban conflict, thus avoiding such a broad catastrophe, but it marginalized the rural poor further while creating a profound national despair.

II. Management Performance

14 | Steering Capability

The president of Madagascar is afforded sweeping powers in comparison to other semi-presidential systems. The constitution of the Fourth Republic (2010) did little to mitigate executive strength, but it did obfuscate certain powers or leave them to the policy realm, where the president maintains de facto control. In some cases, a strong presidency holds the advantage of forming a developmental state with long-term planning left free from the fetters of political competition. In Madagascar, presidential power is embedded in socio-political networks that are subject to electoral vicissitudes.

The 2009 overthrow of Ravalomanana came at a time when reforms were not yet solidified (and in part because reforms were not yet solidified to the advantage of certain segments of the elite). There have been important institutional advances during the Rajoelina period (2009 to the present). The electoral code was addressed through four critical laws, Nos. 2012-004, 2012-005, 2012-015 and 2012-016, which gave a clear mandate to an independent electoral commission and established the electoral processes for the presidency and legislature of the Fourth Republic. Much-needed reform of the party politics law (2009-002) did not happen, but a series of executive orders have addressed key issues for parties and sectors of concern.

These Rajoelina-era reforms, however, do not yet appear to have translated into meaningful action. Strategic plans are written to international standards with three- to five-year windows, but they are living documents that frequently change. In practice, planning appears to look at short if not micro-windows with revolving ministers hoping to make personal gains before being pushed out of office. There are articulated policy priorities (predominantly focused on using the country's vast resources to benefit the population as a whole), translated into different sectoral

Question
Score

Prioritization
3

strategies. In practice, these articulated policies see little prioritization. The government appears to be waiting as much as the population as a whole for elections and a resolute end to the political crisis to make any meaningful decisions.

The priorities of the Malagasy government are those articulated by Andry Rajoelina. He has stated that his primary duties have been to safeguard national sovereignty and guarantee freedom. The nebulous character of these priorities is apparent in the vagaries of the strategic priorities. The key strategic priorities and policy planning documents of the Ravalomanana administration, including the Madagascar Action Plan, the diverse sector strategic plans, and the reforms of key ministries themselves, all ended with the ouster of Marc Ravalomanana in 2009. Few policy priorities have been identified since and most sectoral plans have neither been implemented nor discarded. A state of confusion has endured. Restoration of the ability of government to implement its policies will like follow both the election of a new president and legislature and a period of institutional reconstruction and donor reengagement.

Implementation
3

The government demonstrated willingness in policy learning during the continuing political crisis, but not in favor of democracy. The Rajoelina administration came to loggerheads with the international community early in the peace negotiations, effectively exiting the process in December 2009. Agreements through the 2009 – 2011 period were rendered meaningless before the ink dried. For its part, the international community and its rotating leadership from the United Nations, African Union and SADC were slow in recognizing that its plan had little to offer Rajoelina and, indeed, Rajoelina couldn't effectively implement it without risking domestic strife as he would have severed his powerbase.

Policy learning
4

Ultimately the SADC-led mediation team wrote a roadmap that effectively accepted the Rajoelina government as the transitional government with only superficial cabinet changes. This was a square victory for Rajoelina and marked a clear capacity of the government to learn from its strategic mistakes in the negotiation process. December 2012 – January 2013 did bring a glimmer of hope for the restoration of democracy as Ravalomanana and Rajoelina both committed to remove themselves from contention for the Malagasy presidency in the 2013 elections. This also appears to have cleared the way for legislative and presidential elections after years of a sliding timetable.

With all of the aberrant political behavior since 2009, markets have endured and even grown. With the economic crisis coinciding with the 1991 – 1992 political crisis, the transitional government sought unscrupulous international parallel financing at great expense to the country. In the aftermath of the 2009 crisis, the government diversified its market partners, particularly with an eye towards China, but it limited borrowing. The World Bank's operational code on dealing with a de facto government limited the ability of the government to engage in official conversations, and the IMF

continued to postpone meaningful dialogue, but responsible fiscal and monetary policy decisions were made and quietly praised by the international community.

15 | Resource Efficiency

Since 2009, fledgling gains in government efficiency have largely given way to predatory politics and rent-seeking opportunities. There have been reductions in key areas of social spending, including health and education. The geographic distribution of funds to regions has become increasingly suspect. Whereas transparency was high (even if accountability was low) during the previous administration, budget planning and implementation have since become opaque. Fiscal decentralization has long been a highly political and poorly executed process, but the lack of transparency in the post-2009 period has created both new disparities and heightened levels of alarm. The tax reforms of 2008 have been all but abrogated. The tax administration is understaffed and audits are few and far between.

Efficient use of
assets

4

While the politicization of public administration is a significant reason for concern, there are areas of success. National debt has largely been kept in check, with domestic and international borrowing kept to a minimum. Austerity has taken its toll, particularly on the poorest segments of society, but the state budget has been balanced to a point that most of Europe can envy. General final government expenditure decreased as a percentage of GDP, from 11.6% before the crisis to 9.96% in 2011. Perhaps counterintuitive to a regime that took power through military actions, military expenditure has also decreased as a percentage of GDP, from an already low 1.10% in 2008 to 0.72% in 2011. At 0.35%, public and publicly guaranteed debt service in 2011 was comparable to pre-crisis levels. All of these findings compare favorably with sub-Saharan Africa as a whole. As a result of these prudent government actions, the World Bank has maintained Madagascar's CPIA debt policy rating of 4 since 2007. CPIA scores for economic management, efficiency of revenue mobilization, fiscal policy, and public resource use have all remained relatively consistent. By contrast, the quality of public administration and public sector management and institutions have shown declines, largely owing to the application of funds and loss of transparency. Even in these categories, Madagascar scores comparably to sub-Saharan Africa as a whole and slightly better than countries in the region with lower income.

Madagascar continues to lack a coherent institutional structure for managing government programs and policies, and the institutions that do exist are largely incapable of carrying out their mandates. Even where data collection and technical capacity are high, objectives are poorly coordinated and scarcely met. For instance, the environment sector, a significant focus given the unusual wealth of flora and fauna, has significant capacity to conceptualize space and map territories. The technical capacity is in place to monitor not just challenges of scale such as

Policy
coordination

4

deforestation but micro-level challenges such as counting illicitly felled rosewood trees. Databases link geographic information system (GIS) data to resource markets through the value chain. However, responsibility for the environment sector is fragmented amongst ministries, all of which suffer from inadequate funding, insufficient staffing across levels, lack of information flows, and a history of agricultural needs and policies that have undermined environmental policy goals. There is often a significant divide between the ministerial level and the level of secretary-general, where the former is a political appointee seeking personal gain and suffering from limited knowledge, and the latter is well-placed and knowledgeable but lacks the authority or power to achieve desirable ends. Policy coordination is difficult in an environment where individuals with their own political networks compete for power and influence.

Madagascar has long struggled to contain corruption. The country made some progress, but since 2009 the crisis has taken its toll.

The gains in the fight against corruption are largely felt as a result of Ravalomanana's effort to create the Integrity Safeguard Committee (Comité de sauvegarde de l'intégrité, CSI) and the Independent Anti-Corruption Bureau (Bureau indépendant de lutte anti-corruption, BIANCO). Leadership of these institutions was, in the main, significant, with high-caliber public servants in key decision-making positions.

BIANCO showed increasing successes in urban areas, notably the capital, as long as it applied its efforts below the director level. As this "independent" bureau was formed in the president's office, it couldn't maintain accountability at the ministerial level or above. Today, both still exist but suffer from significantly reduced resources, in part because they have lost donor funding. With the change in government, however, BIANCO's leadership notably retained its integrity. BIANCO appears to have taken some successful steps at curtailing potential actionable behavior within its own investigative ranks.

In other sectors, such as mining, there really are no significant anticorruption mechanisms. The Extractive Industries Transparency Initiative (EITI) process has been a fiasco. Madagascar was almost the first country to fail to be EITI-certified after entering the process. Instead, the EITI secretariat gave Madagascar the opportunity to reform its practices. In 2012, Madagascar once again failed to meet that mandate and EITI maintained its suspension.

16 | Consensus-Building

In the main, there is a broad consensus on democracy and market economics within the political elite. No one is openly challenging the path of limited democracy and no one is challenging the role of the market economy. There is no strong "socialist"

Anti-corruption
policy

3

Consensus on goals

6

movement and no strong religious movement. As the political crisis has worn on, there has been discussion of a “third way,” nominally a military overthrow in the name of political stability. However, the military has had ample opportunity to take control and has chosen to retain its commitment to civilian government. There have been two nominal coup attempts against Rajoelina since 2009, but they have been poorly funded, poorly executed affairs representing an insignificant portion of the military. Would-be coup leaders scarcely made it out of the barracks.

Where there does appear to be an increasing challenge to the democratic process is not in the political elite but amongst the citizenry. Public polling data shows a consistent linking between the outcomes of democracy – a need to produce economic development – and the adoption of norms. With poverty rising and the social safety net eroding, there is evidence to point towards an increasing level of public frustration. Support for authoritarianism and military rule remains very low, but democracy still is not seen as a necessary end in urban areas.

In many countries, there are clear reforms challenged by potential state breakers. This is not the case in Madagascar. Instead, all political leaders since 1992 have been reformers advocating democracy defined by regularized elections, expansive personal freedoms and market-oriented economic proclivities. At the same time, political leaders have served as embedded network agents, benefiting personally from public reforms. Media has been allowed to flourish but political elites have largely controlled the media and used private competition as a proxy for limitation on public voice. Every president in the history of independent Madagascar (save the interim presidency of Norbert Ratsirahonana after the fall of Albert Zafy in 1996) has changed the constitution to suit his needs. Every president has acted unilaterally on cardinal issues such as the guidelines for contractual relationships; the nature and process of decentralization and whether the nation should further centralize into a fully unitary state; how the territory is divided into provinces, regions, communes and fokontany; and even the power of leaders across different levels and the process of taking their positions in the first place. In this sense, democracy has remained the only game in town, but reformers have continually changed the rules to their own benefit.

Since 2009, the space for reform has shrunk substantially as the Rajoelina government has focused largely on its own survival. At no point has the government stopped its cries for elections, but the timing of elections has remained a political sticking point and they have not been executed. At the end of 2012, there were some stirrings of hope as parties began organizing once again, a U.N.-World Bank-supported effort to complete an electoral census was completed, and elections appeared finally to be in the offing for 2013.

Anti-democratic
actors
4

Political parties in Madagascar tend to represent individual leaders rather than interest groups. They reflect significant regional divides and allegiances with particularly notable distinctions between the capital region, Antananarivo; the east coast surrounds of Tamatave; and the southern regions of the former Tulear province. Yet the Rajoelina government, for all of its divisiveness, did manage to consistently bridge those divides. In this sense, social, regional and political cleavages in the country are significant but not always recognizable. The current conflict is occurring on political network lines that involve ethnogeographic distinctions, but intra-Merina conflicts reflect caste and family differences. More germane is the role of the private sector in these cleavages. Current and former leadership has done little to address these cleavages. If anything, it has acted to exacerbate them and even create false distinctions in order to rally support for political gains. Looking towards new elections, another Merina president could likely be destabilizing – less because of ethnic divides than because of the popular sentiment wishing a pox on both the houses of Rajoelina and Ravalomanana for dragging the country to such depths. There is no formal mechanism for ethnogeographic cohabitation, but there is a distinct possibility, if not a likelihood, that it will demarcate a post-election political map.

Cleavage /
conflict
management
4

Civil society in Madagascar is historically weak and has remained, to a large extent, absent from the political process. What little role it does have has largely been captured by civil society leaders who themselves are embedded in the political process. Trade unions, students and other such actors are largely irrelevant. In the past, churches have played a significant brokering role but not much less so since 2009. Studies conducted independently by the World Bank and the UNDP both conclude that there have been significant weaknesses in the two umbrella organizations of civil society, the National Platform of Civil Society Organizations in Madagascar (Plate-Forme Nationale des Organisations de la Société Civile de Madagascar, PFNOSCM) and the National Consortium for Citizen Participation (Consortium Nationale pour la Participation Citoyenne, CNPC).

Civil society
participation
4

The potential for civil society action to help resolve the current political crisis was stymied early on by an international mediation approach that focused on the four living heads of state – Albert Zafy, Didier Ratsiraka, Marc Ravalomanana and Andry Rajoelina – at the expense of all other political, social and civil society actors in Malagasy political space. Yet, despite the weakness of the sector and the lack of space, key civil society actors were surprisingly successful in starting what became known as a Malgacho-Malgache process. It does not appear that civil society acted as largely representative of society, but ultimately it did provide the voice of reason and helped bring a shift in the SADC approach to international mediation and ultimately the road map that was adopted to lead the country out of the crisis.

Most conversations of reconciliation start with 1947 – the year in which an estimated 100,000 people, mostly Bestimisirika (East Coast), were killed. The memory of this period continues to permeate Malagasy society and politics. It can be argued that this

Reconciliation
4

fear of high conflict has helped contain the urban and relatively low-grade violence Madagascar has seen even in the face of significant social upheaval.

December 2001 saw Ratsiraka subvert the institutional process leading to elections (such as stacking the High Constitutional Court and changing the Electoral Code in his favor), and a January – June 2002 social movement that brought Ravalomanana to power. For his part, Ravalomanana was right to challenge the opaque vote count, but his declaration of presidential victory in February 2012 was clearly extra-constitutional and deeply polarizing. The 2005 – 2007 period saw a pattern of elections that were openly challenged by an electorate who, polls suggest, gave them limited legitimacy. There has been talk of reconciliation since 2004, but that movement itself became a political process (largely associated with Albert Zafy's movement), and neither it nor a post-2009 reconciliation process looks likely.

17 | International Cooperation

Madagascar has enjoyed significant international support since the beginning of the Third Republic in 1992, but Ravalomanana came into power in 2002 heralded by the U.S., the World Bank and others as a new democratic actor worth emulating. His administration consistently used the support of international partners to look towards long-term development strategies. One of the key development challenges for the government was to improve the efficiency and transparency of government and public services. From 2004 to 2009, the World Bank supported the government and civil society to tackle these challenges through the Governance and Institutional Development and Social Accountability Technical Assistance Programs. They contributed to analytical work composed of a front review of the Bank's nearly \$1 billion portfolio to identify the most important entry points for mainstreaming demand-side as well as supply-side accountability in governance of sectors as diverse as mining, water, electricity and the environment.

The European Union, with its \$267 million portfolio, contributed to sustainable development programming, integration of the economy with global economic forces, and poverty reduction strategies. France has remained Madagascar's single largest bilateral partner, but during the Ravalomanana years the United States, Germany and Korea all saw growing roles. At their zenith, multilateral and bilateral donations accounted for nearly 70% of government receipts.

In the past three years, Madagascar has successfully eschewed the specter of seeking parallel financing to make up for losses in donor support. Instead, it has managed to make up for some of the shortfalls of international funds through new private sector contracts with foreign interests, particularly China.

International interest in oil also portends significant investment in the coming years. Total is the majority holder of a controversial tar sands project in Tsimiroro and

Effective use of
support
4

Bemolanga, which have been shown to have multibillion-barrel resource volumes in place.

There is little trust in the current government from anywhere in the international community. Donors, where they have continued to fund, interact largely at local levels to avoid direct state involvement. Only France maintained direct communication with the Rajoelina government. High private sector interest in mining and oil sectors has not been an indicator of trust. Indeed, both of the two large operating mining consortiums, led by Sherritt and Rio Tinto/QMM, have complained publicly about strong-arm tactics by government officials. Madagascar Oil interests and the Total Tar Sands deal nearly fell through due to erosions of trust that government contracts were viable and that the political crisis would avoid a significant turn for the worse. The AU and SADC both suspended Madagascar's membership until elections are held.

Credibility
3

In 2012 successes of the road map led to a change in tone by key donors. The World Bank released an interim strategy that served as harbinger of reengagement in 2013. The UNDP, the European Union and the United States Agency for International Development (USAID) have all begun bidding processes for new projects, even if they have yet to approve, at time of writing, any related spending. This shouldn't be taken as a sign of credibility of the current government, but rather that there is newfound hope that a new, more credible government is in the offing for 2013.

In the 2002 – 2009 period, Madagascar saw significant growth of good will, with new entry into SADC and an augmenting presence in the African Union. Private businesses increased their interactions across borders, particularly with Mauritius and Botswana. Madagascar clearly saw these countries as economic models for future positioning.

Regional
cooperation
5

In the aftermath of the unconstitutional change of government, relationships between the new government and regional and international organizations collapsed. The AU formed an international contact group to coordinate international community action to ensure a return to constitutionality as quickly as possible, and the SADC appointed former Mozambican President Joaquim Chissano as a mediator in the effort to find a consensual, negotiated end to the crisis. However, the endurance of the crisis and the need for Extraordinary Sessions of the African Union rapidly put Madagascar on the receiving end of significant regional criticism. By 2011, comparisons were being made to Zimbabwe. U.N., AU and SADC interlocutors appeared to have lost hope in Rajoelina as a partner in negotiations. The SADC road map signed on 17 September 2011 was a flawed document that left key questions, particularly amnesty for Marc Ravalomanana, unanswered. It was, nonetheless, a turn in the negotiations as the international community reengaged Rajoelina, largely as a practical matter, on his own terms.

Strategic Outlook

Madagascar has been in political crisis since the overthrow of President Marc Ravalomanana and the subsequent installation of Andry Rajoelina as President of the High Authority of the Transition (HAT) on 21 March 2009.

The international community was involved in crisis mediation from the beginning, with various efforts by the African Union (AU), Southern African Development Community (SADC), the United Nations (U.N.) and the Organisation Internationale de la Francophonie (OIF). The original approach was to focus on the four living heads of state, but power-sharing deals reached in Moputo and, later, in Addis Abbaba, failed. A turning point came on 11 March 2011 as the SADC mediator supported a road map which focused on Ravalomanana, Rajoelina, a large number of smaller political parties, and a group of civil society leaders. This road map was signed on 16 September 2011.

The months that followed the road map demonstrated that trust between interlocutors had been significantly eroded and that many issues remained. Four years in, it is clear that the leadership crisis is a symptom of a greater challenge. Weak institutions have failed to contain political networks and resultant rent-seeking behaviors. Individuals in power have consistently benefited individually whether or not the office of the presidency had been legitimated through an electoral process. The public and private sectors, and its leaders, have woven together in unusually intricate and personalized ways.

Looking forward, presidential and legislative elections scheduled for 2013 will be a critical first step to exiting the crisis and normalizing the political process. They should not, however, be expected to resolve the profound weakness of institutions and, particularly, the deeply eroded capacity of the state to govern, enforce and regulate through critical sectors. The presidency will remain near-imperial for the foreseeable future, with the legislature and the judiciary struggling for the legal position, let alone capacity, to challenge executive overreach.

Domestically, a relatively weak but organized civil society in the capital and a cadre of individuals with high technical capacity offer some hope for the development of watchdogs and pressure for change. The November 2010 constitution is sufficiently flawed that revision will be required. Despite an unusual clause against revision, a new government is likely to embark on a revision in the medium term. The political parties law (2011-12) is deeply flawed, undermining competition from the significant number of secondary parties, but support for reform is high and success could create rapid change in the potential to recruit new leadership.

As of early 2013, the international community remains split on how to proceed. The World Bank's 2012 Interim Strategy focuses on mechanisms for reengagement in governance and public sector capacity, resilience and vulnerability, and employment and competitiveness. External actors, particularly the United States, have continued to focus on the need to obtain legitimacy. This

implies that new elections in 2013 are likely to trigger greater unity from an international community eager to return to Madagascar to invest in the development agenda.

Donors will be at a comparative disadvantage with a new Malagasy government. The international community lost significant domestic credibility when most donors froze new spending in 2009. At the same time, it lost its foothold in a struggling economy while the government has fared comparatively well in the management of fiscal policy despite political illegitimacy, strong-arm leadership tactics and declining state capacity. New international partnerships have blossomed in recent years, particularly with private Chinese interests. Most importantly, Madagascar is now entering an era of significant natural resource extraction, which will generate high income and growth potential but substantial risk for individual profiteering within predatory political networks.