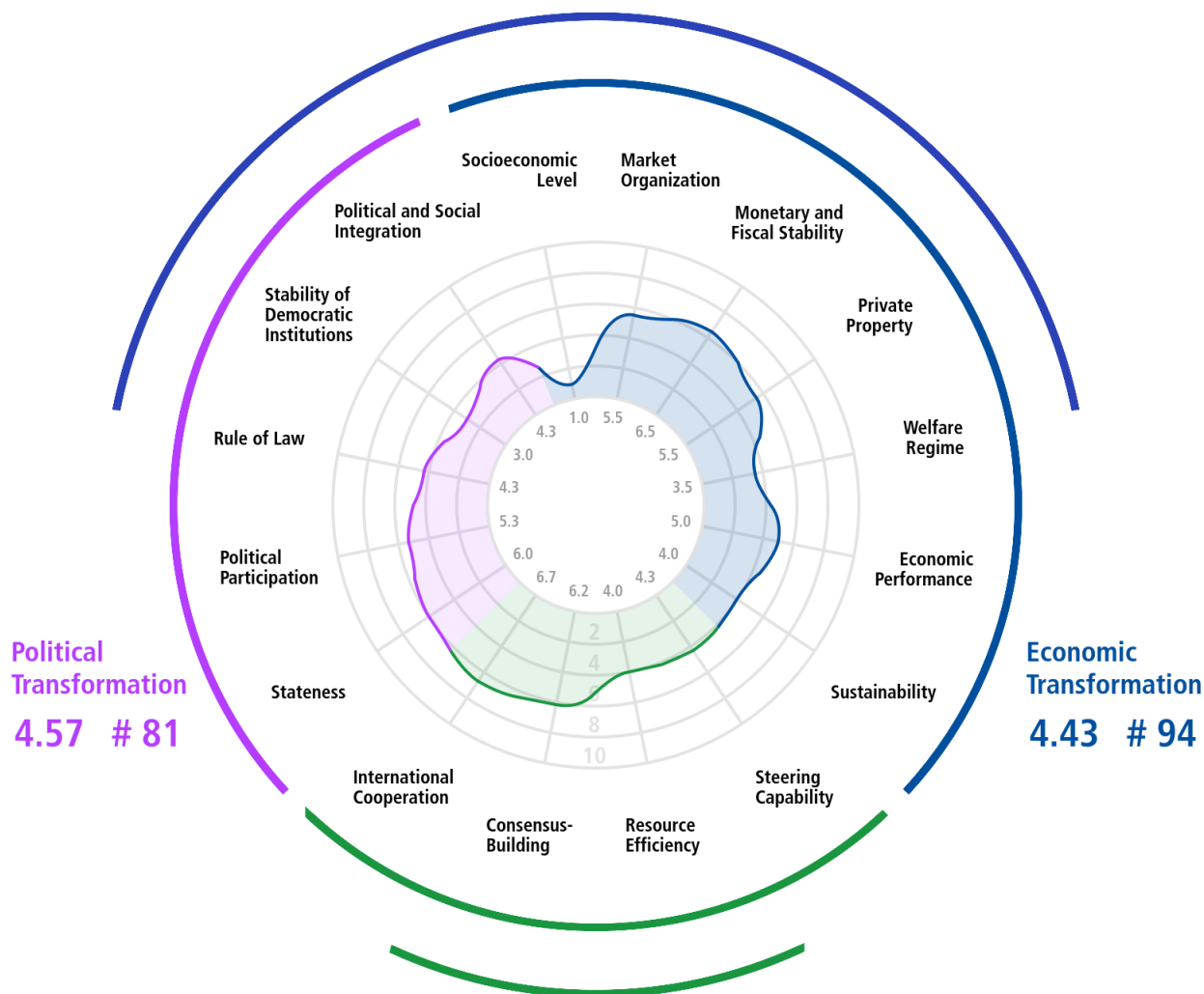


Madagascar

Status Index

4.50 # 92

on 1-10 scale out of 137



Governance Index

4.94 # 62

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2022**. It covers the period from February 1, 2019 to January 31, 2021. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	27.7	HDI	0.528	GDP p.c., PPP \$	1593
Pop. growth ¹	% p.a.	2.6	HDI rank of 189	164	Gini Index	42.6
Life expectancy	years	67.0	UN Education Index	0.486	Poverty ³	% 91.5
Urban population	%	38.5	Gender inequality ²	-	Aid per capita \$	28.0

Sources (as of December 2021): The World Bank, World Development Indicators 2021 | UNDP, Human Development Report 2020. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.20 a day at 2011 international prices.

Executive Summary

Madagascar recently ended the 2018-2020 electoral cycle, the second since the crisis of 2009, and this has allowed the country to embark on the path of institutional political stability. Indeed, the 2018 presidential election saw the victory of Andry Rajoelina over Marc Ravalomanana, both of whom have dominated political life for a decade. Andry Rajoelina has a majority in all institutions after his victory in the national and local elections. Given this domination, national reconciliation is not one of the priorities of the current government even though there are clear tensions. Indeed, the opposition, which created a coalition led by Marc Ravalomanana, emphasizes that reconciliation is necessary for the development of the country and asks the government to be more open. The opposition therefore boycotted the senatorial elections. It accused the regime of authoritarian practices accentuated during the lockdown due to the COVID-19 pandemic.

Having a majority should enable the president to implement his political program, the Plan Emergence Madagascar (2019-2023, PEM). This plan aims to fulfill the president's thirteen commitments and is based on three complementary pillars of sustainable development: 1) the social pillar (human capital); 2) the economic pillar (accelerated, inclusive and sustainable growth); 3) the environmental pillar (Madagascar as a "green" island), with an emphasis on governance as a cross-cutting priority. Peace and security, the rule of law and the fight against corruption with zero tolerance are key elements, as are the autonomy and accountability of local authorities, once the country's administrative structure has been decentralized.

The ambitious economic reforms conducted under the leadership of donors since 2014 enabled the country to experience continuous economic growth until 2019. Madagascar's economy grew by 4.4% in 2019. There was an increase in public and private investments, and export sectors such as tourism, textiles and mining performed well. However, these efforts and recent gains in the fight against poverty have been hampered by the slowdown in economic activity due to COVID-19. Despite the efforts made by the state with the help of donors to support the most vulnerable populations and the private and banking sector, Madagascar has experienced an economic

recession, with a GDP contraction of -4.2% in 2020, similar to that observed during the devastating constitutional crisis of 2009. The PEM should be adopted at the start of 2021 to allow the resumption of cooperation with all donors.

As elsewhere in the world, the coronavirus pandemic has highlighted the fragility of the Malagasy economy, which will have to diversify and reform in order to become more industrialized. The state of emergency, which lasted for more than six months, has left many people unemployed. Poverty rates have increased, and the country's economic recession continues. In addition, political and institutional stability, deep improvements in governance, the fight against generalized corruption, environmental protection, the fight against climate change, and the fight against trafficking of natural resources are necessary conditions to achieve the economic reforms needed to lift the country out of poverty. Madagascar still faces enormous challenges in terms of macroeconomic stability and democratic performance.

History and Characteristics of Transformation

While many African states were created by colonial forces, Madagascar's modern era 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 moving toward the coasts. When the French deposed the monarchy in 1896, the colonial power had merely to take advantage of the administrative system in place. The 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 people losing their lives, but it led to the French Loi Cadre of 1956 and ultimately independence Madagascar on June 26, 1960.

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 the military government. Vice Admiral Didier Ratsiraka adopted a particular brand of scientific socialism in 1975. By 1979, poor economic decisions had led to a complete depletion of foreign reserves. Ratsiraka called on the IMF and instead adopted a market-oriented economy.

Political change came in the form of a civil servants' strike that led to the establishment of a transitional government on October 31, 1991. A new constitution was ratified, 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 July 26, 1996, after manipulating a constitutional change and being charged with corruption and abuse of power. The 1996 election was an exercise in banality. Ratsiraka won, changed the constitution through a popular referendum, and set out to consolidate much of the character of the second republic.

The 2001 elections gave rise to a conflict between acting President Ratsiraka and Marc Ravalomanana, the mayor of Antananarivo and a self-made millionaire. After six months of social, political and economic conflict, Ravalomanana was recognized as president of the republic. Although he was re-elected in 2006 and his administration did usher in economic progress, his domination of both the political and economic spheres led to conflict and political unrest. In 2009, President Ravalomanana relinquished control to a military directorate, who then gave the power to Andry Rajoelina, the mayor of Antananarivo. The latter became president of the so-called High Authority of the Transition. The unconstitutional change of government was heavily criticized by regional organizations (the African Union and the Southern African Development Community) and much of the international community (e.g., the United States and the European Union), in addition to France imposing sanctions. Consequently, Madagascar was deprived of foreign budget support.

In September 2011, a roadmap was signed calling for presidential and legislative elections. These elections took place in late 2013. The candidate supported by Rajoelina, Hery Rajaonarimampianina, defeated Ravalomanana's favorite, Jean-Louis Robinson. In July and December 2015, Rajaonarimampianina's political party, New Forces for Madagascar (Hery Vaovao ho an'i Madagasikara, HVM), won a majority in the local and Senate elections. Since 2014, ambitious economic reforms have been initiated with the support of donors, which resulted in economic growth from 2.3% in 2013 to 5% in 2018. Demonstrations against the electoral laws occurred in April 2018. After both national and international mediation, and the establishment of a consensus government in June 2018, the presidential election took place in November 2018. Meanwhile, Rajaonarimampianina relinquished power in September 2018, as required by the constitution (with Senate President Rivo Rakotovoao acting as interim president), in order to run in the election. Andry Rajoelina was elected president of the republic. Marc Ravalomanana accepted defeat and called on his supporters to stop demonstrations so as to promote solidarity and national reconciliation.

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

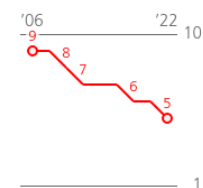
Although the state has a monopoly on the use of force (military, police, gendarmerie), Madagascar's security sector has always been weak as it is subject to external influences and has been politicized by successive heads of state. The military has been involved in unconstitutional power transitions such as that which took place in 2009. Working conditions within the military, police and gendarmerie, which include low wages and a lack of equipment, as well as corruption, have cultivated the conditions for armed violence. The state's monopoly on the use of force has also been challenged by bandits (dahalo) operating in the country's southern "red zone" region and by other thieves in rural areas who often work with the collusion of security forces. Armed with small weapons, these thieves steal mostly cattle and have burned down entire villages, driving the local population to migrate elsewhere. Motives are both economic and political. Since President Andry Rajoelina came to power in 2018, the security forces have received new equipment (e.g., vehicles and helicopters). The state is more or less absent in the "red zone" – an area of approximately 200,000 square kilometers – due to a lack of transportation and road networks.

Some groups are denied full citizenship rights. The outdated Malagasy Nationality Code (1960) prescribes that only those of Malagasy descent are eligible for Malagasy nationality. The application of this concept of nationality, based on a rigorous principle of jus sanguinis, renders the country's communities of foreign origin effectively stateless, despite their presence in Madagascar for generations. This includes about 400,000 Indo-Pakistani persons (the so-called karana), between 70,000 and 120,000 Comorians, about 15,000 Chinese, and some 5,000 people of Arab origin. In 2014, discussions to reform this legislation were opened, and in June 2016, the Council of Ministers discussed a new law. However, although the modifications adopted by parliament in December 2016 ("Loi n°2016-038 modifiant et complétant certaines dispositions de l'Ordonnance n° 60-064 du 22 juillet 1960 portant Code de la nationalité malagasy") gave Malagasy women a new right to transmit nationality (which was not the case before), they did not resolve the question

Question
Score

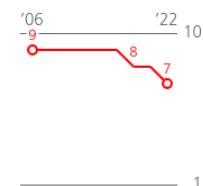
Monopoly on the
use of force

5



State identity

7



of the stateless population residing in the country. Naturalization remains the only way for a stateless person to obtain Malagasy nationality, but the process seems “stuck.” Since 1960, only 1,600 people have been naturalized. In general, the nation-state is accepted by the major groups in society.

The constitution states that Madagascar is a secular state. However, churches and religious groups such as the Council of Christian Churches in Madagascar (FFKM) have played an important role in politics. The FFKM consists of four churches: 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 (Eklesia Episkopaly Malagasy, EEM). However, religious dogmas have considerable influence on the legal order. For example, abortion is forbidden. Members of the LGBTQ+ community face considerable social stigma and discrimination, often within their own families and particularly in rural areas.

Religious dogmas have also played an important role in Madagascar’s history. The FFKM has been involved in all modern political crises (1991; 2001 – 2002; 2009), and most political leaders use their religion as an instrument of mobilization. Protestants and Catholics have the most practitioners.

The current president, Andry Rajoelina, like the former ones, publicized his religious faith while using religious expressions in his speeches.

As a consequence of French rule, legal texts are free from religious influence.

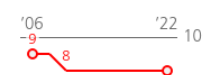
Basic administrative structures are present across the country but remain weakened by a lack of decentralization and particularly by the absence of fiscal autonomy. The central government does not meet the needs of the many regions.

The 2010 constitution defines three levels of decentralized territorial entities (Collectivités territoriales décentralisées), provinces (six), regions (22) and communes (1,693). Decentralization is one strategic priority of the Plan Emergence Madagascar (PEM, 2019-2023), as was also the case in the previous development plan, but the budget for decentralization accounts for only 5% of the national budget. Madagascar remains a very centralized country, both administratively and fiscally.

As a consequence of these weaknesses, basic state functions are often performed today by national and international organizations, and this is the case for sectors such as accommodation, nutrition and medical assistance. Most services such as hospitals, housing and schools, at least those of high quality, are concentrated in the capital. To a lesser extent, there are some in the urban centers of the provinces and regions, and to a very limited extent at the communal level. At the regional and local levels, some minor basic services exist, but their quality is significantly inferior, especially in terms of medical assistance, education, accommodation and nutrition. This is why

No interference of religious dogmas

8



1

Basic administration

4



1

international organizations try to focus their interventions at a more decentralized level. Basic services were limited during the lockdown and state of emergency. The state of emergency lasted more than six months, from March 21 to October 18, 2020. The lockdown measures affected basic services such as access to education (schools were closed from mid-March until October 5), as well as access to the justice sector as the judiciary was functioning with less personnel. The lockdown measures affected mostly urban areas, being clusters for the spread of the virus.

2 | Political Participation

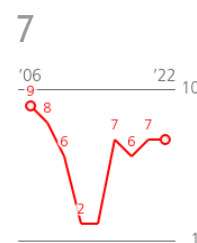
Madagascar has a rich electoral history. Since its independence in 1960, Madagascar has organized 12 presidential elections, 12 legislative elections, eight senatorial elections, seven referendums and several local elections, and it has experienced four republics. The country is one of the few countries in sub-Saharan Africa that has gone through several electoral transitions (1993, 1996, 2001 and 2018). However, the regimes elected in the run-offs tend to be hegemonic, as one party “takes it all” and installs authoritarian governance practices. These practices and the lack of credibility and transparency in the organization of the electoral process have led to various problems. These include violent protests in the post-election phase, the mobilization of power outside the institutions, and the seizure of power through public demonstrations and a coup d’état in 2009. The latter caused a political crisis for almost five years and the international isolation of the country. Internal and external mediation efforts suffered serious challenges but ultimately led to the organization of elections as a necessary condition to end the crisis in 2013.

The presidential election of December 2018 led to a change of power with the election of Andry Rajoelina. His opponent, Marc Ravalomanana, accepted defeat and called for reconciliation and solidarity and for the demonstrations to stop.

In May 2019, a legislative election was held with the participation of several political parties, just like the local elections of December 2019. These elections were generally free, fair and transparent with regard to registration and media access. The question of electoral campaigning is always problematic as certain political parties and candidates run a disguised campaign before the official date, and the financing of electoral campaigns are also an issue. The presidential party won the majority in the two elections.

The senatorial election was held in December 2020 despite COVID-19 and the boycott of the opposition. This boycott was because this indirect election did not respect the law for the electoral college whereby only mayors and municipal councilors are part of it, not the heads of regions, regional councilors, heads of provinces and provincial councilors. In addition, the reduction in the number of senators from 63 to 18 by the current government, of which 12 are elected and six appointed by the president of the republic, constitutes an imbalance in the

Free and fair elections



representation of decentralized communities. Social distancing was easily applicable because it is an indirect election with an electoral college of 12,465 voters spread across the country.

The ruling party TGV/MAPAR/IRD has considerable formal power to govern. It has the majority in all the institutions (National Assembly, Senate, the town halls and the regions).

Informally, presidents have consistently maintained significant informal networks of power (economic elite, religious elite (FFKM), military elite). This is a necessary condition of maintaining formal power, as these groups have the potential to undermine democratically elected representatives.

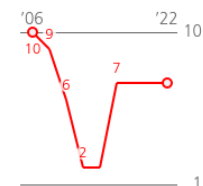
The constitution of the fourth republic (Article 10) guarantees the freedom of association and assembly. However, it has become more difficult to obtain a permit in order to hold unrestricted events. Security forces have sometimes used tear gas to disperse demonstrations by university students (e.g., in September 2019 and in January 2021), supporters of political opponents and other groups. During a demonstration taking place in the capital, Antananarivo, a former minister was arrested in April 2020. In addition, other demonstrations took place during the lockdown. A demonstration in the city of Tamatave in June 2020 was dispersed by the security forces with tear gas. Moreover, opposition protests were not authorized by local authorities during the period under review.

The measures related to the COVID-19 pandemic have been applied to public gatherings. Beginning in May 2020, gatherings exceeding 50 people were prohibited. As of August 2020, public gatherings remained restricted but were totally banned in the Analamanga region as the area was placed under “enhanced lockdown.” Beginning on September 20, 2020, public gatherings of up to 100 people were permitted, but only for cultural, sporting and religious events. On October 5, the maximum number of people allowed at public gatherings was increased to 200. As of January 11, 2021, the maximum number of people permitted at public gatherings has been increased from 100 to 200.

The constitution of the fourth republic guarantees freedom of expression. However, a 2018 study conducted by the U.S. State Department concluded that freedom of expression is limited by the respect for the freedoms and rights of others, and by the imperative of safeguarding public order, national dignity and state security. In accordance with the constitution, the law can restrict these rights. The Communication Code includes a number of provisions limiting freedom of speech and expression. It also grants broad powers to the government to deny media licenses to political opponents, seize equipment and impose fines.

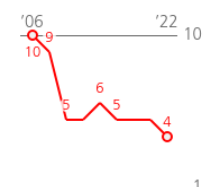
Effective power to govern

7



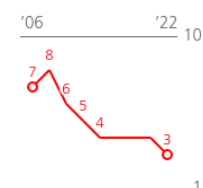
Association / assembly rights

4



Freedom of expression

3



In practice, the media are free to publish a variety of opinions, but the government does not hesitate to call them to order if it considers them to have overstepped their role. This means they are often subject to interference or government restrictions, and some journalists consequently practice self-censorship.

In September 2019, two journalists were charged with defaming the Malagasy military and fined MGA 10 million each. The two other people involved, Patrick Andriamisa, the director in charge of culture at the Urban Municipality of Antananarivo, and Arphine Rahelisoa, a journalist, were released.

The government criminalized journalists and shut down media outlets that were perceived to be critical of government responses to COVID-19. Arphine Helisoa from the newspaper Ny Valosoa was arrested and put in pretrial detention in April 2020 after she was accused of criticizing the president's handling of the national response to COVID-19 in an article. In September 2020, the singer Rolf was prosecuted for "endangering state security" over social media posts criticizing the management of the pandemic. Freedom of expression has deteriorated with COVID-19.

3 | Rule of Law

The constitution of the fourth republic consists of 168 articles. The state is organized along the three branches of power: the president and his or her government form the executive; the National Assembly and the Senate form the legislature; and the High Constitutional Court, the Courts of Appeal and the lower courts attached to them constitute the judiciary.

The president, who serves as head of state, is elected for a five-year mandate through universal direct suffrage and can serve no more than two terms. The prime minister is appointed by the president and is nominated by the majority party or group of parties in the National Assembly. The president can also terminate the prime minister's service, either through the resignation of the government or in the case of a grave fault or manifest failure (Article 54 of the constitution).

The separation of powers established by the constitution is weak in practice. The executive is the main power, dominating the other branches. The president holds vast powers. Under Article 85, he appoints one-third of Senate members and Article 81 states he can convene extraordinary sessions of parliament and can call referendums. The president of the republic is the president of the Superior Council of the Magistrature. He also appoints three members of the High Constitutional Court.

The personalization of power by successive presidents has undermined checks and balances, and the presence of an authoritarian power for such a long time has hampered the emergence of independent and credible institutions. Moreover, at the end of the 2013-2018 legislature, the parliament passed Law No. 2019-001 delegating

Separation of powers

4

'06 '22 10



1

the power to legislate to the president of the republic by way of ordinance, especially since the Senate is not empowered to legislate alone. Legislation by ordinance ended on July 16, 2019, the day of the special session of the new National Assembly. The executive had difficulty collaborating with the Senate, which was dominated by the former ruling party, until the establishment of a new Senate on January 19, 2021.

A state of health emergency was put in place by the adoption of Decree No. 2020-359 of March 21, 2020, based on Article 61 of the constitution relating to exceptional situations. However, the state of health emergency is a separate category that was not provided for by the constitution. This authorizes the president of the republic to legislate by ordinance until the ordinary session is held. Although, there have been some popular protests against the measures, there have been no reports on the discriminatory nature of the measures. Restrictions were mostly applied to urban areas, being the clusters of the spreading of the virus.

The Malagasy judicial system derives from the French tradition. There are three levels of courts. First, lower courts handle civil and criminal cases and can issue limited fines and sentences. Secondly, the Court of Appeals includes a criminal court for cases carrying sentences of five years or more. Finally, the Supreme Court is the country's highest court.

Additionally, the High Constitutional Court reviews whether treaties, laws and ordinances conform to the constitution. Moreover, it rules on disputes related to referendums and presidential or legislative elections and proclaims the final results of those elections and referendums.

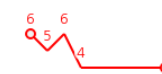
The military courts are organized by civilian magistrates. Their mandate includes issues dealing with national security. The president serves as formal guarantor of the independence of the judiciary. To this end, he is assisted by a Superior Council of the Judiciary, on which he serves as president, and the minister of justice is vice president. The judiciary remains under the control of the Ministry of Justice, and reports of corruption in the judiciary continue. Efforts are underway to address this problem. The court system has a large backlog of cases, a fact that contributes to excessive investigative detention.

The personalization of power by successive presidents has affected the functioning, transparency and independence of other institutions, especially the judiciary. As a consequence, the Malagasy have lost faith in the court system. Madagascar ranked 125th out of 141 countries in the World Economic Forum's Global Competitiveness Report 2019 in regard to judicial independence, a slight improvement compared to previous years.

Independent
judiciary

4

'06 '22 10



1

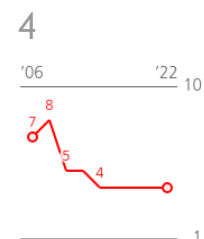
Madagascar ratified the United Nations Convention Against Corruption on September 22, 2004, as well as the African Union Convention on Preventing and Combating Corruption on 6 October, 2004, the Southern African Development Community (SADC) Protocol Against Corruption (Loi N° 2007-007 du 20 juin 2007 autorisant la ratification de l'adhésion au Protocole de la SADC contre la corruption), and international treaties and conventions on terrorism and organized crime (Loi N° 2014-005 contre le terrorisme et la criminalité transnationale organisée). A new national anti-corruption strategy was adopted in September 2015. There are also several institutions fighting against corruption: the Independent Anti-Corruption Bureau (Bureau indépendant anti-corruption, BIANCO), the Comité pour la sauvegarde de l'intégrité (CSI), the Service de renseignements financier (SAMIFIN) and the Pôles anti-corruption (PAC). However, the government has not implemented these policies effectively. Of the six PAC, only two have been set up, and corruption remains a serious issue, as does the lack of government transparency.

The inefficiency in sanctioning corrupt public officeholders is due to the lack of independence within the institutions fighting corruption, political pressure and the power of money. In addition, the president appoints the leaders of these institutions.

A variety of cases has illustrated the widespread impunity of officeholders who break the law, especially with regard to the trafficking of natural resources. This is particularly the case for some members of political institutions – such as members of parliament and former ministers – who, despite their involvement in trafficking, are not prosecuted. Indeed, the latter can be indicted by the National Assembly before being tried by the High Constitutional Court, but this does not succeed because of a corporatism between the representatives of the state. The result is the same when cases go before the lower courts.

However, Claudine Razaimamonjy, an adviser to former President Hery Rajaonarimampianina, was sentenced to ten years in prison by the judges of the ordinary criminal court of the anti-corruption pole (PAC) in December 2019. Since 2018, the PAC has issued 370 judicial decisions, including 175 final decisions. But the lack of human and financial resources does not allow the PAC to function properly. In addition, the government wishes to amend the law of the PAC by removing its power to confiscate property obtained as a result of financial and economic offenses before judgment, and to reduce the mandate of the PAC's national coordinator from four to three years.

Prosecution of office abuse



The overall worrisome state of civil rights in Madagascar has not changed since the election of Andry Rajoelina as president of the republic in December 2018. There are still abuses of power, and additional restrictions on press freedom and the freedoms of assembly and speech, as stated earlier. COVID-19 has toughened measures, with those who criticize the regime being prosecuted. Significant civil-rights concerns have been associated with the new regime's inability to ensure adherence to the rule of law, resulting in abuses perpetrated by the security forces. In the past few years, there has been a spike in cases of torture and ill-treatment of cattle rustlers, robbers and protesters. For instance, there was an operation in the south against the dahalo (cattle rustlers) in 2019. In Maroantsetra, a student died after spending a night in police custody in May 2019, and Malagasy security forces killed 22 inmates escaping from Farafangana prison in the south-east of the country in August 2020. In January 2021, security forces used tear gas during a student demonstration in Antananarivo, resulting in the injury of a student.

There have been unlawful killings and mob violence in different regions of the country. The inability of the government to enforce the rule of law has also led to life-threatening prison conditions, and a lack of judicial independence and judicial inefficiency, which results in lengthy pretrial detention. Early marriage is common, particularly in rural areas, and violence against women is widespread among some ethno-cultural groups.

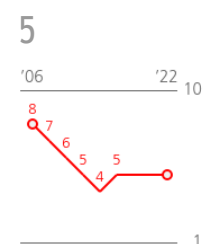
Legal provisions prohibit discrimination based on race, gender, disability, language and social status. However, traditional, cultural, social and economic constraints still prevent women from having overall equal opportunities. Members of the LGBTQ+ community face social stigma and discrimination, even within their own families, particularly in rural areas. They also face discrimination in hiring practices. Ethnicity and caste are manipulated by politicians and may be used to discriminate.

4 | Stability of Democratic Institutions

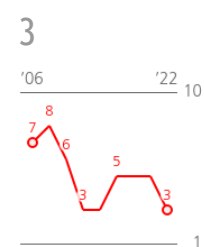
Madagascar is a semi-presidential republic, with a president elected for a five-year term and a prime minister nominated by the National Assembly and appointed by the president. The 2018 presidential election, legislative election and local elections were organized in 2019 and in December 2020 for the Senate election. These elections gave the new regime a majority in the different institutions, providing a political basis for the country's stability. These elections can be labeled as the « authoritarian resurgence » and although they ensured a political basis for the ruling party, they are not a guarantee for sustained stability as shown by past similar experiences.

The separation of powers established by the constitution is weak in practice. The executive is the main power, dominating the other branches. As stated earlier, the president holds vast powers; under Article 85, he appoints a third member of the Senate seats (article 81), can convene extraordinary sessions of parliament and call

Civil rights



Performance of democratic institutions



for referendums. Although the constitution states that the president determines policies, and parliament writes laws and votes on them, in practice, the National Assembly lacks the strength to act as an effective check on executive power. The same can be said for the Senate, although there have been efforts to act as a counter-voice up to the 2015 elections as the Senate was presided over by the former ruling party. The functioning of institutions is as such mostly guided by political forces rather than clear rules of the game.

Democratic institutions are accepted as legitimate by all relevant actors. On the other hand, the heads of regions, now called governors, are not seen as legitimate by civil society and the opposition. They are appointed by the president of the republic, even though the law states they should be elected. Consequently, the opposition also does not recognize the legitimacy of the Senate because the electoral college is incomplete. It does not include the governors, regional councilors, heads of provinces and provincial councilors. Provinces and regional councilors have not been established for years.

Political actors use some institutions to serve their political interests. As such, the public media, particularly the Télévision Nationale de Madagascar (TVM) and Radio National de Madagascar (RNM), is widely seen as a tool of the ruling party. As much as the tendency of the population at large is to accept the legitimacy of democratic institutions, the pervading perception is that these institutions are headed by political appointees who owe their allegiance to the government of the day.

5 | Political and Social Integration

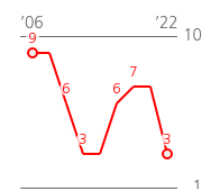
Madagascar's political institutions are inefficient, partly due to the lack of a stable pattern of political-party organization, which in turn is an expression of the parties' shallow roots in society. Nearly all presidents have created their political parties after their elections. With about 195 registered political parties in March 2019, the system is highly fragmented, volatile and polarized.

However, polarization changes according to power relations. Politicians will easily change party according to where they have their interests met, and most will try to belong to the party in power. As such, the political "transhumance" phenomenon combined with clientelism makes the political polarization also volatile. For example, 46 of the parliament's members (30%) were registered either as their own party or as independents in 2019. This situation confirms the winner-takes-all nature of Malagasy politics and illustrates the prevailing reluctance of politicians to play an opposition role. The 2019 legislative and local elections and the 2020 senatorial elections clearly illustrated this.

The absence of public funding continues to make political parties dependent on wealthy individuals who use political parties as a vehicle for their political ambitions.

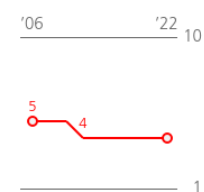
Commitment to democratic institutions

3



Party system

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The ruling party is seen as a populist party with political measures that only partially meet the needs of the population, but it focuses more on building infrastructure such as stadiums.

There are numerous professional associations and other organizations that represent private sector interests and specific industries. These organizations regularly promote dialogue between firms and engage in coordinated policy advocacy. However, private sector actors argue that few of their policy recommendations are followed.

Most NGOs in the country are based in the provinces of Antananarivo, Toamasina and Fianarantsoa. According to a 2013 report by the Madagascar National Institute of Statistics (Instat), most of the NGOs are active in the areas of social welfare, health or education. However, only a small number of groups have significant capacity for interest representation. Most are instead groups that are either NGOs funded by donors for a specific community-level purpose but with limited capacity for representation or are capital-based groups largely dependent on the funding and activities of their leaders. Organizational capacity therefore remains very low on average, with limited financial resources, human resources and communication, even among core constituents. Another major problem is that some interest groups are politically connected and are consequently unable to play an effective watchdog role.

There are a few notable exceptions to this general picture. Some faith-based development organizations, such as the Rohy movement, bring together different types of organizations both at the central and local level with the objective of representing the voice of the people and playing a watchdog role at all levels.

Concerning faith-based interest groups, the Council of Christian Churches of Madagascar (FFKM) still plays a political role. The FFKM asks the state to focus on the real needs of the population, and to be transparent in terms of governance and on the management of COVID-19 funds.

Approval of democratic norms and procedures is fairly low. Madagascar is a hybrid regime according to the 2019 Democracy Index compiled by the Economist Intelligence Unit. Madagascar has gained 10 places compared to its 2018 ranking, and it is now in 85th place. In addition, it is ranked ninth in Africa in 2019 compared to 16th in 2018.

According to the most recent Afrobarometer survey, published in September 2018, the population's trust in existing institutions is relatively weak, a phenomenon explained by the high level of corruption. This mistrust has increased since the previous Afrobarometer surveys (2005, 2008 and 2014), as corruption (perceived and real) has also increased.

In the most recent survey, about 80% of respondents felt the country is not a democracy or that it is one with major shortcomings. COVID-19 has reinforced this

Interest groups

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Approval of democracy

n/a

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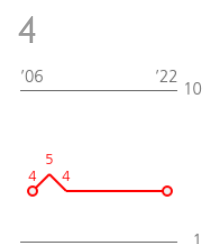
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feeling, as the citizens considered the government measures during the confinement to be liberticidal.

Approval of a democratic system slightly decreased between 2014 and 2018, from 50% to 47%. While a majority still said they supported democratic principles, 60% of the respondents said they were against a one-party system that monopolizes all power (compared with 83% in 2014). A majority of Madagascans, 76%, think that free, fair and regular elections should be held to select leaders.

Survey data on social capital and solidarity among the citizens are limited. However, the concept of social capital may be defined in Malagasy society as “fihavanana,” which can be translated as solidarity, mutual understanding and respect, social justice and peaceful cohabitation. This is generally present within Malagasy culture. However, observers note that solidarity and trust among citizens have been affected by the 2009 to 2013 political crisis, which have deepened social and economic rifts. There was not a big change during the previous regime (2013–2018), and the trend will be difficult to reverse. At the same time, the weakened presence of state services has pushed people to rely on solidarity as a means of survival. During the COVID-19 pandemic, solidarity has not been affected. It has played a significant role in mutual aid between communities, as have some NGOs. While self-organized groups fulfill the role of promoting solidarity, no quantitative data exist to confirm an increase of this type of group. In general, trust and solidarity tend to be organized along family, regional and religious lines and are structured by the strong presence of community traditions.

Social capital



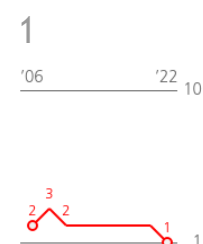
II. Economic Transformation

6 | Level of Socioeconomic Development

In 2019, Madagascar slightly improved its Human Development Index score from 0.527 in 2018 to 0.528 in 2019. The country, however, fell three places in the world rankings, from 158th to 161st place. Madagascar is known as one of the poorest countries in the world and faces serious challenges related to poverty and major inequality. Moreover, the World Bank estimates that 90.9% of Malagasy live on less than \$3.10 a day, and COVID-19 pushed 1.38 million people into extreme poverty (\$1.90 per day) by the end of the period under review. In 2020, 77.4% of the population lived in extreme poverty, an increase compared to the 2019 figures (74.3%). This shows that gains in poverty reduction accumulated over the last decade were reversed in 2020 as COVID-19 caused a sharp economic slowdown. The most affected are the urban population.

Question
Score

Socioeconomic
barriers



Poverty rates are more than twice as high in rural areas, where 80% of the Malagasy population lives, than they are in urban areas. Two-thirds of rural residents are extremely poor. The poverty rate in rural areas exceeded 75% and even 90% in the south of the island, compared with 31% in the capital and 55% in the secondary cities. The Gini index was last measured at 42.6 in 2012; income inequality has increased since 2005 (Gini index was 38.88 then).

One-third of the population is deprived of consumption, literacy education, basic household assets and access to public services such as health care and electricity. If Madagascar does not take appropriate measures, it will be difficult to achieve the Sustainable Development Goals (SDGs).

Madagascar scores a 4 (out of 6) on the World Bank's Country Policy and Institutional Assessment (CPIA) gender equality rating (2019); the score has not changed since 2016. Traditional, cultural, social and economic constraints still prevent women from having overall equal opportunities. The difficulty for women in inheriting land and property is a prime example of gender inequality.

Inequality in terms of ethnicity, religion and political preference is a less well-documented topic, and indeed a rather hidden, subtle and sensitive reality. Although no systematic exclusion on the basis of these characteristics exists, there is evidence that ethnic and regional origin plays a role in access to education, employment and the market.

Economic indicators		2017	2018	2019	2020
GDP	\$ M	13176.3	13614.4	14191.9	13720.6
GDP growth	%	3.9	3.2	4.4	-4.2
Inflation (CPI)	%	8.6	8.6	5.6	4.2
Unemployment	%	1.7	1.7	1.7	1.9
Foreign direct investment	% of GDP	3.5	4.5	3.3	-
Export growth	%	45.4	4.6	4.2	-11.7
Import growth	%	23.7	-4.1	5.3	6.6
Current account balance	\$ M	-30.1	98.0	-330.5	-
Public debt	% of GDP	40.1	40.4	38.5	46.0
External debt	\$ M	3382.1	3730.2	4065.4	4873.2
Total debt service	\$ M	131.9	119.7	118.2	124.6

Economic indicators		2017	2018	2019	2020
Net lending/borrowing	% of GDP	-1.9	-1.1	-1.0	-
Tax revenue	% of GDP	10.0	10.4	10.5	-
Government consumption	% of GDP	16.1	14.6	14.2	14.9
Public education spending	% of GDP	2.8	2.9	2.9	-
Public health spending	% of GDP	2.6	1.7	-	-
R&D expenditure	% of GDP	0.0	-	-	-
Military expenditure	% of GDP	0.6	0.6	0.6	0.7

Sources (as of December 2021): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

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. For instance, the country is 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, intermediary market. As a result, growers commonly receive less than 5% of the international market price for their products.

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 with regard to market fundamentals. This places it among countries struggling with market-economy issues, but above the direst cases. The currency has long operated on a floating exchange basis with relatively little political interference.

Improvement has been evident in some areas, like dealing with construction permits, getting credit and enforcing contracts. In the Doing Business 2020 report, Madagascar was ranked 80th in the world in terms of the ease of starting a business (up from 113rd in 2017 and down from 76th in 2018 and 81st in 2019). It takes eight days and five procedures to start a business in Madagascar, at a cost of 30.2% (33.0% in 2019) of the average income per capita. The Economic Development Board of Madagascar (EDBM) takes care of all the formalities necessary to open a business. The government incentivizes investment in manufacturing for export through its Law on Free Zone Companies and, in the mining sector, through its law on large-scale

Market
organization

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mining investments. Despite the establishment of special economic zones in 2018, few sustainable and quality investments have been observed.

Structural barriers, such as a high level of corruption, state monopolies, restricted access to domestic markets to certain groups of society and a large informal sector, 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 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 the informal sphere has increased. Moreover, the state plays an important role in administering prices and allocating markets to certain groups/families.

There is a law on competition, which requires the Ministry of Industry, Trade and Handicrafts to ensure fair competition. Moreover, a change in the law was made in 2018 in order to: strengthen the competitiveness of companies on the national market; put in place an efficient competition system to guarantee the accountability of the government and the well-being of consumers; and strengthen the economic capacity of market players in order to face global competition. However, the Council of Competition is not known by economic actors, which makes its advisory and judicial function in matters of anti-competitive pricing practices ineffective. Furthermore, Madagascar is a member of the Common Market of Eastern and Southern Africa (COMESA). As part of its effort to promote economic integration, COMESA adopted a competition law regime to address anti-competitive business practices and to exert merger control.

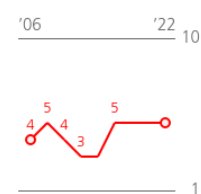
Over the last few decades, Madagascar has seen a large sell-off of state-owned enterprises. For example, the state companies producing sugar and cotton were privatized. However, the state remains a shareholder in hotel operations, fishing, textiles, wood, the production and distribution of beverages, air travel, telecommunications, and the exploitation of granite and marble resources. The presence of the state in these areas helps to explain the lack of competition these firms have enjoyed over the years.

The state has a monopoly in the electricity and water industry, which provides irregular power supply in many regions, particularly in remote coastal provinces, even though a new law (Law No. 2017-020) is attempting to reverse that trend. In addition, the sector is undermined by corruption and dominated by large groups, most of which sell their energy to the Jirama (the national electricity and water company) and do not pay their taxes.

Several monopolies or cartels have been consolidated in areas such as the production and distribution of food (dairy products, oils and flour) and beverages (beer and non-alcoholic drinks). There is evidence of collusion between the political and economic elites. These competition dampening monopolies have helped maintain relatively

Competition policy

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high prices for consumers, particularly for the poorest, and they discourage technological development.

The adoption of the Industrial Development Act in 2017, with the support of the private sector, offers a number of benefits that will allow Madagascar's industries to better compete on both the international and local markets, the latter of which remains dominated by imports. However, the results remain quite low, especially because Madagascar has focused on a few niches where the country is competitive.

Madagascar has belonged to the World Trade Organization (WTO) since 1995. It is also a member of several regional bodies, namely COMESA, SADC and the Indian Ocean Commission (IOC), but the country has little trade with them. In 2018, Madagascar signed the African Continental Free Trade Area agreement, and the country is currently in the ratification process.

Madagascar's foreign trade accounts for 63% of its GDP, and the majority of its income comes from customs duties, import taxes and VAT on imports. Madagascar is the 125th exporting economy in the world and the 135th importer. The country's main trade partners are France, China, the United States, the United Arab Emirates, India, Germany, South Africa and the Netherlands.

In 2018, Madagascar's trade deficit widened. It reached \$458 million, compared with a deficit of \$450 million in 2017. Rising imports of capital goods for public investment are widening the trade deficit, while vanilla prices are down. Merchandise exports amounted to \$3.05 billion in 2018 (+7% compared to 2017), while imports reached \$4.03 billion (+10% compared to 2017). Exports of services amounted to \$1.24 billion, and imports reached \$1.09 billion.

As a WTO member, Madagascar is required to implement that body's Trade Related Investment Measures (TRIMS). In general, performance requirements are not imposed as conditions for establishing or maintaining investments, with the exception of the Export Processing Zones (EPZ) regime. In this case, firms must export 95% of their output in order to qualify for EPZ investment incentives. Projects owned by foreign or local investors can benefit from EPZ tax exemptions if they fit into the following categories: 1) investment in export-oriented manufacturing industries; 2) development or management of industrial free zones; or 3) provision of services to EPZ companies.

The government has established free industrial zones (FIZ) to revive exports, in particular in the clothing manufacturing sector. Equipment and other import materials that are used in this type of zone are exempt from customs duties. Moreover, most of the products can be imported without an import license.

According to the WTO, Madagascar had 11 non-tariff measures in force as of June 30, 2018. In addition, not only do judicial and regulatory barriers deter foreign

Liberalization of
foreign trade

7

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investment, but state-owned enterprises distort the economy. The simple average most-favored nation (MFN) applied tariff was 8.90% in 2018.

FDI inflows to Madagascar have declined significantly due to the global economic crisis. According to the UNCTAD World Investment Report 2020, the country received \$227 million in FDI inflows in 2019, a decrease from \$353 million in 2018. The stock of FDI has increased and reached \$7.7 billion in 2019.

Until recently, the Malagasy banking system was composed of a central bank and six commercial banks. However, the number of financial institutions has increased over the past years. There are now 11 banks (most of them are subsidiaries of foreign banks based in Mauritius, France and mainland Africa), six non-bank financial institutions (NBFIs) and 31 microfinance institutions.

This small banking sector, with total assets representing 27% of GDP in 2018, is heavily dominated by four banks (all foreign owned), which hold 87% of total assets, 88% of total deposits and 94% of profits, reflecting the lack of competition.

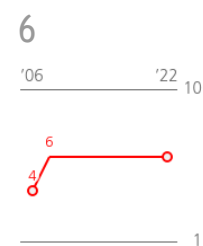
The Banking and Financial Supervision Commission (CSBF) oversees banks and financial establishments and must provide operation permits to commercial banks. Only about 5% of the population uses banks in Madagascar (7.4% are members of a microfinance institution and 6.6% of households use mobile banking).

The situation in the banking system remains profitable, and the country is among the top-three performers in sub-Saharan Africa. The return on equity and capital-to-asset ratios were 35% and 4%, respectively, in 2018.

Financial markets in Madagascar are relatively rudimentary, and the bank penetration rate is very low. This could be explained in part by high interest rates, strong requirements for collateral and guarantees, limited competition among banks, and a reluctance to finance foreign trade or working capital even when loans are secured by letters of credit. In general, financing is expensive and difficult to access. Local firms are confronted with numerous constraints, making expansion almost impossible. One of these limiting factors is the difficulty of increasing working capital through bank borrowing.

Madagascar has had an autonomous central bank since 1973. The new central bank statutes of 2016 and 2017 strengthen the central bank's independence in monetary policy. The main provisions are (i) gradually reduce central bank statutory advances to the government; (ii) automatically transfer central bank losses and profits to the government; (iii) establish an Audit Committee of the Board of Directors; (iv) modernize the monetary policy operational framework, including by improving liquidity management and forecasting; (v) develop foreign exchange markets; (vi) strengthen banking supervision; and (vii) improve central bank internal audit functions to bring them up to international standards.

Banking system



The impact of the pandemic, according to the World Bank, has led to a deterioration in liquidity and solvency indicators, particularly for microfinance institutions (MFIs), which serve most exposed sectors of society including micro, small and medium enterprises (MSMEs), informal businesses and households. MFIs experienced cash flow difficulties due to deposit withdrawals and delays in loan repayments at the beginning of the lockdown, though the situation has stabilized since mid-2020.

The banking sector has generally been more resilient but was also significantly affected by rising credit default rates. Proactive interventions from the central bank ensured the availability of adequate levels of liquidity, while banks were allowed to deduct loans to SMEs that have been restructured from regulatory reserve requirements. The extension of the existing Partial Portfolio Credit Guarantee Schemes (PPGS) for firms affected by the crisis has also helped.

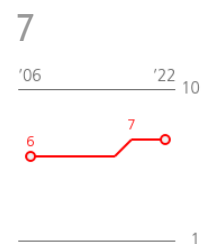
8 | Monetary and fiscal stability

Madagascar is not part of any monetary union. The central bank is responsible for guaranteeing the stability of the local currency in the country and abroad. Law No. 2016-004, which governs the central bank, is inspired by international standards of financial institutions. This includes the institutional and operational independence of the central bank of Madagascar (Article 7), financial independence (Articles 4 (5), 35 and 90) and personal independence (Article 51 and thereafter). Moreover, the operational framework of the central bank is currently in transition from a monetary aggregates-based framework to one based on interest rates.

In the first nine months of 2020, the ariary has depreciated against the U.S. dollar and the euro. In this regard, the national currency depreciated by 7.2% against the U.S. dollar and 12.7% against the euro. The ariary's depreciation against the euro was amplified by the weakness of the U.S. dollar against the euro. All in all, the ariary depreciated 8.0% compared to the 5.6% depreciation in 2019. However, the central bank was able to manage the depreciation of the ariary and keep foreign exchange reserves at a sufficient level.

Inflation was stable in 2020, at levels consistent with price stability. Despite moderate currency pressures and supply chain disruptions due to the impact of lockdowns in some large cities, consumer price inflation remained subdued, hovering at around 4% during 2020 (compared to 5.3% in September 2019 and 4% in December 2019).

Monetary stability



Madagascar's central bank reported that government revenue contracted to MGA 653 billion by September 2020 as a result of the coronavirus pandemic. Total revenue was MGA 4.6 trillion over the first three quarters of 2020, against MGA 5.275 trillion over the same period of 2019. Tax revenues, the main source of income for the Malagasy state, were MGA 3.6 trillion over the period, down MGA 545.9 billion compared to the first three quarters of 2019. As a response to the pandemic, the central bank provided monetary policy support and acted to safeguard financial stability.

There was a slowdown in tax and customs revenues during 2020 as a consequence of the COVID-19 pandemic as payment of taxes has been postponed. Moreover, there have been measures to support the private sector through tax relief, and medicines and medical equipment were exempted from paying import duties

At the end of September 2020, outstanding gross external assets held by the central bank amounted to \$2,000.7 million compared to \$1,647.6 million in September 2019. These reserves could cover six months of imported goods and non-factor services. Total reserves in 2019 were \$1,693.1. Public debt totaled 84.4% of GDP in 2019.

Madagascar participates in the Debt Service Suspension Initiative (ISSD), set up by the G20 countries on the initiative of the World Bank and the International Monetary Fund. This has allowed it to focus its resources on fighting the pandemic and protecting the lives and livelihoods of vulnerable people while also making debt relief possible.

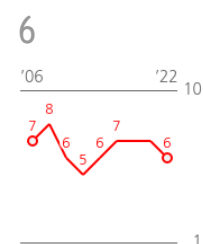
9 | Private Property

Private property rights are protected within the Malagasy legal system, which is inspired by French civil law. Malagasy commercial law is mostly formed by the country's Code of Commerce and associated laws, which are reportedly applied in a non-discriminatory manner. A bankruptcy law has been in place since 1996 and is included in the Code of Commerce. However, the Malagasy judicial system has the reputation of being slow, complex, opaque and subject to corruption.

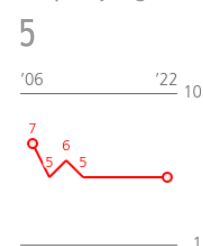
The government accepts binding international arbitration of investment disputes between foreign investors and the state under the privatization law. The Malagasy Arbitration and Mediation Center (CAMM) was created in 2000 as a private organization to promote and facilitate the use of arbitration to resolve commercial disputes and decrease reliance on an overburdened court system. As a result, many private contracts now include arbitration clauses.

Madagascar is a signatory to the International Center for the Settlement of Investment Disputes (ICSID) Convention, as well as the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Madagascar has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1989.

Fiscal stability



Property rights



Despite legal advances, the prohibition of land ownership by foreigners remains controversial and problematic. A system of long-term leases (up to 99 years) was established to address the issue in 2008, following the adoption of Investment Law 2007-036.

At the end of 2017, parliament adopted a new law to redefine the status of land: to determine the management of titled properties, the registration procedures for immovable property and the procedure for restoring land documents. 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 remain one of the most politically controversial issues in Madagascar, leading to tensions between the state and the population, especially when it comes to mining interests and large-scale, foreign-led agricultural operations. These often benefit the political elite and private companies at the expense of the population, with land often expropriated without proper compensation. The legal framework in Madagascar recognizes gender equity of land rights and provides protection for women in the event of divorce and inheritance, but in practice these laws are rarely enforced. The National Land Program (2016-2020) includes a focus on increasing land certification for women through the education of local authorities and widespread communications on the importance and benefits of land registration.

Though there is no formal discrimination against foreign investors, foreign companies are frequently the target of harassment by tax authorities and are often subjected to nuisance lawsuits regarding questionable tax assessments and labor law violations. Moreover, the lack of transparency in regulatory decisions creates a difficult environment for doing business in Madagascar. However, since his election in December 2018, the president has emphasized the importance of attracting foreign investment in Plan Emergence Madagascar (PEM), citing private sector-led growth as the engine for the emergence of Madagascar. To this end, the government has promised to undertake a number of revisions to update the legislative framework governing the business and investment environment.

In addition to the right to invest and to equal treatment for foreign and national investors, Madagascar's Investment Law (2007-036) includes articles on the protection of patent rights, freedom to transfer funds abroad without prior authorization, protections against expropriation and a stability clause guaranteeing investor privileges from future legal or regulatory measures. There is no legal requirement that nationals own shares of foreign investment (aside from the cap in the telecommunications sector), nor any restriction on the mobility of foreign investors.

Madagascar initiated a privatization program in 1996 and subsequently identified over 50 public enterprises for privatization. The targeted sectors included: agriculture, downstream petroleum, mining, transport and telecommunications,

Private enterprise



among others. Foreign investors were allowed to participate in these tenders. However, the privatization program stalled in 2010 and remains on hold with no timeline in place. The government continues to own shares in 53 companies. Seven are wholly owned, 12 majority-owned and 24 minority-owned, and there is much public resistance to privatization of the remaining large state-owned enterprises, particularly the national airline and monopoly water and electric utilities.

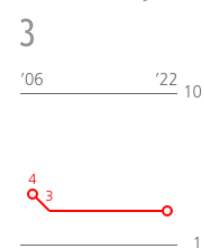
10 | Welfare Regime

A National Social Protection Policy, which includes a national social safety net program, was adopted in 2015. This policy contributes to the fight against poverty and aims to cover half of the population in extreme poverty by 2030, in line with the Sustainable Development Goals. In addition, this is part of the Plan Emergence Madagascar (2019-2023), which aims to “promote the well-being of the population by fighting against poverty.”

The Ministry of Population, Social Protection and Women’s Promotion and the Development Intervention Fund (FID) are taking action to create a better social protection sector with the support of development partners. There is also a complementary safety net such as cash for work activities and a conditional cash transfer program (to provide the poorest families with short-term income support while encouraging their children’s school enrollment and attendance, and to promote the spread of nutritious food and healthy eating habits, particularly for children).

According to a World Bank study, several social safety net measures have been launched to support vulnerable households during the COVID-19 pandemic. The government has launched a targeted unconditional cash transfer program called Tosika Fameno, implemented in coordination with donors, targeting nearly 345,000 vulnerable households across 14 districts affected by lockdown measures. A recovery program was also put in place to provide income support during a six-month period to 200,000 urban poor in urban and peri-urban areas (i.e., 58% of Tosika Fameno Beneficiaries) and 40,000 families affected by the drought in southern Madagascar. In addition, the government supported the distribution of food and staple products to selected vulnerable households; the operation of subsidized rice and edible oil sales at the fokontany level; and the rescheduling of electricity bill payments to the utility company JIRAMA.

Social safety nets



Legal and constitutional provisions guarantee ethnic, racial and gender equity. However, the achievement of equality of opportunity is still a challenge in practice. Madagascar stagnates in the rankings in terms of gender equality. For the three past years, the country has scored a four (out of six) on the World Bank's Country Policy and Institutional Assessment (CPIA) gender-equality rating.

At the political level, women saw their presence decrease in the parliament. In the National Assembly, the percentage decreased from 21.19% in 2013 to 17.88% in 2018, which translates as a drop from 32 to 27 out of 151 members. But for the first time in history, the president of the institution is a woman and the number of women in the permanent office increased from two to seven out of 13 members. In the Senate, women comprise two out of a total of 18 senators (11.11% compared to 20.6% in 2013). However, at the communal level, women are severely underrepresented – less than 5% of elected mayors and councilors are women.

The current government of Prime Minister Christian Ntsay has eight women ministers, which is 33.3% of the total, even though President Andry Rajoelina had promised a government with equal numbers of men and women. This is, however, a slight increase compared to the former government with a female representation standing at 27% in 2018.

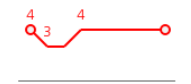
However, traditional, cultural, social and economic constraints still prevent women from having overall equal opportunities. World Bank figures show no significant differences between school enrollment figures among men and women. The general literacy rate in Madagascar is below the average in sub-Saharan Africa, and access to secondary and tertiary education remains limited for the vast majority of the population. According to the last available data from the World Bank, the gross enrollment ratio for primary education (134.1) and for secondary (34.6) decreased during the period under review, in contrast to tertiary education, which has increased a bit (5.4). Women have fewer opportunities to learn at the tertiary level. The drop in enrollment from primary to tertiary is extremely significant and illustrates the very limited access to higher education. However, the difference between literacy rates for men and women is just 5.8 percentage points. This may help explain the effectively equal labor-force participation rate for women and men (with women making up 49.5% of the total labor force). According to the World Bank, women's labor-market earnings are not as high as those of men when controlling for various other factors.

There is evidence that ethnic and regional origin play a role in access to education, employment and the market. In the capital, the Merina-Côtier (highland-coast) divide runs through the political, societal and employment spheres. The Merina population has privileged access to education, employment and public office. This is explained in part by the strong centralization of all services and infrastructure in the capital city, which complicates access for the people from the coast. At the same time, there is a significant number of non-citizens who are deprived of their most basic rights and have to pay for health services, in particular.

Equal opportunity

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'06 '22 10



11 | Economic Performance

Madagascar is a low-income country with a fragile political situation. This poses major development challenges, although it is a country with huge potential human and natural resources. Madagascar has experienced sustained growth (from -3.9% in 2009 to 5% in 2018) for the last decade combined with poverty reduction (from 75.3% in 2010 to 74.3% in 2019). In 2017, the economy grew by more than 4% for the second year in a row; it was around 5% in 2018, the highest rate in the last decade. Growth was 4.4% in 2019 with export-oriented sectors such as textiles, mining and tourism performing particularly well.

These gains were abruptly reversed in 2020, as the COVID-19 pandemic triggered a sharp economic slowdown. The combined impact of global trade disruptions and domestic containment measures is estimated to have resulted in a GDP contraction of -4.2% in 2020, similar to that observed during the devastating 2009 political crisis.

The poverty rate is estimated to have risen to 77.4% in 2020. Poverty persists particularly because economic growth has not kept pace with population growth. Poverty has consequences for the general business environment for private companies and investors, for example because of the population's low purchasing power, the country's limited infrastructure and a general environment of corruption.

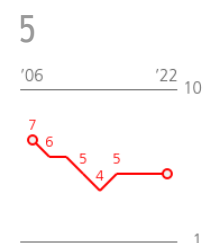
The budget deficit, 1.5% of GDP in 2018, rose to 2.4% in 2019. The sudden loss of fiscal revenues in 2020 was a major driver of rising budget deficits, which reached 5.2% of GDP. The economy should recover in 2022-23 with gradually declining budget deficits, with 3.8% projected in 2023.

The current account, after a surplus of 0.8% of GDP in 2018, shifted to a deficit of 0.2% of GDP in 2019. The risk of external debt overhang, moderate in 2015, moved to low in 2019. Monetary policy is expected to continue to focus on controlling inflation. Inflationary pressures remained strong between 2015 and 2019, with inflation reaching a high of 8.6% in 2018 and falling to 6.2% in 2019.

Gross official reserves reached 4.3 months of imports in 2019 and 6 months in September 2020 (compared with 4.1 months in 2018). The current deficit decreased to an estimated 2% of GDP in 2018, due to a 19% rise in the value of imports and a 13% rise in the value of capital goods. Exports are dominated by products with little added value, including cloves, vanilla and mining products. Unemployment rates remain the same as in the previous period, which means 1.8% in 2017, according to the latest World Bank data available.

GDP per capita PPP and GDP per capita growth have been increasing gradually since 2017. GDP per capita in PPP terms was \$1,714 in 2019, slightly up from \$1,584 in 2017. GDP per capita growth was 2.1% in 2019, which is up from 1.8% in 2018 but still far from the pre-crisis (2009 – 2013) level of 4.1% in 2008.

Output strength



Despite recent progress, tax revenue remains low. The tax-to-GDP ratio increased for the seventh year in a row in 2019, up to 10.5% compared to 10.1% in 2018. But it remains one of the lowest in sub-Saharan Africa, and it is significantly lower than 15.5% of GDP in non-resource rich low-income and developing countries. In 2020, the tax-to-GDP ratio decreased to 9%, its lowest level since 2012. This sudden loss of fiscal revenues was a major driver of rising budget deficits.

12 | Sustainability

Natural capital represents 49% of Madagascar's total wealth. In this context, natural capital can be considered as: i) forest land that produces timber (roundwood and fuel wood), non-timber forest products and bioprospecting; ii) protected areas; ii) agricultural land, including cropland and pastureland; and iii) fisheries.

Madagascar accounts for more than 5% of the world's biodiversity, about 90% of it endemic.

Within the African region, Madagascar is the second most vulnerable country to natural disasters. The country's vulnerability is a function both of high exposure due to its geographic position, and its low adaptive capacity, which is driven by high rates of poverty and unsustainable land and natural-resource usage. The cost of environmental degradation is estimated to be between \$450 million and \$500 million per year (9-10% of the gross national product).

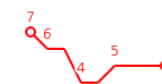
The government's environmental policy makes reforestation one of the major objectives (in 2018, Madagascar lost the largest proportion of primary tropical forest anywhere in the world). It calls for better management of protected areas with a possible overhaul of the system to make conservation more people-centric. Madagascar's network of protected areas includes 144 parks. Of these, the Ministry of Environment and Forests directly manages only 15, Madagascar National Parks (a quasi-governmental organization) manages 46, and NGOs, both domestic and foreign, oversee 92. These efforts are primarily supported by international donors, especially because the state budget devoted to the environment (2%) is too low. Also, although reforestation efforts are real, results remain rather weak as parts of the population still depend on deforestation for their survival. The root causes of deforestation would need to be addressed to make the results more meaningful.

In terms of environmental governance, Madagascar has adhered to various international institutional and conventional frameworks and has set up dedicated structures. The latter have few resources and little collaboration between them, which makes their work difficult. In addition, addressing the issue of illicit trafficking in natural resources is a crucial element in governance and the rule of law. It can be said that environmental concerns are prioritized in theory but in practice there are a lot of constraints to making the different measures effective.

Environmental
policy

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The administration of education runs vertically, with governing bodies across eight levels, from the Ministry of Higher Education and Scientific Research, through to regional directors of national education (Directeurs Régionaux de l'Éducation Nationale, DREN), local CISCOS (circonscription scolaire), 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, 80% of teachers are “community teachers” (Fikambanan'ny Ray Amandrenin'ny Mpianatra, FRAM) with little or no training, who are hired and funded by parent associations. The system is generally well organized and pervasive, but the challenges of ensuring funding, training, oversight and payment through the official system have become acute. These teachers are much more present in poor and vulnerable areas.

According to UNESCO, the number of pupils was distributed as follows in 2019: 2,246,480 at pre-primary level, 3,467,514 at primary level, 4,319,984 at secondary level and 2,686,838 at university. The literacy rate stood at 74.8 % in 2018.

The current government rejected the Education Sector Plan (2018-2022) after having suspended it for one year (2019-2020). Rejected reforms included amendments to the school calendar and the examination at the end of primary school.

However, Madagascar has a United Nations Education Index average score of 0.486, which indicates that the level of education is average. This seemingly high average can be explained by the unequal access to education between rural and urban areas, with the majority of the population living in the rural areas.

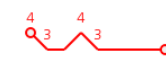
Madagascar's tertiary education sector is one of the least developed in the world and is far behind the average for sub-Saharan Africa. The public sector includes six universities, three senior technology institutes and a national distance-learning center. The private sector includes a growing number of poorly documented institutions that lack coherent framework authorization, accreditation and quality assurance. The distribution between public universities and private universities in terms of students is 70% and 30% respectively. Filling the shortage of professors and infrastructure in public universities is one of the objectives of the Plan Emergence Madagascar, although the budget for higher education is quite low (2.8%). Public spending on research stands at 0.0%.

The education budget continues to increase. This is due to the recruitment of teachers and the provision of free education. However, the budget is decreasing as a percentage of the total budget. It dropped from 22% in 2014 to 12% in 2021. Total public spending on education as a percentage of GDP declined significantly to 2.8%, which is well below the average for low-income countries. This is explained more by the general contraction of public expenditure than by a lack of prioritization by the government, illustrated by many changes of ministers since 2018, both at the Ministry of National Education and the Ministry of Higher Education. About 20% of total education spending was financed by external funds. In addition, the increase in the number of students creates an infrastructure problem. The construction of infrastructure by the state does not cover the deficit, especially in rural areas.

Education policy /
R&D

3

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Governance

I. Level of Difficulty

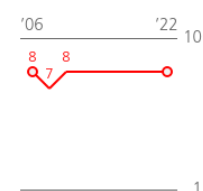
Socioeconomic indicators improved over the 2014-2018 period after a five-year transition when these indicators were at their lowest. However, there are a number of structural constraints. These include weak and fragile institutions because of political influences, as has been elaborated earlier in the report, as well as climate constraints as Madagascar is highly exposed to the consequences of climate change and deforestation. Diseases and geographical isolation – with large areas inaccessible and without state presence – are also important constraints, as is extreme poverty. These issues mean that the country encounters difficulties in drastically improving its governance performance.

The European Centre for Electoral Support mentions other intensifying structural constraints, including infrastructure deficiencies (roads, electricity and water provision, communication), education and the lack of a skilled labor force (less than 15% of the labor force has a secondary education, and only 3.4% of workers have a tertiary education). Although the country has made notable progress (e.g., in governance, stability and economic growth), it is still vulnerable to weak state institutions, as well as challenges related to elite capture. Political and economic performance is weak, with widespread corruption being a significant obstacle.

However, the country has seen a gradual increase in public investment, as well as in economic growth although this economic growth has struggled to keep up with the rapid population growth. Moreover, the COVID-19 pandemic triggered an economic recession after reaching a growth rate of 4.4% in 2019, the highest in a decade. Consequently, the fight against poverty remains a major challenge, and poverty remains at a high rate despite slight progress. The effects of COVID-19, including job losses and a lack of income for informal workers, led the poverty rate to increase from 74.3% in 2019 to 77.4% in 2020.

Structural
constraints

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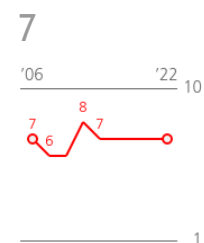


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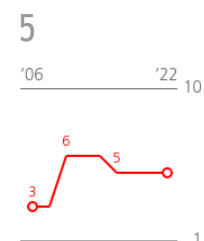
In general, civil society is rather weak in Madagascar. Although many associations and NGOs exist on paper and new organizations continue to be created, their actions have limited impact, especially in terms of playing a watchdog or advocacy role with regard to government institutions. Among the factors that weaken civil society are politicization; the lack of coordination or collaboration between different associations due to competition for limited resources; and a lack of social rooting on the part of organizations' leadership, who often act in their own interests instead of the general interest. However, efforts are underway to create large-scale platforms with representation at the local level. An example is the Rohy movement, which makes a considerable effort to play a watchdog role. The same can be said of some organizations active in observing elections, who regularly formulate official complaints about the electoral process. Civil society organizations are consulted by the government, for example on the budget, elections and the environment, but this remains limited and some groups face pressure from powerful interests. In addition, in terms of social capital, trust in other members of society is rather low and is mainly present within family circles and much less in society in general. As a result, membership of NGOs is relatively low.

Malagasy society is structured by several cleavages of varying type: political, social, ethnic and religious. However, these cleavages do not lead to widespread violence or open, violent conflict. In an Afrobarometer survey on this topic (2016 – 2018), 90% of respondents said they were not victims of violence during political rallies or electoral campaigns and 78% stated they would never take part in a protest or use violence for a political cause. One of the reasons is that the population in general does not benefit from political change and has lost confidence in political movements promoting change. Another reason is that in general demonstrations (of a political, social or economic nature) are forbidden, and when they take place, they are repressed by force. In October 2019, a demonstration against the construction of the city Tanamasoandro was dispersed by the security forces with tear gas. This was also the case in Tamatave during a demonstration against the effects of the COVID-19 lockdown in June 2020, and during a student demonstration in January 2021 in the capital. This situation prevents the opposition from rallying its supporters. Despite its announcements, the current government has not relaunched the national reconciliation process.

Civil society traditions



Conflict intensity



II. Governance Performance

14 | Steering Capability

When it comes to long-term political and economic strategies, there has not been continuity among the various ruling parties since independence. These strategies are often called into question by each newly elected party, which tends to create a new development plan that lasts for the duration of the presidential term. However, the priorities are the same: development, growth, the fight against poverty and corruption. This is the case with the current development plan, the PEM (2019-2023), although its adoption has not yet been achieved.

As a result, the confidence of international partners is somewhat impaired, although it has not jeopardized their cooperation. Moreover, the government has put in place support plans for households and the private sector affected by COVID-19 in order to respond to the economic recession. The Multisectoral Emergency Plan includes health and safety measures, cash transfer programs, tax relief for the private sector and the supply of exceptional liquidity to the financial system. The pandemic has not as such changed priorities but has postponed them. Economic reforms initiated by the IMF since 2014 are still underway with a relaunch of talks in January 2021.

During the 2018 election campaign, the current president presented an economic program, Initiative Emergence Madagascar, which forms the basis of the current development plan (PEM) and the general policy of the state. However, as of the time of this writing (January 2021), the PEM has still not been officially adopted, making it difficult to collaborate with international partners although the previous cooperation agreements are still in progress. The impact of the coronavirus crisis has prompted the government to adopt a short-term economic recovery plan that is designed to complement the PEM, which is focused on investments in infrastructure and industrialization.

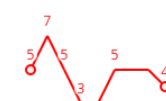
The implementation of these plans requires collaboration with private and international partners, which is not fully effective. The action of donors mainly focuses on the effects of coronavirus on households and the private sector. In addition, the various elections in 2019 and 2020 allowed the ruling party to consolidate its power, although it has still not been able to effectively implement the PEM.

Question
Score

Prioritization

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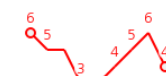


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Implementation

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In Madagascar, innovation in policymaking is difficult, as is flexibility. Given the heavy dependence on grants, loans and external investment, the government is forced to adapt its policies to conditions and recommendations from donors and investors. The country has shown its willingness to adapt and learn from the past by accepting the recommendations. The flexibility and capacity for innovation of administrations in terms of macroeconomic growth and democratization seem to be motivated from the outside rather than stimulated by vision and internal forces. This explains why change is generally slow and difficult, especially at the political level, where long-standing traditions of concentration of power in the hands of a small political and economic elite make it difficult to introduce real change and “a culture of responsibility.” Moreover, with regime change there is a tendency to not learn from past regimes but rather to start on a new page without taking into account previous lessons learned. Although innovative approaches and initiatives are often part of the development plans, such as in the current Emergency Plan, often these ideas remain on paper, and it seems difficult to put them into practice because of lack of funds or other structural constraints. The COVID-19 has reinforced this pattern with a lack of transparency on the measures to fight the pandemic, in particular on the management of funds.

15 | Resource Efficiency

The government does not make efficient use of most available human, financial and organizational resources. There is a lack of transparency in recruitment and promotion. A significant number of the members of the administration were not recruited on the basis of their qualifications. This is true for the highest ranks in government. There are also weaknesses with regard to capacity building. Training programs for state officials lack the means to qualify them fully for their ongoing responsibilities. The fragmentation of the public service and the emergence of corporatist structures impose additional constraints and management problems. The existence of various special statuses of certain parts of the administration means that public service bodies receive broadly unequal treatment.

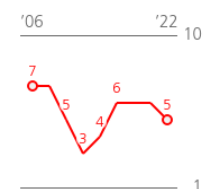
The General Internal Audit Directorate, which is overseen by the Ministry of Finance, rarely conducted audits during the review period. However, the Court of Auditors has published reports since 2016. In its 2018-2019 report, published in November 2020, it notes a non-compliance with legal and financial procedures by state bodies.

The parliament does little to oversee public expenditure and is in general seen as a chamber that approves government-proposed texts, rather than a counter-voice or a body that proposes amendments. Thus, the national budget is primarily prepared by the government, and the parliament approves it with few modifications.

The policy of decentralization has not produced the expected results, not even after the communal elections of November 2019. The high concentration of civil servants

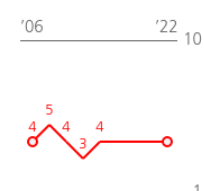
Policy learning

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Efficient use of assets

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in the region of Analamanga affects the state's ability to provide public services in the outlying regions. Moreover, the allocation of financial resources to the provinces, regions and municipalities is not fairly organized. Most expenditure remains concentrated in the capital.

Madagascar is a country with many advantages, including unmatched biodiversity, great agricultural potential, mineral resources and abundant labor. Madagascar has shown its ability to be efficient when its resources are deployed effectively, but these periods have been punctuated by recurrent political crises. Disturbances have left the majority of the population living in a condition of extreme poverty, which have increased with COVID-19. The government hopes to boost growth thanks to its emergency plans (Marshall Plan) as well as the PEM. These plans focus mainly on infrastructure with little impact on growth, instead of investing in human development.

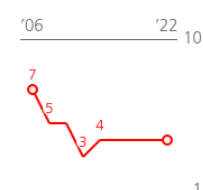
Donors await official adoption in order to launch aid and economic cooperation programs. As such, continuity in the reforms undertaken is necessary to continue the progress made during recent years. In addition, coherent and adequate policy will require a change in governance style from the “rule of man” to the “rule of law.” Rules must be clear, applied equally to all and implemented through discussions with stakeholders.

The fight against corruption is part of the campaign promises of the current president. Since taking office, the objective has been zero tolerance, and strengthening the legal framework and institutions in charge of the fight against corruption. The priorities are the fight against fictitious public contracts and large-scale corruption cases involving decentralized territorial communities, land services, the judiciary, the gendarmerie, the national police, environmental agencies, customs and taxes. As such, a recognized figure of civil society was appointed head of the Superior Council of Integrity in February 2019 due to his reputation for integrity. The Law on the Recovery of Illicit Assets was finally adopted by presidential decree in July 2019 after several rejections by parliament, and it entered into force in July 2020 in the midst of the coronavirus pandemic.

In this context, the Illicit Assets Recovery Agency should be set up in 2021. Corruption is systemic despite Madagascar's adherence to international conventions against corruption, organized crime (the UN Convention against Corruption, the UN Convention against Transnational Organized Crime and the African Union Convention on Preventing and Combating Corruption), to which is added a large body of law (Anti-Corruption Law No. 2004 – 030, the 2011 Law on Political Parties and the National Strategy of Fight Against Corruption 2015 to 2025) and the establishment of special courts. This has a serious impact on potential economic and political performance.

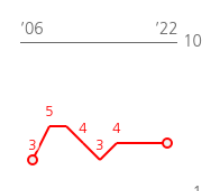
Policy coordination

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Anti-corruption policy

4



Indeed, Madagascar faces a lack of transparency in the sources of funding for political parties; the absence of a cap on campaign funds; the declarations of assets of elected officials; and patronage in the public service. The media do their best to deal with corruption issues, although corruption cases often concern the former regime.

Despite modest reforms to public procurement procedures, accountability and audit mechanisms remain weak and have raised many concerns. There are still many direct auctions of tenders, despite the regulations in force. This was accentuated during the coronavirus pandemic and suspicions of corruption increased.

16 | Consensus-Building

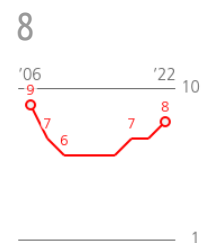
In general, there is a broad consensus on democracy, and there are no serious disagreements between the major political actors with regard to the desirability of a market economy. The results of the 2018 presidential election were accepted by the main political actors despite some protests. This marked the first transfer of power between an outgoing president, Hery Rajaonarimampianina, and an elected president, Andry Rajoelina. The president has a majority in all institutions at the national and local level, after the legislative and local elections of 2019 and the senatorial elections of 2020. All these elections were multiparty elections with the exception of the senatorial elections, which were boycotted by the opposition. However, laws and institutions matter less than personal relationships in the prevailing condition of zero-sum politics.

There is a broad consensus on the value of a market-oriented economy. The Emergence Initiative for Madagascar (2019-2023) was discussed and accepted by the parliament. But this program must be transformed into Plan Emergence Madagascar (PEM), and its official adoption is expected at the beginning of 2021. The second of the three pillars of the PEM is the economic base (accelerated, inclusive and sustainable growth). A part of the private sector has close ties with the political power, which facilitates consensus.

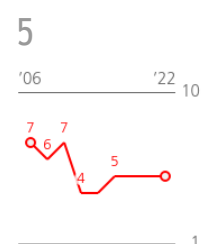
The armed forces are not under civilian and democratic control and played a key role throughout the crisis and the unconstitutional change of power. The military is historically weak and has been politicized as various presidents have sought to ensure its support. The Security Sector Reform initiated by the former president was relaunched by the current president in January 2021. The restructuring of the armed forces should, among other things, restore confidence in civilian-military relations and limit the politicization of the military.

The opposition coalition denounces the authoritarian practices of the government. Despite rumors of destabilization, it participates in the democratic game through the different institutions.

Consensus on goals



Anti-democratic actors



Social, ethnic, religious, regional and political cleavages in the country are significant. Ethnic cleavages sometimes drive the dynamics of associations and initiatives, but ethnic strife is rather limited. These cleavages largely do not produce widespread violence or open, violent conflict.

The regional cleavage is primarily the effect of the strong centralization of politics in the capital city and an ineffective decentralization policy. However, in September 2019, the current president initiated a new decentralization policy by appointing a governor with a specific budget to lead each of the regions.

In addition, Madagascar is an unequal society due to the high rate of poverty and climate change, which leads for example to famine in the south due to the lack of rain. People are forced to migrate to urban centers, and this can be a source of conflict as employment opportunities are limited.

As civil society in general is weak, political leaders are not encouraged to involve civil society organizations in agenda setting, policy formulation and evaluation. When this happens, it is often at the request of external donors. Very few mechanisms for communication, dialogue and accountability exist. This situation explains partly the status quo in terms of governance performance and the widespread culture of corruption at the political level. However, in the last few years, initiatives have been created and funded to set up mechanisms to create dialogue between political authorities and civil society. This has been confirmed by the Law on Decentralization, which requests local elected authorities to create platforms for consultation with civil society to elaborate on local development plans. Civil society organizations are also increasingly supported by external partners to develop mechanisms to evaluate political performance and formulate policy recommendations. Among them is the Rohy movement, representing more than 100 organizations.

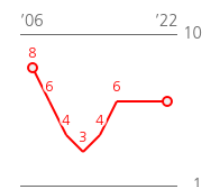
Civil society has been active in the fight against COVID-19 with awareness-raising actions and aid to the most vulnerable populations, but this has been done independently rather than in cooperation with the state.

In 2014 and 2015, a reconciliation process was organized by the Council of Christian Churches in Madagascar (FFKM) between the various current and former presidents. A law on reconciliation was adopted in December 2016 and the Conseil du Fampihavanana Malagasy (CFM, the reconciliation organ that replaces the Comité pour la Réconciliation Nationale) was in October 2017.

The process of national reconciliation represents a major step toward the normalization of the political situation, aiming to reduce the effects of the country's prevailing winner-takes-it-all politics and even end the condition of exclusion and exile that has followed each crisis. Despite the efforts made, the results are rather weak.

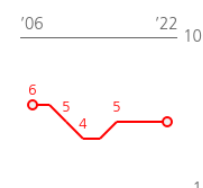
Cleavage / conflict management

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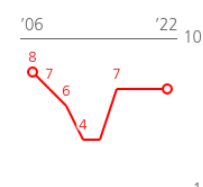
Civil society participation

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Reconciliation

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In 2019, political parties asked FFKM to resume the process of national reconciliation for a reform of the state. The CFM continues its work on requests for amnesty and social conflicts at the local level, but it is contested by some citizens and political actors. Moreover, the current government does not consider national reconciliation as a priority.

17 | International Cooperation

International cooperation is important in Madagascar's development policy, the Plan Emergence Madagascar (PEM). Like previous national development plans, it relies on the strong involvement of development actors and partners, both public and private, and both national and foreign. The 2019 to 2023 government program includes the following objectives for international relations: the implementation of economic diplomacy; the promotion of win-win economic partnerships; optimization of international cooperation; and strengthening of Madagascar's presence on the international scene. However, the government has not been able to effectively implement its development strategy as the PEM is still not approved officially and this is needed to mobilize international support. Nonetheless, the projects concluded under the previous regime continue to benefit from donors' support and are therefore applied by the current regime.

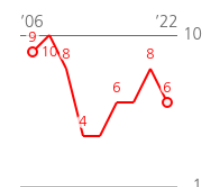
Political dialogues between the government and its partners are held on a regular basis. The coronavirus pandemic has reoriented international cooperation toward short-term actions aimed at the most vulnerable populations and the most affected sectors. However, negotiations for the future aid cycle have resumed. As such, consultations with the IMF resumed in January 2021 after a suspension due to COVID-19. The EU, for its part, awaits the official adoption of the PEM in order to concretize its cooperation.

The 2018-2020 electoral cycle has strengthened Madagascar's image of stability, which began to improve during the previous electoral cycle, and this also reinforces its credibility and confidence within the donor community. President Rajoelina engages in partnerships with industrialized countries in the Americas, Asia and Europe, and with countries across the African continent. The country collaborates with the international donor community (the IMF, the World Bank, the European Union, UN agencies and bilateral donors). Madagascar has also signed international agreements with various countries (China, France, Germany, India, Japan, Mauritius, Morocco, Russia, South Korea and the United States) and is part of regional and international organizations such as the United Nations and the African Union.

Moreover, the country has signed all international treaties on industrial and commercial property. It has ratified human rights protocols and thus made binding international commitments. In terms of compliance with these treaties, regarding human rights there have been complaints by political opposition, civil society groups

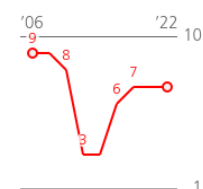
Effective use of support

6



Credibility

7



and trade unions about a lack of freedom of assembly and speech. As a member of the International Criminal Court (ICC), Madagascar played an important role in preventing a mass exit of African countries from the ICC.

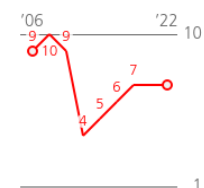
Madagascar has made international and regional cooperation a priority in its new international policy. The country has membership in several subregional organizations, such as the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Indian Ocean Commission (IOC) and the Indian Ocean Rim Association for Regional Cooperation (IOR). Madagascar has also signed the African Continental Free Trade Agreement (AfCFTA) and the ratification process is underway. Moreover, it wishes to join the Association of South Asian Nations (ASEAN) as part of its cooperation policy.

Madagascar also has cooperative agreements with neighboring states. The first state visit of the president was to Mauritius in March 2019. Agreements were signed on education, trade cooperation, tourism and the fight against illicit trafficking. This visit was part of a strengthening of cooperation between the two countries initiated by the 2016 state visit of the former Malagasy president.

The fight against illicit trafficking, particularly in drugs, is an issue in which the countries of the region are engaged. Cooperation with India also exists in the field of defense and in the fight against COVID-19.

Regional cooperation

7



Strategic Outlook

As most institutions have elected representatives since 2020 (except at the regional and provincial levels), one condition is in place for improving institutional and political stability, and macroeconomic and social indicators. Recovery from the economic recession due to COVID-19 and lifting the country out of extreme poverty will be crucial in the years to come. The government needs to mobilize additional domestic resources for priority investments in human capital and infrastructure. The implementation of far-reaching reforms is necessary to stimulate private investment, job creation, agricultural productivity and food security. From this perspective, the official adoption of the Plan Emergence Madagascar (PEM) and its implementation with the support of both donors and investors is an important step. An important challenge will be to guarantee a certain continuity in political and economic governance. In order to improve the general democratic and economic climate, the following actions are suggested, which are similar to the previous period as the major challenges remain mostly the same:

- strengthening institutions and governance at all levels;
- appointing new members of the High Constitutional Court and the Electoral Commission, whose mandate expires in 2021, in accordance with constitutional rules;
- continuing the reconciliation process with the participation of all relevant political, economic, military and social actors, and avoiding the concentration of political and economic power, as a necessary condition for political dialogue and stability;
- promoting the creation of political parties rooted at a national level, while regulating the participation of independent electoral candidates in order to reduce political fragmentation;
- implementing the provisions of the Law on Political Parties on accounts and spending transparency before and during elections to guarantee a level playing field;
- continuing the reforms of the security sector and judiciary (for example, by barring military officers from serving in political or civilian administrative capacities; improving maritime security; participating in peacekeeping missions; ensuring that career advancement within the military is shielded from political manipulation and in line with international best practices; and facilitating cohesion and professionalism) and promoting human security;
- improving the national budget development process by organizing consultation rounds with the parliament, the private sector and civil society;
- implementing an effective decentralization process through the concrete distribution of state resources;

- promoting free competition and a healthy fiscal climate, and improving infrastructure in order to stimulate growth by attracting national, regional and international investors;
- further increasing fiscal maneuvering room in order to raise the level and efficiency of pro-poor/pro-growth spending while preserving the sustainability of the public debt. This must involve further broadening the tax base, a comprehensive revenue-mobilization strategy, improvements in the composition and quality of public expenditure, and strengthening public financial management;
- increasing public expenditure on social protection, education and health care, especially in rural areas;
- increasing investment in environmental protection and climate change in order to limit the risk of migration, a source of conflict;
- investing in young people and women (employment and training);
- improving the “watchdog” role of civil society, giving it the ability to oversee public actions and request accountability. This can be done through capacity building and the reinforcement of social networks; and
- • improving access to information, while allowing private audiovisual media to establish national coverage.