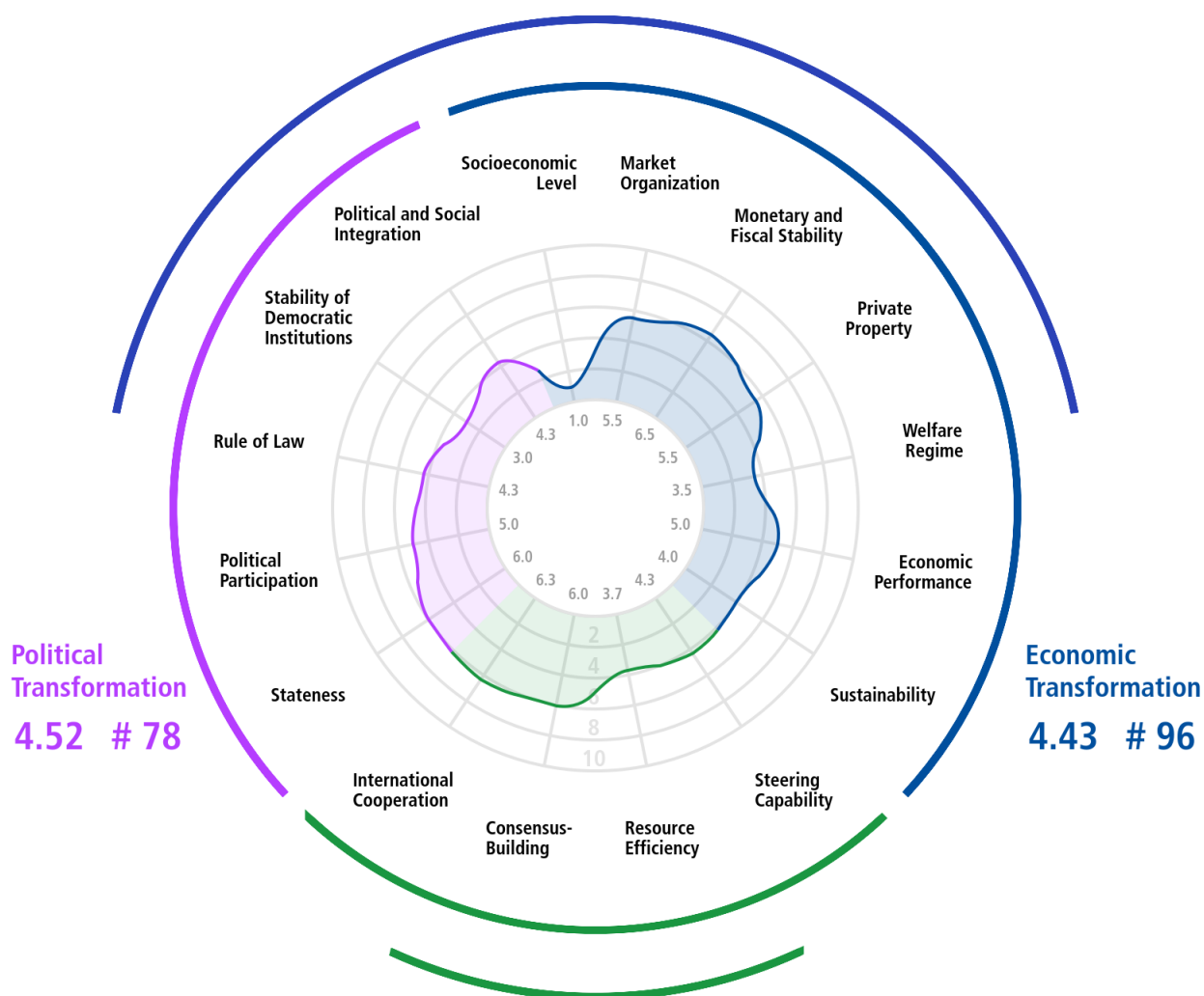


Madagascar

Status Index

4.47 # 91

on 1-10 scale out of 137



Political Transformation
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Governance Index

4.76 # 66

on 1-10 scale out of 137

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2024. It covers the period from February 1, 2021 to January 31, 2023. 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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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	29.6	HDI	0.501	GDP p.c., PPP \$	1774
Pop. growth ¹	% p.a.	2.4	HDI rank of 189	173	Gini Index	42.6
Life expectancy	years	64.5	UN Education Index	0.452	Poverty ³	% 92.4
Urban population	%	39.9	Gender inequality ²	0.556	Aid per capita \$	36.2

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

During the period under review, President Rajoelina further consolidated his power while Madagascar prepared for elections scheduled to be held in November 2023.

The country's development plan, known as Plan Emergence Madagascar (MEP), aims to transform Madagascar into a strong, united and welfare-oriented emerging nation. Madagascar still faces enormous challenges in terms of macroeconomic stability and democratic performance. It is therefore imperative that the country organize a peaceful, transparent electoral process that ensures free and fair participation, thereby allowing it to continue on the path toward stability. This, in turn, will enable the implementation of necessary reforms aimed at stimulating economic growth and reducing poverty.

In recent years, Madagascar has struggled with economic recessions exacerbated by the effects of the COVID-19 pandemic, the conflict in Ukraine and the persistence of climatic shocks. These events have underscored the nation's economic vulnerability and its reliance on foreign support.

History and Characteristics of Transformation

Madagascar's modern history began with the reign of King Andrianampoinimerina (1787 – 1810). In 1896, the French deposed the monarchy but retained the existing administrative system, maintaining the caste and taxation systems established during the Merina monarchy, which served to fund labor and infrastructure development. The Malagasy uprising in 1947 resulted in an estimated 100,000 deaths. It was not until 1960 that Madagascar finally achieved independence.

The initial president of Madagascar's first republic (1960 – 1972), Philibert Tsiranana, maintained strong ties with France. He was subsequently overthrown by Frigate Captain Didier Ratsiraka, who adopted a policy of scientific socialism in 1975. After recognizing the economic unsustainability of this system, Ratsiraka began to shift toward a more market-oriented approach.

In 1991, a civil servants' strike led to the establishment of a transitional government, and Albert Zafy was democratically elected as its first leader under a new constitution in 1992. However, Zafy's government was unable to stem the economic decline, resulting in his impeachment on July 26, 1996. Despite this, Zafy contested the 1996 election, which he ultimately lost to Ratsiraka.

In 2001, Marc Ravalomanana, the self-made millionaire and mayor of Antananarivo, won the presidential election. Ratsiraka, refusing to accept defeat, precipitated six months of social, political and economic conflict. Ultimately, Ravalomanana was recognized as the president and secured re-election in 2006. His tenure was marked by political unrest, culminating in his resignation following an army revolt in 2009. The military then installed Andry Rajoelina, the mayor of Antananarivo. This unconstitutional change of government garnered significant criticism from regional organizations and the international community.

In 2011, a road map was established for presidential and legislative elections. The elections took place in 2013 and were won by Rajoelina's candidate, Hery Rajaonarimampianina, and his electoral coalition, defeating Ravalomanana's preferred candidate, Jean-Louis Robinson. The newly formed presidential party also triumphed in local and senatorial elections in 2015, securing a majority that allowed them to implement their economic program. Ambitious reforms during Rajaonarimampianina's rule contributed to ongoing economic growth.

After protests against electoral laws in April 2018, national and international mediation resulted in the formation of a consensus government in June 2018 and the holding of a presidential election later that year. In accordance with the constitution, Rajaonarimampianina stepped down from power in September 2018. Rajoelina was subsequently elected president of the republic. Notably, Ravalomanana accepted defeat and urged his supporters to halt demonstrations in the interest of promoting 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 (1972, 1975, 1991, 2002 and 2009). Working conditions within the security forces, 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), who initially acted mainly in the south, which was considered a red zone. However, escalating insecurity has resulted in their activities manifesting themselves over three-fourths of the country's territory and in crimes by other thieves in rural areas who often work in collusion with 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). A restructuring of the military, initiated under the previous regime, was implemented to respond to the numerous security challenges without, however, managing to improve the situation. 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.

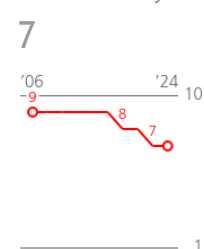
Some groups are denied full citizenship rights. The outdated Malagasy Nationality Code (1960) prescribes that only those of Malagasy descent are eligible for Malagasy nationality. Malagasy nationality is conceived as a nationality of filiation. The application of this concept of nationality, based on the 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

Question
Score

Monopoly on the
use of force



State identity



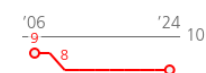
Ministers discussed a new law. However, although the modifications adopted by parliament in December 2016 (“Loi n°2016-038 modifiant et complétant certaines dispositions de l’Ordonnance n° 60-064 du 22 juillet 1960 portant Code de la nationalité malagasy”) gave Malagasy women a new right to transmit nationality, they did not resolve the question 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.” Indeed, drafting a bill to facilitate the naturalization of stateless persons and organizing various ownership workshops have not resolved the issue. The bill was tabled in July 2021, to be discussed in November 2022 in parliament, but no action was taken. Since 1960, only 1,600 people have been naturalized. Since 1997, despite an average of 50 to 100 naturalization applications each year, only one naturalization application was processed and accepted in 2009. The other pending cases were not denied but simply not processed. According to the Direction des Etudes Juridiques auprès de la Présidence de la République in 2019, between 1989 and 2020, six naturalizations were granted out of 194 applications. In general, the major social groups accept the nation-state.

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. Native-born Muslims have been unable to acquire Malagasy citizenship despite generations of residence due to a restrictive nationality code that states that children of unknown parentage should be evaluated on the basis of their appearance, ethnicity and other factors. Members of the LGBTQ+ community face considerable social stigma and discrimination.

Religious dogmas have also played an important role in Madagascar’s history. The FFKM has been involved in all the country’s recent political crises (1991; 2001 – 2002; 2009) and never misses an opportunity to express its opinion on the current political situation. This is notably the case with regard to the Conference of Bishops of Madagascar. Moreover, the Catholic Church supports a national political consultation, demanded by the opposition parties but opposed by the regime. Most political leaders use their religion as an instrument of mobilization.

No interference of religious dogmas

8



1

Basic administrative structures are present across the country but weakened by a lack of decentralization and, notably, of fiscal autonomy. The central government does not adequately meet the needs of the country's various regions.

The 2010 constitution outlines three levels of decentralized territorial entities (Collectivités territoriales décentralisées, CTD): provinces (six), regions (23, with the addition of the Vatovavy region in August 2021, following the division of the Vatovavy-Fitovinany region), and communes (1,695). While decentralization is one of the objectives of the current regime, as defined in Strategic Axis 13 of the Plan Emergence Madagascar (PEM 2019 – 2023), which aims to “establish an emerging decentralization policy” with a focus on the “autonomy and empowerment of decentralized local authorities,” the allocation for decentralization has decreased from 5% to 3% of the national budget, despite an increase in subsidies to the CTD. Consequently, Madagascar remains highly centralized, both in administrative and fiscal terms.

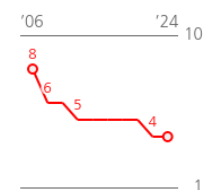
As a result of these weaknesses, national and international organizations carry out many essential state functions. This is particularly evident in sectors such as housing, nutrition and medical assistance. Most high-quality services, including hospitals, housing and schools, are concentrated in the capital city. To a lesser extent, such services may be found in the urban centers of provinces and regions, and to a very limited extent at the communal level. At the regional and local levels, some basic services exist, but their quality is notably low, especially in terms of medical assistance, education, housing and nutrition. A significant disparity exists between urban and rural areas in terms of access to essential public services, with urban areas enjoying better access, despite the majority of the population residing in rural areas.

2 | Political Participation

Madagascar can be considered an electoral democracy given its rich electoral history with more than a dozen national (presidential, parliamentary) and local elections since independence in 1960. However, the country has only experienced two peaceful power transfers (1996 and 2018). The other changes in power were carried out after elections following a sociopolitical crisis. The hegemonic practices of most of its regimes led to a decline of confidence in state institutions among citizens and political parties. The electoral management bodies are not sufficiently independent and lack transparency and credibility. Pre- and post-election violence has occurred (1971 – 1972, 1989 – 1991, 2001 – 2002, 2009, 2018) with both citizens and the armed forces mobilizing. National and international mediation has led to establishing transitions by election as a solution to conflicts.

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 street protests to stop. The electoral coalition supporting Andry Rajoelina won all the national and local elections in 2019

Basic administration
4



Free and fair elections
6



(legislative and communal) and 2020 (senatorial). These elections were seen as free, fair and transparent, despite election campaigns starting before the legal deadline and differential access to media and campaign financing.

In addition, the Electoral Management Bodies (EMBs) were renewed in 2021, but opposition parties and civil society contested some appointments because of possible conflicts of interest and proximity to political power. Indeed, both the electoral commission, in charge of all electoral operations, and the High Constitutional Court, responsible for the proclamation of final results and electoral disputes, are under criticism. With the presidential and the communal elections to be held in 2023, there is heated debate within society.

Moreover, the electoral commission has extended the deadline for the electoral census, slated for completion by the end of 2022, by a month due to a lack of interest among voters in registering and inadequate communication.

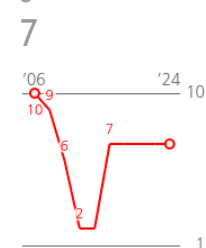
The ruling party TGV/MAPAR/IRD has considerable formal power to govern. It has the majority in all institutions (National Assembly, Senate, town halls and regions), despite the fact that the MMM party will no longer support the coalition government in March 2022 following its expulsion from the government.

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.

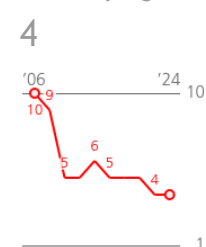
The constitution of the fourth republic (Article 10) guarantees the freedom of association and assembly. However, it has become more difficult to obtain a permit in order to hold unrestricted events. This is particularly the case in the capital, Antananarivo, where the police prefecture systematically refuses to grant demonstration permits. Some opposition political parties still organize demonstrations. These resulted in the arrest of political leaders, which occurred in July 2022.

Security forces are usually mobilized in large numbers to deter demonstrations, sometimes by using excessive force (tear gas or warning shots) to disperse protestors. This has occurred during demonstrations by university students (in Antananarivo in March 2022) and by supporters of political opponents and by other groups (sometimes resulting in deaths, in Ikongo in August 2022).

Effective power to govern



Association / assembly rights



The constitution of the fourth republic formally guarantees freedom of expression.

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.

An inter-ministerial decision adopted on April 22, 2021 banned radio and television broadcasts considered “likely to disturb public order and security and harm national unity” in the Analamanga, Atsinanana, Sava, Boeny and Sofia Regions. The decision was rescinded on April 26, 2021, following complaints from civil society and the media.

Judicial intimidation of whistleblowers has increased, such as with the former Ministry of Health official who posted a video on social networks in April 2021 alleging corruption in his ministry; the detention and then provisional release between March and July 2022 of a teacher who denounced on social networks the misappropriation of humanitarian aid intended for populations affected by the Batsirai and Emnati cyclones in the district of Nosy Varika; the summoning in November 2022 of the director and president of Transparency International Madagascar after the NGO made statements about potential corruption, fraud and money-laundering in the lychee trade sector.

Freedom of expression is curtailed by increased judicial and political pressure, with the government imposing a single candidate for the presidency of the Madagascar Journalists’ Association. In addition, the government elite owns all the media. A desire to control information seems to be gradually taking hold.

3 | Rule of Law

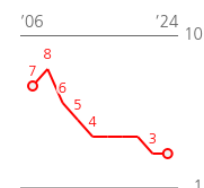
The constitution of the fourth republic consists of 168 articles. The state is organized along the three branches of power: the president and his or her government form the executive; the National Assembly and the Senate form the legislature; and the High Constitutional Court, the Courts of Appeal and 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 that he can convene extraordinary sessions of parliament and can call

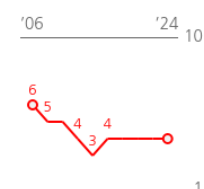
Freedom of expression

3



Separation of powers

4



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.

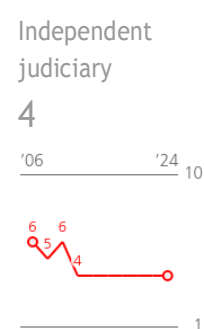
The personalization of power by successive presidents has undermined checks and balances, and the presence of an authoritarian power for such a long time has hampered the emergence of independent and credible institutions. For example, a motion of censure supported by more than two-thirds of the members of parliament against the government (blaming it for the non-implementation of projects included in the state's general policy, the executive's interference in the affairs of the Lower House and the resurgence of acts of corruption) was to be put to the vote on December 9, 2022. After a meeting convened by the president on December 7, the president of the National Assembly declared on December 8th that the motion of censure was inadmissible.

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 a 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. There are frequent allegations of corruption and a large backlog of cases.

The personalization of power by successive presidents has affected the functioning, transparency and independence of other institutions, especially the judiciary. In a statement in February 2022, the magistrates' union of Madagascar (Syndicat des magistrats de Madagascar) stated that threats, pressure and intimidation against magistrates from political and administrative authorities must end.



Rajoelina's government, through the PEM, has established a policy of zero tolerance in the fight against corruption. It has initiated various measures aimed at improving the legal framework and strengthening institutions fighting corruption as priorities. These include competitions for entering public service and awarding public contracts with a focus on decentralized territorial communities and various state services (land services, the justice system, gendarmerie, national police, environmental agencies, customs and taxes). However, in practice, the human and financial resources are not sufficient to achieve the zero-tolerance objective, especially since a number of public officials, including members of parliament and the government, have been involved in corruption cases. This is notably true for the former minister of justice, who was forced to resign in February 2022 for having been cited in a corruption case. His trial is still pending. This is an example of impunity.

The inefficiency in sanctioning corrupt public officeholders is due to the lack of independence within the institutions fighting corruption and political pressure. In addition, the president of the republic appoints the directors of anti-corruption institutions.

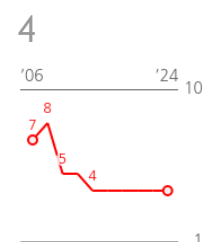
Even so, in December 2022, following the PAC's investigations and hearings, three directors of the national water and electricity company were placed under a committal order; 30 executives and heads of departments are under strict judicial control; and arrest warrants had been issued to law enforcement agencies for the current general manager, his predecessor and his chief of staff. But these cases are still pending.

The media widely covers corruption cases. Civil society denounces corruption by calling into question the acts of government authorities, but this does not yield favorable outcomes. It is very often social networks that make it possible to reveal corrupt practices, obliging the government to act, as in the case of the minister of justice.

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. The curtailment of freedoms that began during the COVID-19 lockdown, including prosecuting critics of the regime, has continued and even accelerated. In July 2022, an individual was arrested after making a thumbs-down sign in the direction of the presidential motorcade. Several people who expressed criticism on social networks have likewise been arrested.

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. The security forces also reportedly used beatings as punishment for alleged crimes or as a means of coercion and subjected prisoners to mental or physical abuse. For instance, in November 2021, plainclothes police officers entered several houses in Antananarivo without a search warrant and allegedly beat the occupants as part of a theft investigation.

Prosecution of office abuse



Civil rights



There have been unlawful killings and mob violence in various regions of the country, as in August 2022 in Ikongo, where some 15 people were killed and 20 injured following a police blunder. 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.

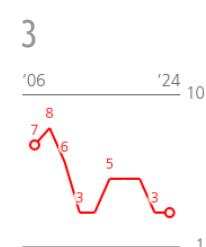
Legal provisions prohibit discrimination based on race, gender, disability, language and social status, but there are traditional, cultural, social and economic constraints on gender equality. Members of the LGBTQ+ community face social stigma and discrimination, even within their own families, particularly in rural areas. They also face discrimination in hiring practices. In the southern region of the country, people with albinism have increasingly been targeted for murder and abduction. According to civil society organizations, there have been more than a dozen kidnappings, attacks and murders in the last two years. This happens mainly in regions affected by chronic insecurity linked to the dahalo and is motivated by ritual practices. Politicians manipulate ethnicity and caste differences, which may result in discrimination.

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 last presidential election was organized in 2018, legislative and local elections in 2019, and, in December 2020, the Senate election took place. These elections gave the new regime a majority in the different institutions, providing a political basis for the country's stability. The personalization of power has encroached on the functioning of government and parliamentary institutions, with a concentration of power in the hands of the president of the republic. The central position of the president in the political system limits its ability to act, resulting in parliament acting as a registration chamber with laws coming mostly from the executive. The parliament lacks the strength to act as an effective check on executive power. The president appoints heads of local institutions, in particular regional governors, whereas the constitution provides for their election. Frequent changes of government, as well as a lack of both financial and human resources, do not allow the administration to properly fulfill its public service mission. Moreover, at the local level, low budget allocations to the administration affect its ability to carry out its mission.

Political forces thus mainly guide institutional functioning according to partisan interests rather than clear rules of the game on behalf of the general interest.

Performance of democratic institutions



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 (no elections have been organized).

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 pervasive 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 own political parties after their elections. With about 200 registered political parties in 2022, the system is highly fragmented, volatile and polarized.

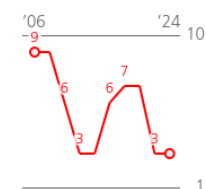
However, polarization changes according to power relations. Politicians will easily change parties according to where they have their interests met, and most will try to belong to the party in power. As such, the political “transhumance” phenomenon combined with clientelism makes political polarization 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-take-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.

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.

Commitment to democratic institutions

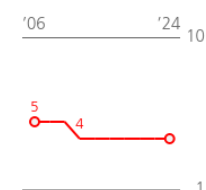
3



1

Party system

4



1

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 and are mainly active in the fields of social welfare, health and education. However, only a small number of groups have a 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. This often results in personalization around the figure of the NGO leader. Dependence on donors creates a spirit of competition for access to financial resources, so that trust between NGOs is low and sharing information and skills does not necessarily occur.

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. Some play a complacent role with regard to the administration, which prevents them from fully acting as watchdogs.

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 levels 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 the management of COVID-19 funds. Faced with a fragile political situation and on the eve of the next presidential election (scheduled for the end of 2023), the FFKM has expressed its willingness to act as a mediator and called on all actors to work toward a peaceful electoral process.

The approval of democratic norms and procedures is fairly low. Madagascar is a hybrid regime, according to the 2021 Democracy Index compiled by the Economist Intelligence Unit. Madagascar has risen two places compared to its 2019 ranking and is now in 83rd place. Despite this slight improvement, the country is down one place on the African continent, ranked 10th in 2021.

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.

Interest groups

5

'06 _____ '24 10



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Approval of democracy

n/a

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_____ n/a n/a 1

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

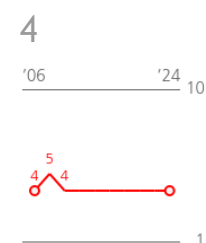
Approval of a democratic system slightly decreased between 2014 and 2018, from 50% to 47%. While a majority still said they supported democratic principles, 60% of the respondents said they were against a one-party system that monopolizes all power (compared with 83% in 2014). A majority of Madagascans,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

A survey conducted in 2021 by Transparency International Madagascar estimates that 43.5% of citizens trust members of parliament. This is because members of parliament only interact with their constituencies during the election campaign, demonstrating a low level of accountability.

Survey data on social capital and solidarity among 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 in Malagasy culture. However, observers note that solidarity and trust among citizens have been affected by the 2009 to 2013 political crises, 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 in 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 2021, Madagascar's Human Development Index (HDI) experienced a decline, dropping to 0.501 from its 2019 level of 0.510. This brought the country's HDI back to a level comparable to that of 2014. Madagascar falls into the category of low-human-development countries and retains its rank of 173rd out of 191 countries.

Madagascar is widely recognized as one of the poorest countries in the world and faces serious challenges related to poverty and major inequality. According to the World Bank, a combination of factors, including the COVID-19 pandemic, the conflict in Ukraine and climate impacts, led to a notable economic downturn. This resulted in a 7.1% contraction in GDP and a 9.8% decrease in per capita income, along with a collapse in export earnings and private investments. In 2020 alone, an additional 2.4 million people slipped below the poverty line, pushing the poverty rate to a staggering 81.9%. These various shocks have reversed more than a decade's worth of progress in poverty reduction, leading to disparities in health, education and living standards. This is evident in a multidimensional poverty rate of 70.3%, an estimated poverty intensity of 54.9, and a multidimensional poverty index of 0.386. Households in rural areas bear the brunt of this poverty, particularly those led by women or heads of household without an education, characterized by large family sizes and situated in the southern regions, notably the Androy region. Rural areas, where 80% of the Malagasy population resides, report significantly higher poverty rates, with 76.6% experiencing multidimensional poverty, than urban areas, where the rate is 50.3%. This discrepancy is largely attributed to challenges related to accessibility, limited access to education and insufficient health care services in rural settings compared to urban areas.

Madagascar has a gender inequality index score of 0.556, highlighting substantial disparities between women and men that become more pronounced in adulthood. Traditional, cultural, social and economic constraints persistently hinder women from enjoying equal opportunity, with difficulty in inheriting land and property being a notable example of gender inequality.

The Gini index, which measures income inequality, increased from 38.88 in 2005 to 42.6 in 2012. Additionally, Madagascar's 2021 inequality-adjusted HDI is 0.367, representing a loss of 26.74% compared to the HDI, having dropped seven places. In 2021, the country also had an inequality coefficient of 26.9.

Although there is no systematic exclusion based on these characteristics, there is evidence that ethnic and regional origin play a role in determining access to education, employment and the market.

Question

Score

Socioeconomic
barriers

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Economic indicators		2019	2020	2021	2022
GDP	\$ M	14104.7	13051.4	14554.8	14955.0
GDP growth	%	4.4	-7.1	5.7	3.8
Inflation (CPI)	%	5.6	4.2	5.8	8.2
Unemployment	%	1.8	2.4	2.3	2.1
Foreign direct investment	% of GDP	3.4	2.7	2.5	2.6
Export growth	%	10.9	-36.6	55.0	27.5
Import growth	%	4.6	-16.6	12.7	19.8
Current account balance	\$ M	-302.4	-623.1	-732.3	-
Public debt	% of GDP	41.3	52.2	52.0	55.1
External debt	\$ M	4044.8	4841.4	5347.1	-
Total debt service	\$ M	126.5	132.5	168.4	-
Net lending/borrowing	% of GDP	-1.0	-5.4	-4.1	-
Tax revenue	% of GDP	10.5	9.5	10.2	-
Government consumption	% of GDP	15.1	18.7	17.2	14.9
Public education spending	% of GDP	3.0	3.3	3.2	3.1
Public health spending	% of GDP	1.2	1.4	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.5	0.7	0.7	0.7

Sources (as of December 2023): 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

Madagascar's political culture is liberal. Some regions of the country have a long history of market integration. Economic liberalism is characterized by the freedom granted to both national and foreign companies to operate in all economic sectors of Madagascar, with the exception of the telecommunications sector, where foreign participation is limited to 66%.

The country's currency has operated on a floating exchange basis for some time with relatively minimal political interference. Progress has occurred in certain areas, such as streamlining the procedures to obtain construction permits, facilitating access to credit and improving contract enforcement.

The Economic Development Board of Madagascar (EDBM) plays a crucial role in handling the formalities required to establish a business. In May 2021, the EDBM introduced digital platforms to further support entrepreneurship development. The success of the government's efforts to incentivize investors through the creation of Special Economic Zones (SEZs) has been limited.

Structural obstacles persist and, in some cases, have worsened. These barriers include a high level of corruption, state monopolies, restricted market access for certain segments of society and a sizable informal sector. The Ministry of Commerce and Industry has responsibility for ensuring fair competition among businesses.

The issue of insolvency has reached critical proportions and addressing it has become increasingly challenging. While the formal sector has undergone structural improvements, it has also contracted in size. This is due in part to the growth of industries burdened by high taxes, leading a significant percentage of small and large businesses to transition from the formal to the informal sector. The informal sector accounts for 95.1% of employment in the country, with the majority of individuals engaged in self-employment, particularly in fishing, forestry and subsistence-level agriculture.

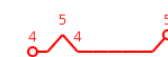
The law on competition mandates the Ministry of Industry to ensure fair competition. In 2018, a new competition and antitrust law was introduced, bringing about several changes. These changes aimed to enhance the effectiveness of the independent Competition Council (CC) and improve the competitiveness of companies in the national market. The law's objectives included establishing an efficient competition system to hold the government accountable and safeguard consumer well-being, as well as strengthening the economic capacity of market players to compete globally.

However, the CC faces challenges achieving its mandate. It lacks recognition among economic actors and suffers from inadequate funding, rendering its advisory and judicial functions in matters of anti-competitive pricing practices ineffective. Additionally, the CC's inability to initiate investigations on its own limits its ability to take action.

Market
organization

5

'06 '24 10



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Competition policy

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Madagascar is also a member of the Common Market of Eastern and Southern Africa (COMESA), which has adopted a competition law regime to address anti-competitive business practices and implement merger control as part of its efforts to promote economic integration.

Over the past few decades, Madagascar has privatized many state-owned enterprises, including sugar and cotton production companies. However, the state retains a share in various sectors such as hotels, fishing, textiles, wood, beverage production and distribution, air travel, telecommunications, and the exploitation of granite and marble resources. State involvement in these areas has contributed to the lack of competition that these firms have faced over the years.

The state maintains a monopoly over the electricity and water industry, resulting in irregular power supplies, particularly in remote coastal provinces. Despite the introduction of a new law (Law No. 2017-020) aimed at reversing this trend, corruption continues to plague the sector. It is dominated by large groups that sell energy to the national electricity and water company (Jirama) without fulfilling their tax obligations.

Monopolies and cartels have also been consolidated in sectors like food production and distribution (including dairy products, oils and flour) as well as beverages (including beer and non-alcoholic drinks). Evidence suggests collusion between political and economic elites. These monopolies contribute to relatively high prices for consumers, especially those with lower incomes, and have discouraged technological development.

While the adoption of the Industrial Development Act in 2017, with the support of the private sector, offers potential benefits for Madagascar's industries to compete better in both international and local markets, progress remains modest. This is partly due to the country's focus on a limited number of competitive niches. It is worth noting that Madagascar is not a member of the International Competition Network.

Madagascar has been a member of the World Trade Organization since 1995 and is also a member of several regional organizations, including COMESA, SADC and the Indian Ocean Commission (IOC). However, the country has limited trade activity with these regional bodies. In 2018, Madagascar signed the African Continental Free Trade Area agreement, but it is one of the 10 countries that has not yet ratified the agreement.

Foreign trade now contributes to 49% of Madagascar's GDP, a decrease from 63% in the past. This decline is primarily attributed to the economic slowdown lockdown measures caused, resulting in reduced economic activity, a significant drop in exports, increased layoffs and the closure of factories, among other effects. This decline has adverse effects on an economy that relies on revenue from customs duties, import taxes and VAT on imports. Madagascar's ranking as an exporting economy fell from 125th to 139th, and its position as an importing nation dropped from 135th to 137th. France, China, the United States, the United Arab Emirates, India, Germany, South Africa and the Netherlands are the country's main trading partners.

Liberalization of foreign trade

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According to the central bank of Madagascar, the trade balance has improved, with a deficit of -1.4% of GDP in 2022, compared to -3.6% of GDP in 2021. This improvement is primarily driven by a significant increase in export earnings (+71.6%). The boost in revenue comes from products such as vanilla, cloves, titanium ore, nickel and cobalt, zirconium ores and those that fall under the Free Zone regime.

To promote exports, the government has established free industrial zones (FIZ), particularly in the clothing manufacturing sector. Equipment and materials used in these zones are exempt from customs duties, and many products can be imported without requiring an import license.

As of June 30, 2018, Madagascar had 11 non-tariff measures in force, according to the WTO. Additionally, judicial and regulatory barriers hinder foreign investment, and state-owned enterprises distort the economy. The simple average most-favored nation (MFN) applied tariff remains at 8.90%.

FDI inflows to Madagascar have declined significantly due to the global economic crisis. According to the UNCTAD World Investment Report 2022, the country received \$300 million in FDI inflows in 2021, a decrease from \$358 million in 2020. FDI rebounded by +0.8% of GDP in 2022, compared to 0.6% the previous year.

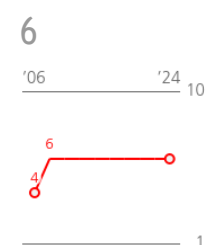
The Malagasy banking sector now comprises 12 banks, with MVOLA SA gaining approval as a bank in September 2021. However, banking activity is heavily concentrated, with five banks – Bank of Africa (BOA), Société Générale Madagascar, Banque Nationale d'Investissement (BNI), the Malagasy Bank of the Indian Ocean (BMOI) and the Mauritian group Ciel – representing a substantial 83.4% of assets and 86.0% of deposits. This concentration highlights a lack of competition in the sector. Most of these banks are subsidiaries of foreign institutions based in Mauritius, France and mainland Africa. The sector also includes six non-bank financial institutions (NBFIs) and 31 microfinance institutions (MFIs).

The banking rate in Madagascar stands at 18.0%, inclusive of accounts with MFIs. Only 3% of the population has access to bank loans. This reflects a low level of financial inclusion, well below the sub-Saharan Africa average of 43.0%.

The bank profitability rate increased to 29.8% in 2021 but has not fully recovered to pre-Covid levels (31.1%). Liquidity injections by the central bank, the BFM, into the banking system in 2020 (equivalent to about 1.2% of GDP at the end of 2020) contributed to maintaining the sector's health. The combined assets of all 11 banks totaled approximately \$3.83 billion, equivalent to 28% of GDP in December 2020.

The financial markets in Madagascar are relatively underdeveloped. The bank penetration rate is very low. This can be attributed in part to high interest rates, stringent collateral and guarantee requirements, limited competition among banks and hesitance to finance foreign trade or working capital, even when loans are secured by letters of credit. In general, accessing financing is expensive and challenging, creating significant hurdles for local firms looking to expand. One major constraint is the difficulty of securing bank loans to increase working capital.

Banking system



Madagascar has had an independent central bank, Banky Foiben'i Madagasikara (BFM), since 1973. Revisions to its statutes in 2016 and 2017 have strengthened its independence in terms of monetary policy. The BFM regulates the banking sector in line with Basel II and Basel III standards.

In September 2020, a new banking law was enacted to consolidate the banking system and promote financial inclusion by supporting the development of digital financial services. The law aims to improve supervision of the mobile banking activities of banks and encourage more significant savings from the informal sector. Additionally, the BFM is considering the introduction of a virtual currency (e-ariary) to provide a reliable means of payment, legal tender within the country and protection against exchange risks for foreign trade. Finally, an Information and Credit Bureau (BIC) was established to reduce the risks financial institutions face by centralizing information on borrowers' repayment behavior.

8 | Monetary and fiscal stability

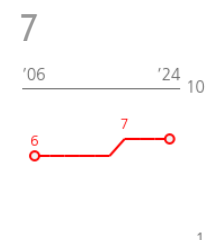
Madagascar is not part of any monetary union. The central bank is responsible for guaranteeing the stability of the local currency in the country and abroad. Law No. 2016-004, which governs the central bank, is inspired by international financial institution standards. It covers the institutional and 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). The operational framework of the central bank is currently in transition from a monetary aggregates-based framework to one based on interest rates.

In 2021, on the foreign exchange market, the ariary depreciated by 3.5% against the U.S. dollar, compared to a depreciation of 5.5% in 2020. Against the euro, the ariary appreciated by 4.6% in 2021, compared to a depreciation of 16.0% in 2020. The good performance of exports partially explains this situation, as does the volatility and depreciation of the euro/U.S. dollar exchange rate internationally. The exchange rate was broadly stable from January to April 2022, followed by a depreciation of almost 2.4%.

However, the central bank was able to manage the ariary's depreciation and keep foreign exchange reserves at a sufficient level.

Inflation declined to 4.2% in 2020 but increased to 6.2% in December 2021, driven by food and health care prices. This led the central bank to raise interest rates twice in 2021 and again in May 2022. However, the monetary policy stance remained broadly accommodative. The central bank has also endeavored to reduce liquidity and tighten monetary policy in the face of inflationary pressures.

Monetary stability



The Malagasy government's fiscal policy was instrumental in stabilizing the economy during the COVID-19 crisis and afterwards. Access to emergency financing enabled an increase in public spending in 2020 and 2021. This helped reduce the impacts of the crisis and created an increase in public revenues, leading to an increase in the budget deficit (to 4.1% of GDP in 2020) and public debt (at 49% of GDP), but still well below the acceptable risk thresholds for a country like Madagascar. Public and external debt is considered sustainable. The budget deficit widened in 2022, from 5.5% (2021) to 6.5% of GDP. Net tax revenue has almost returned to its pre-crisis level of 10.4% of GDP.

The current account remains in deficit, in line with the country's past experiences. The shocks caused by the COVID-19 pandemic and the war in Ukraine affected the main sources of income, tourism and mining, resulting in a transactions deficit of -2.3% in 2019 and of -5.4 % in 2020 and 2021. In 2022, Madagascar benefited from increases in nickel, cobalt and vanilla prices, as well as a partial recovery in tourist flows. However, the higher prices of imports of energy and foodstuffs, combined with a drop in external demand, have a dominant effect.

At the end of June 2022, the official reserves the central bank held were SDR 1,678.4 million, or 5.0 months of imports of non-factor goods and services, compared to 5.9 months the previous year.

9 | Private Property

Private property rights are protected in the Malagasy legal system, with the Code of Commerce as the basis of that protection.

In 2000, the Malagasy Arbitration and Mediation Center (CAMM) was created to facilitate the resolution of commercial disputes. Many private contracts now include arbitration clauses.

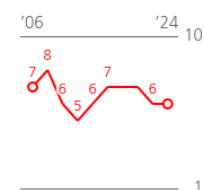
Madagascar is a signatory to the International Center for the Settlement of Investment Disputes (ICSID) Convention, as well as to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Madagascar has been a member of the Multilateral Investment Guarantee Agency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

To date, land ownership by foreigners is still prohibited, but a system of long-term leases (up to 99 years) was established in 2008.

Since 2006, the Economic Development Board of Madagascar (EDBM) has been the issuer of authorization documents. The EDBM's mission is to bridge public and private interests and facilitate investment. However, land leases remain one of the most politically controversial issues in Madagascar.

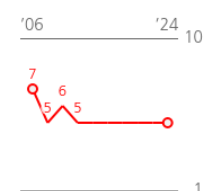
Fiscal stability

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Property rights

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The legal framework in Madagascar recognizes gender equity in land rights and provides protection for women in cases 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 educating local authorities and widespread communications on the importance and benefits of land registration. But, in August 2022, only 20% of land in Madagascar had a land certificate. The average cost of such a document is \$15, which is high for the majority of Malagasy people.

In April 2021, Law No. 2021-016 governing untitled private land ownership was passed. It recasts Law No. 2006-031 on untitled private property (PPNT) by reducing the definition of a PPNT by requiring occupation of more than 15 years as a condition of access to land certification. The implication of this law is that half the plots rural households occupy would be excluded from land certification. Moreover, the notion of a presumption of ownership disappears in this law. It is no longer occupation and/or development that creates the right of land ownership on the PPNT, as according to Law 2005-019, but rather possession of a land certificate.

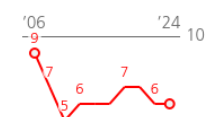
Foreign investors are not formally discriminated against in Madagascar. However, the lack of transparency in regulatory decisions creates a challenging business environment in the country. Since his election in December 2018, the president has emphasized the importance of attracting foreign investment as part of the Plan Emergence Madagascar (PEM). Still, there is no implementation plan in place to translate these aspirations into policy and action.

Madagascar's Investment Law (2007-036) mandates equal treatment for both foreign and domestic investors. It also safeguards patent rights, allows for the freedom to transfer funds abroad without prior authorization and provides protection against expropriation, among other provisions.

The government maintains a significant role in the economy by holding shares in 53 companies, with debts estimated at 2.3% of GDP. There is substantial public resistance to privatizing the remaining large state-owned enterprises, particularly the national airline and the water and electric utilities.

Private enterprise

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10 | Welfare Regime

A National Social Protection Policy, which includes a national social safety net program, was adopted in 2015. This policy contributes to fighting poverty and aims to extend benefits to half the population in extreme poverty by 2030, in line with the Sustainable Development Goals. In addition, it 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 improve the 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 to enroll in and attend school, and to promote the spread of nutritious food and healthy eating habits, particularly for children).

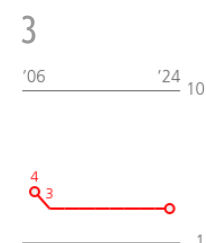
In 2015, cash transfer programs for poor and vulnerable households were initiated. In March 2021, the World Bank provided additional funding for the social protection program. It now covers 14 regions and 29 districts, benefiting approximately four million people in total. It includes support for households affected by lockdown measures and for vulnerable families affected by the drought.

However, the social protection system covers only 6% of the extremely poor. Expenditures related to safety nets are very low, 0.3% of GDP, compared to an average of 1.2% of GDP in sub-Saharan Africa.

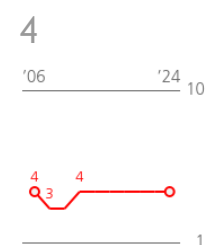
Legal and constitutional provisions guarantee ethnic, racial and gender equity. However, achieving equality of opportunity is still a challenge. Madagascar stagnates in the gender equality rankings. Since 2017, the country’s score has been four (out of six) on the World Bank’s Country Policy and Institutional Assessment (CPIA) gender equality rating.

At the political level, women’s presence has decreased in parliament. In the National Assembly, their percentage decreased from 21.19% in 2013 to 17.88% in 2018, which is 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. Two out of a total of 18 senators (11.11% compared to 20.6% in 2013) are women. However, at the communal level, women are severely under-represented – less than 5% of elected mayors and councilors are women.

Social safety nets



Equal opportunity



The March 2022 government of Prime Minister Christian Ntsay has nine women ministers, which is 30% of the total, even though President Andry Rajoelina had promised a government with equal numbers of men and women.

However, traditional, cultural, social and economic constraints still prevent women from having equal opportunities. World Bank figures show no significant differences between school enrollment figures among men and women. Yet, literacy rates among both men and women overall are below the African average. According to the last available data from the World Bank, the gross enrollment ratio for primary (134.1) and secondary (34.6) education decreased during the period under review, in contrast to tertiary education, which has increased somewhat (5.5). Women have fewer opportunities to learn at the tertiary level than men do. The drop in enrollment from primary to tertiary is extremely significant and illustrates their very limited access to higher education. However, the difference between literacy rates for men and women is just 3.3 percentage points. This may help explain the effectively equal labor-force participation rate for women and men (with women comprising 48.7% of the total labor force). However, according to the World Bank, women's labor market earnings are not as high as those of men when controlling for various other factors.

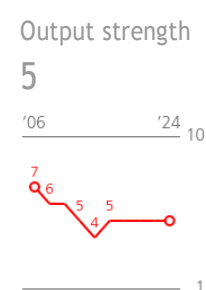
There is evidence that ethnic and regional origins play a role in access to education, employment and the market. In the capital, the Merina-Côtier (highland-coast) divide runs through the political, societal and employment spheres. The Merina population has privileged access to education, employment and public office. This is explained in part by the strong centralization of all services and infrastructure in the capital city, which makes access for people from the coast difficult.

11 | Economic Performance

Madagascar is a low-income country in a fragile political situation. This poses major development challenges, despite its huge potential for human and natural resources. Madagascar has experienced sustained growth (from -3.9% in 2009 to 5% in 2018, the highest rate in the last decade) over the last decade combined with poverty reduction (from 75.3% in 2010 to 74.3% in 2019).

In 2020, the COVID-19 pandemic resulted in a GDP contraction of -7.1%, about three times higher than in the rest of sub-Saharan Africa, with a 9.6% decline in per capita income. A recovery was seen in 2021, but a new wave of COVID-19 in 2022, combined with the vagaries of the weather and the conflict in Ukraine, again slowed the economy. As a result, the budget deficit widened in 2022, from 5.5% (2021) to 6.5% of GDP, contrary to previous predictions of an economic improvement.

Inflation accelerated to around 9% in 2022 after reaching 6.2% in 2021, thus continuing to increase due to the various shocks mentioned above. The central bank has thus implemented a monetary policy to control inflation. The surge in inflation has contributed to widening the current account deficit. The current account remains in deficit, -2.3% in 2019 to -5.4 % in 2020 and 2021. The risk of external debt distress is considered moderate, after becoming low in 2019.



After a continuous increase in GDP per capita in PPP and the growth of GDP per capita since 2017, it fell in 2020 (\$1544) and rose slightly in 2021 (\$1635). GDP per capita growth was 1.7% in 2021 after reaching -9.6% in 2020.

Despite recent progress, tax revenues remain 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 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.

The poverty rate has increased from 77.4% in 2020 to 81% in 2022. 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.

12 | Sustainability

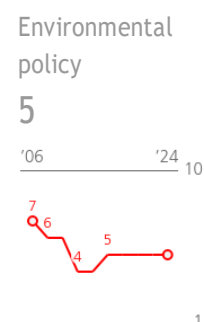
Natural capital (forest, agricultural land, protected areas and fisheries) represents 49% of Madagascar's total wealth. Moreover, Madagascar accounts for more than 5% of the world's biodiversity. Due to its geographic position, it is however also vulnerable to natural disasters. Environmental costs run between \$450 million and \$500 million per year, which is equal to 9% to 10% of the gross national product.

In 2010, Madagascar put a national environmental policy in place, which set up an institutional framework for the management of environmental preservation.

The institutions working in the field are: (i) the

Ministry of Environment and Sustainable Development; Madagascar National Parks (MNP), an NGO in charge of protecting biodiversity; and the National Office of the Environment, responsible for protecting the environment.

The government's environmental policy makes reforestation a major objective, covering approximately 40,000 hectares per year. (In 2018, Madagascar lost the largest proportion of primary tropical forest anywhere in the world). Madagascar's network of protected areas includes 144 parks. Of these, the ministry directly manages only 15, the MNP manages 46, and NGOs, both domestic and foreign, oversee 92. These efforts are primarily supported by international donors, especially because the state budget allocation devoted to the environment (2%) is too low. Although reforestation efforts are real, results remain rather weak as parts of the population still depend on deforestation for their survival.



Madagascar also faces environmental challenges affecting its marine resources, such as overfishing and illegal fishing. The country has the longest coastline in Africa (5,600 km) and the fourth-largest exclusive economic zone in the world (over 1.22 million square kilometers). Efforts were initiated beginning in 2015 to transition toward a blue economy, in particular by creating a Ministry of Fisheries and the Blue Economy in 2021.

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 of governance and the rule of law. Environmental concerns are prioritized in theory, but in practice there are a lot of constraints to making the various measures effective.

Educational administration 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 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. Community teachers are much more present in poor and vulnerable areas.

According to UNESCO, the number of pupils was distributed as follows in 2020: 2,338,316 at pre-primary level, 3,582,613 at primary level, 4,485,694 at secondary level and 2,757,793 at university. The literacy rate is 76.7%.

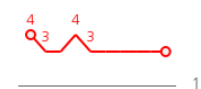
The current government rejected the Education Sector Plan (2018 – 2022) after having suspended it for a year (2019 – 2020). Discussions of reforms led to the adoption of a law on the general orientation of the education system in December 2022. The changes the law introduces include compulsory preschool for children over five years of age, primary education in two three-year cycles, organization of school calendars into 40 weeks divided into five periods and university calendars into two semesters, integrating career guidance into schooling, and reinforcement of rights and duties in the education system. In addition, the length of compulsory education increased from five to 10 years.

Madagascar has a United Nations Education Index average score of 0.452, which indicates that the level of education is average, despite a decline since 2014. 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 rural areas.

Education policy /
R&D

3

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Madagascar's tertiary education sector is one of the least developed in the world and 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. Making up for the shortage of professors and infrastructure in public universities is one of the objectives of the Plan Emergence Madagascar. The state has proceeded to build universities in medium-sized towns without recruiting the needed professors. Moreover, these universities will not have the capacity to absorb the increased number of students. However, these new constructions explain the increase in the education budget from 2.8% to 3% of GDP, which nevertheless remains low, as does that devoted to research, at 0.1%. The education budget is thus not only below the country's target of 5.4% of GDP, but also below the average for low-income countries.

The education budget's share of the total budget has been declining. It went from 22% in 2014 to just 12% in 2021, falling significantly short of the targeted allocation of 20% of the national budget. This decline can be attributed more to the overall reduction in public spending than a lack of government prioritization for education. It's worth noting that approximately 20% of the total education expenditure was covered by external funding sources.

Governance

I. Level of Difficulty

The effects of the COVID-19 pandemic, the war in Ukraine and various climatic hazards affecting Madagascar have swept away the timid advances in the socioeconomic field of the last decade. These shocks have worsened a situation that is already facing numerous structural constraints. These include weak and fragile institutions because of political influences, as elaborated above, as well as climate constraints, as Madagascar is highly exposed to the consequences of climate change and deforestation. Diseases, hunger, drought 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.

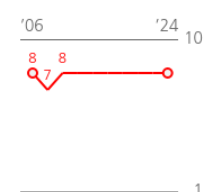
The infrastructure is poorly developed, and skilled workers are in short supply. Only 15% of the labor force has a secondary education and only 3.4% a tertiary education. State institutions remain weak and subject to elite capture. Political and economic performance is weak, with widespread corruption 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 and the war in Ukraine triggered an economic recession after a growth rate of 4.4% in 2019, the highest in a decade. Since 2020, extreme poverty has increased. As of 2022, 1.8 million people had fallen into extreme poverty. At 81%, the poverty rate is the highest since 2012. Consequently, fighting poverty and the inequalities it creates remains a major challenge to the country's development.

In general, civil society is rather weak in Madagascar. The existing associations and NGOs have a limited impact on policymaking and weakly perform their advocacy and watchdog functions. 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, which regularly formulate official

Structural
constraints

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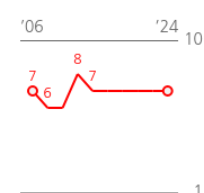


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Civil society
traditions

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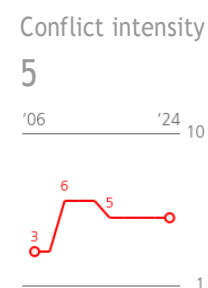


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complaints about the electoral process. Civil society organizations are consulted by the government, for example, on the budget, elections and the environment, but this remains limited, and some groups face pressure from powerful interests. In addition, 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 in NGOs is relatively low.

There are political, social, ethnic and religious cleavages in Malagasy society that have, however, not led to open conflict. The main conflicts are those related to insecurity, land tenure, abuse of power and domestic conflicts. According to Afrobarometer (2016 – 2018), 78% of citizens are reluctant to engage in political protest and use violence for a political cause. Two reasons account for this: the general decline in political trust due to disappointment with political actors and the limits on freedom of association. Student demonstrations across the country are dispersed violently with the use of tear gas (Tulear and Tamatave in February 2021 (in Tamatave, a student was killed), Antananarivo in September 2022). The same applies to social and political demonstrations, which also result in arrests. Despite announcing it would do so, the current government has not relaunched the national reconciliation process. The mandate of the members of the Council of Fampihavanana Malagasy, in charge of national reconciliation, came to an end in September 2022, and no new members have been nominated.



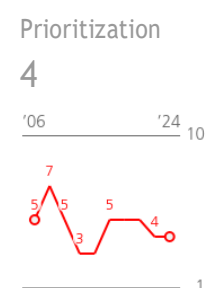
II. Governance Performance

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), which was approved in June 2022 and presented to Madagascar's donors and partners in October 2022.

The delay in the finalization of the PEM has somewhat shaken the confidence of the international partners without, however, calling into question their cooperation. In addition, the combined effects of the COVID-19 pandemic, the war in Ukraine and the vagaries of the weather led the government to implement various emergency plans to support the economy, both in the private sector and in households. The central bank has taken measures to stabilize the currency and curb inflation.

Question
Score



Madagascar heads toward a presidential election at the end of 2023. President Rajoelina indicated in January 2023 that the priority is now to focus on the needs of the population in favor of infrastructure projects. This demonstrates that the government's capacity to effectively prioritize and organize its strategic objectives and policy measures is weak, as policymaking is often not driven by expertise, evidence or strategic planning. Moreover, although development plans exist, their implementation is problematic and often remains only theoretical. The government has yet to prove its capacity to effectively implement plans.

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. Several versions of the PEM have been presented to funders and private investors since 2019. In June 2022, the Governing Council approved a final version and presented it to the public in October 2022. A presidential election is scheduled for the second half of 2023. This makes it difficult to collaborate with international partners, although the previous cooperation agreements are still valid. Indeed, in view of the delay in structural reforms, Madagascar's development partners reduced budget support in 2021 from \$273 million to \$144 million.

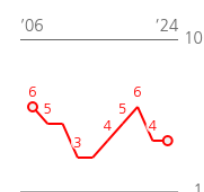
In order to stimulate economic recovery and generate growth, the government, as a result of implementing the PEM, is counting on higher tax revenues and improvements in the quality of expenditure. This should foster public investment and provide a ripple effect to successfully mobilize private investment.

However, the election in 2023 should lead development partners to act with restraint, knowing that the government's actions will be based on electoral logic.

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 and accountability." 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 PEM, these ideas often remain on paper, and it seems difficult to put them into practice because of a lack of funds or other structural constraints.

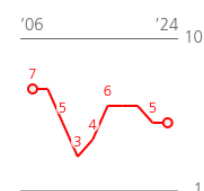
Implementation

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Policy learning

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15 | Resource Efficiency

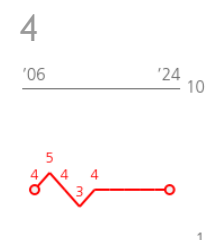
The government does not make efficient use of most available human, financial and organizational resources. There is a lack of transparency in recruitment and promotion. A significant number of the members of the administration were not recruited on the basis of their qualifications. This is true for the highest ranks in government. There are also weaknesses with regard to capacity-building. Training programs for state officials lack the means to fully qualify them 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 for 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 report devoted to the management of funds linked to fighting the COVID-19 pandemic, published in early 2022, the Court of Auditors highlights suspicious transactions such as abuse of cash payments, potential conflicts of interest, fictitious services, double invoicing, undue payments or payments without supporting documents. In addition, in its report published at the end of 2022, it notes faulty management of public policies in decentralized communities and chronic delays in the execution of finance laws.

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.

A Lettre de politique de décentralisation émergente was adopted by parliament in 2021, followed by the Plan national de décentralisation émergente in 2022, in order to give new impetus to the decentralization process and promote local development. However, the concentration of both human and financial resources within the capital and its region, 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.

Efficient use of assets



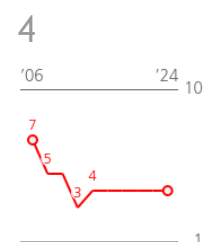
Madagascar is a country with many advantages, including unmatched biodiversity, great agricultural potential, mineral resources and abundant labor. Madagascar has shown its ability to be efficient when its resources are deployed effectively, but these periods have been punctuated by recurrent political crises. Disturbances have left the majority of the population living in a condition of extreme poverty, which have increased with COVID-19 and the conflict in Ukraine. The government hopes to boost growth thanks to the PEM, which was publicly presented in October 2022. Several versions of the PEM have been presented since 2019, limiting the coordination of development actions, which has had an effect on the confidence of Madagascar's partners. To achieve the goal of making Madagascar an emerging country by 2030, it will require significant investments in human capital and infrastructure, as well as strengthening governance and financial sector development. Continuity in structural reforms is necessary in order to pursue development. Coherent, 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.

Madagascar ratified the United Nations Convention Against Corruption on September 22, 2004, the African Union Convention on Preventing and Combating Corruption on October 6, 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). The Ministry of Economy and Finance adopted a national anti-corruption strategy (2015 – 2025) in September 2015. In May 2022, it adopted a new anti-corruption doctrine: MOOF (Mode Opérateur Faire-Faire), popularized the citizens' budget and established an online platform for public procurement.

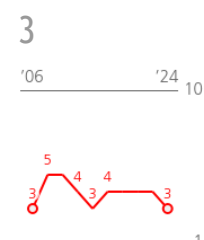
There are also several institutions fighting corruption: the Independent Anti-Corruption Bureau (Bureau indépendant anti-corruption, BIANCO), the Comité pour la sauvegarde de l'intégrité (CSI), the Service de renseignements financier (SAMIFIN), the Pôles anti-corruption (PAC) and the Agence de recouvrement des avoirs illicites (ARAI).

The fight against corruption is part of the campaign promises of the current president. Since taking office, the objectives have 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. A new director general of the Financial Intelligence Service (SAMIFIN) was appointed in 2021. Its five-year strategy, presented publicly in May 2022, was approved by the Council of Ministers in June 2022.

Policy coordination



Anti-corruption policy



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 September 2021, the Illicit Assets Recovery Agency was set up but began operation in June 2022 with the swearing in of its director general. In June 2022, the government also adopted the national strategy to combat money-laundering and the financing of terrorism (AML/CFT) and a decree creating the AML/CFT Coordination and Orientation Committee.

However, these advances cannot hide the fact that, in July 2021, parliament adopted a law reforming the Pôles anti-corruption (PAC) that weakens the country's main legal tool by reducing the mandates of the general coordinator and magistrates and withdrawing economic and financial offenses from the jurisdiction of the PAC. Moreover, the mandate of the PAC's general coordinator expired in 2022 without a new appointment.

Corruption is systemic despite Madagascar's adherence to international conventions against corruption, organized crime (the U.N. Convention against Corruption, the U.N. 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.

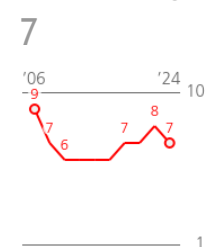
Indeed, Madagascar faces a lack of transparency in the sources of funding for political parties; the absence of a cap on campaign funds; the declarations of assets of elected officials; and patronage in the public service. The media do their best to deal with corruption issues, although corruption cases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

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.

Consensus on goals



Some opposition parties are calling for a national consultation before the 2023 presidential election, but this has not yet taken place.

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. This political program has been rejected in the form of the Plan Emergence Madagascar (PEM), which serves as a guideline for the general policy of the state presented by the government to the parliament before its implementation. 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 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. Since then, the restructuring of the army has consisted of redefining the missions of the military institution, particularly with regard to the need to provide an effective response to contemporary threats, to meet the defense and security needs of the population and to maintain security entities close to the population.

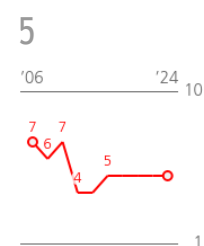
The opposition coalition denounces the authoritarian practices of the government. Despite rumors of destabilization, it participates in the democratic game through the different institutions.

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.

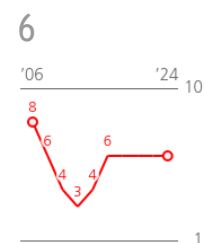
The regional cleavage is primarily the effect of the strong centralization of politics in the capital city and an ineffective decentralization policy. However, in September 2019, the current president initiated a new decentralization policy by appointing a governor with a specific budget to lead each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

Anti-democratic actors



Cleavage / conflict management



As civil society in general is weak, political leaders are not encouraged to involve civil society organizations in agenda-setting, policy formulation and evaluation. Moreover, civil society is perceived as an antechamber of politics, which explains the government's lack of consideration for it. It is also often associated with the opposition. There are, however, dialogue initiatives, which, in many cases, are the result of urging by external donors.

Very few mechanisms for communication, dialogue and accountability exist. This situation partly explains 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 exchanges regarding reforms to decentralization, education and even environmental management. 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.

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 established in October 2017. Its members' terms expired in August 2022 with no new appointments. Politicians have often criticized the CFM's work, and the results of its initiatives have been rather weak.

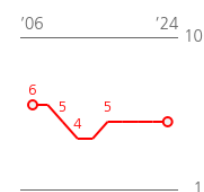
The national reconciliation process is important for the normalization of political life. The prevailing winner-take-all mentality of the political elite has resulted in a new cycle of exclusion after each crisis. But reconciliation does not seem to be one of the regime's concerns.

17 | International Cooperation

International cooperation is important in Madagascar's development policy, the Plan Emergence Madagascar (2019 – 2023, 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 PEM 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. Because the PEM was not adopted by the Council of Ministers until June 2022 and only officially presented in October 2022, development partners relied on interim versions of the PEM, as well as the general state policy. Cooperation plans have been

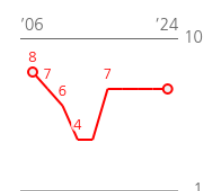
Public
consultation

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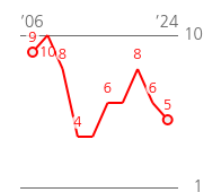
Reconciliation

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Effective use of
support

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established with partners such as the IMF, the World Bank, the European Union and the United Nations, among others. In addition, policy dialogues regularly occur between the government and its international partners.

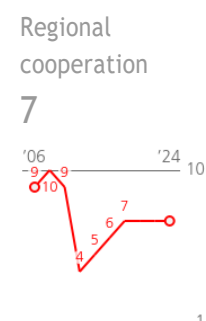
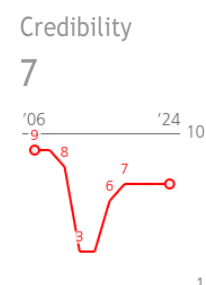
However, the slow pace of adopting a finalized PEM is not conducive to investor confidence, especially since a presidential election is scheduled for late 2023. The presentation of this strategic document is thus perceived as a propaganda move.

The 2018 to 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, U.N. 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 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. However, as stated above, there are major challenges to setting out a clear development strategy. The length of time it took to adopt the PEM shows a lack of clear leadership, likewise, illustrated by multiple changes in government.

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.

Since February 2022, Madagascar has held the presidency of the IOC and has given itself two priorities: (i) strengthening maritime security in line with the African Union's Integrated Maritime Strategy and promoting peace, stability and health security; and (ii) food sovereignty, which it aims to achieve by strengthening regional trade to facilitate movement of goods, products and people through support to farmers, entrepreneurs and fishermen. Moreover, the country aims to become the granary of the Indian Ocean.



Madagascar also has cooperative agreements with neighboring states. The first state visit by 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 fields of defense and education and in the fight against COVID-19.

Strategic Outlook

Since 2020, most institutions in Madagascar have elected representatives (except at the regional and provincial levels), which is a positive step toward enhancing institutional and political stability, along with improving macroeconomic and social indicators. However, to ensure stability and address economic challenges, it is essential to recover from the economic recession caused by COVID-19 and the war in Ukraine and lift the country out of extreme poverty. Achieving these goals will require the implementation of significant reforms aimed at stimulating private investment, creating jobs, increasing agricultural productivity and enhancing food security.

The recent adoption of the Plan Emergence Madagascar (PEM) in June 2022, with its public presentation in October 2022, provides an opportunity to initiate crucial structural reforms, especially in the areas of political and economic governance. The presidential election scheduled for the end of 2023 presents a challenge to maintaining the continuity of these reforms.

To improve the overall democratic and economic climate, several actions are recommended:

- Strengthening institutions and governance at all levels.
- Establishing consultation mechanisms among various electoral actors to rebuild trust in the electoral process, including clarifying the process for updating electoral lists and the electoral calendar, as well as establishing a media regulation agency.
- Avoiding power concentration and revitalizing the reconciliation process as a prerequisite for political dialogue and stability, including appointing new members to the Conseil du Fampihavanana Malagasy.
- Promoting the creation of national-level political parties to reduce political fragmentation and ensure transparency before and during elections.
- Continuing reforms to the security sector and judiciary, such as prohibiting military officers from holding political or civilian administrative positions, improving maritime security and enhancing professionalism within the military.
- Improving the national budget development process through consultations with parliament, the private sector and civil society.
- Implementing an effective decentralization process by fairly distributing state resources.
- Encouraging competition, fostering a healthy fiscal climate and improving infrastructure so as to attract national, regional and international investors.

- Expanding fiscal space to increase pro-poor and pro-growth spending while maintaining public debt sustainability. This would involve broadening the tax base, adopting a comprehensive revenue-mobilization strategy, improving the quality of public expenditure and strengthening public financial management.
- Increasing public expenditure on social protection, education and health care, particularly in rural areas.
- Boosting investment in environmental protection and climate change mitigation to reduce the risk of migration, a potential source of conflict.
- Investing in youth and women through employment and training opportunities.
- Enhancing the oversight role of civil society by building its capacity and strengthening social networks.
- Improving access to information while allowing private media outlets to achieve national coverage.