BTI 2016 | Madagascar Country Report

	scale	score	rank	trend
Status Index	1-10	**4.97**	**#** 82 of 129	
Political Transformation	1-10	5.40	# 70 of 129	↑
Economic Transformation	1-10	4.54	# 94 of 129	→
Management Index	1-10	**4.86**	**#** 68 of 129	

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at http://www.bti-project.org.

Please cite as follows: Bertelsmann Stiftung, BTI 2016 — Madagascar Country Report. Gütersloh: Bertelsmann Stiftung, 2016.

Key Indicators

Population	M	**23.6**	HDI	**0.498**	GDP p.c., PPP	$	**1436.7**
Pop. growth[1]	% p.a.	**2.8**	HDI rank of 187	**155**	Gini Index		**40.6**
Life expectancy	years	**64.7**	UN Education Index	**0.458**	Poverty[3]	%	**92.9**
Urban population	%	**34.5**	Gender inequality[2]	**-**	Aid per capita	$	**21.8**

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than $3.10 a day at 2011 international prices.

Executive Summary

The year 2013 was a turning point in Madagascar's political history. After almost five years of political crisis following 2009's unconstitutional change of government, which led to a deep governance crisis, international isolation and sanctions, Madagascar succeeded in organizing general elections (presidential and parliamentary), a necessary step toward ending the crisis and restoring international and regional relations. As Madagascar once again possesses elected institutions and is recognized as a potential international and regional partner, the conditions are ripe for an improvement in democratic and economic performance.

However, challenges for these elected institutions remain massive. The country has experienced a decline in most social and economic indicators, and remains one of the poorest countries in the world. Indeed, though a large segment of the population has long experienced frequent disruptions stemming from natural disasters, international economic shocks, malnutrition or sickness, the situation has deteriorated considerably since 2009. Moreover, the five-year transitional period was characterized by institutional decay, widespread corruption and illegal trafficking.

Indeed, the consequences of the crisis are still hampering governance, economic and social progress. Drastic changes in governance mechanisms, the management of resources, social expenditures and political will are needed if the country is to recover fully from the deep impact of the crisis. However, from 2013 to 2015, the country's politics were mainly dominated by the organization of elections and the creation of a new government. Political tensions continued to complicate the political landscape, slowing the creation of the government and the formulation of the strategic plans needed to tackle the society's challenges. Expectations for the new government are high at both the national and international levels, and there is strong pressure to deliver immediate results following the conclusion of the political crisis.

Making a promising beginning, policymakers have set clear political and economic-development objectives through the elaboration of a variety of strategic plans. External expertise and recommendations from international partners and donors have played a strong role in the development of these strategic documents. The donor community is again willing to assist the country, and the government has shown itself open to close collaboration with the international donor community (IMF, World Bank, European Union, U.N. agencies, bilateral donors), despite the imposition of reform requirements as a condition of unlocking aid. Moreover, political attention is invested in the national reconciliation process, with all former and current presidents uniting behind this issue for the first time in the country's history.

Despite these rather positive signs, progress over the last two years has been muted in all areas, creating a general frustration. In terms of economic growth, Madagascar is not yet at the average level for sub-Saharan Africa. By the end of the review period, it was clear that the country would not achieve its Millennium Development Goals (MDGs) by the close of 2015. Moreover, although Madagascar does have assets such as natural resources, land, touristic appeal, a free zone (export-processing zone) for textile manufacturing, and ICT-related services, the country will have to settle its recurrent political unrest, fight corruption, train its workforce, improve its infrastructure and improve its health and education systems before being accepted as a partner deserving of international trust, enabling it to achieve economic growth.

As a consequence of these generally subdued results, as well as the continuing social unrest, the Roger Kolo government was forced to resign on 12 January 2015, before having completed a full year in office. A new government led by Prime Minister Jean Ravelonarivo took office on 25 January 2015, and is expected to put in place policies that will allow for results that can improve democracy and market economy.

History and Characteristics of Transformation

While many African states were created by colonial forces, Madagascar's modern era began with the Merina King Andrianampoinimerina (1787 – 1810), who began the process of taking control of the Highlands, first through the twelve sacred hills of Imerina and then toward the coasts. When the French deposed the monarchy in 1896, the colonial power had merely to take advantage of the administrative system in place. The Merina system of slavery was abolished, but the caste system was adopted in order to develop a new plantation system. Even the system of taxation established by the Merina monarchy was maintained in order to pay for labor and infrastructure development. The Malagasy uprising of 1947 was one of the most violent anywhere in the colonial world, with an estimated 100,000 losing their lives, but it helped bring about the French Loi Cadre of 1956, and ultimately the move to an independent Madagascar on 26 June 1960.

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

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

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

In September 2011, 11 political parties signed a roadmap calling for presidential and legislative elections. These elections took place in late 2013, Marc Ravalomanana and Andry Rajoelina both signed an agreement stating they would not stand as candidates. The candidate supported by Rajoelina, Hery Rajaonarimampianina, defeated Ravalomanana's favorite, Jean-Louis Robinson, garnering 53.5% of the presidential vote on 20 December 2013. He was inaugurated on 25 January 2014.

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

Transformation Status

I. Political Transformation

1 | Stateness

Question Score

Monopoly on the use of force
7

While the state has a monopoly on the use of force (army, police, gendarmerie), but Madagascar's security sector has always been weak, having been subject to external influences and instrumentalized by successive heads of state. Poor working conditions within these services, including low pay and a lack of equipment, as well as corruption more generally, have generated conditions for armed violence. The state's monopoly on the use of force has moreover been challenged by bandits (dahalo) in country's south, and by other economic predators mainly in the rural areas where the security forces have colluded with the bandits. Politicization has weakened and divided the security forces. The appointment of 59 generals in December 2014 by new President Hery Rajaonarimampianina can be seen in this light.

State identity
9

Some groups are denied full citizenship rights. The outdated Malagasy Nationality Code (1960) prescribes that only those of Malagasy descent are eligible for Malagasy nationality. The application of this concept of nationality, based on a rigorous principle of jus sanguinis, renders 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 aimed at reforming this legislation were opened.

In general, the nation-state is accepted by the major groups in society.

No interference of religious dogmas
8

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).

Religious dogmas have also played an important role in Madagascar's history. The FFKM has been involved in all modern political crises (1991; 2001 – 2002; 2009), and most political leaders use their religion as an instrument of mobilization. In December 2014, the FFKM led the reconciliation process.

This said, the influence of religious dogmas on policy matters such as abortion, same-sex marriage or divorce is small. Laws have passed after secular debate.

Basic administration
5

Following President Ravalomana's ouster, the state administration fell into a crisis due to the scarcity of resources. Both the quality and quantity of service delivery declined. Basic administrative structures and especially the provision of basic services were further undercut as development aid was considerably reduced. The slow but steady loss of state administrative capacity in all areas has led to increased local and community efforts in selected areas (i.e., schools, security, transportation, water management).

Today, basic administrative structures are present across the country, but remained weakened by the lack of decentralization, and particularly by the absence of fiscal autonomy. The central government does not meet the needs of the many regions. The 2010 constitution defines three levels of decentralized territorial entities (Collectivités territoriales décentralisées), provinces (six), regions (22) and communes (the number of which had not been legally established as of the time of writing). Nevertheless, Madagascar remains a very centralized country, both administratively and fiscally.

As a consequence of these weaknesses, basic state functions are often performed today by national and international organizations.

2 | Political Participation

Free and fair elections
7

Madagascar is experiencing an unprecedented crisis following the unconstitutional change of power in March 2009. After the 1972, 1990 and 2001 crises, 2009 is the most serious political crisis facing the country since independence. After various national and international mediation attempts, 11 political parties signed a road map toward new elections (sponsored by the African Union and Southern African Development Community (SADC) with United Nations support) on 16 September 2011. Signatories included the political movements led by former presidents Albert Zafy and Marc Ravalomanana, as well as the president of the High Authority of Transition (HAT), Andry Rajoelina. However, former President Didier Ratsiraka abstained.

The road map put in place an Independent National Electoral Commission for the Transition (Commission Electorale Nationale Indépendante pour la Transition, CENI-T, Law number 2012-004 of 1 February 2012). The new electoral law changed the voting process to a single-ballot system.

An electoral process supported by the international community was initiated in early 2012 and an electoral calendar foreseeing elections in May and July 2013 was adopted jointly by the CENI-T and international experts. This schedule underwent an initial postponement for technical reasons during a CENI-T conclave on 5 February. Following this delay, the first round of the presidential elections was scheduled for 24 July 24 2013, with the 2nd round paired with the 25 September legislative elections.

On May 3, the Special Electoral Court (Cour Electorale Spéciale) released the list of 41 official candidates for the presidential election of 24 July. This list included the acceptance of applications in violation of legal provisions, including those of Andry Rajoelina, Lalao Ravalomanana (the wife of Marc Ravalomanana) and Didier Ratsiraka. The validation of these applications clearly discredited the Special Electoral Court’s claims to impartiality, and created a new political and legal crisis.

The international community opposed these three applications and requested their withdrawal.

A seven-point plan was subsequently developed by the International Contact Group-Madagascar. This included an amendment of the Electoral Code to allow any candidate to withdraw; a reform of the Special Electoral Court; removal of Rajoelina from the list of candidates, the creation of a new list of candidates, the implementation of targeted sanctions, support for the FFKM mediation initiative in compliance with the road map, and support of the electoral process by the international community.

The seven-point plan was implemented between August 8 and 23, and a new timetable was developed jointly by the CENI-T and the United Nations, fixing the first round of the presidential election for 25 October 2013, with the second round paired with the parliamentary elections on 20 December 2013. The new CES validated the candidacy of 33 people, this time excluding Rajoelina, Ratsiraka and Lalao Ravalomanana and five other candidates (Roger Kolo, Jules Etienne Roland, Fleury Rakotomalala, Ny Rado Rafalimanana, Emma Rasolovoahangy). Candidate Dolin Rasolosoa decided to withdraw. Only Roger Kolo and Jules Etienne Roland offered an alternative candidate, in the person of Hery Rajaonarimampianina. The Ravalomanana-led movement threatened to leave the process, but ultimately decided to support Dr. Jean Louis Robinson.

The elections themselves were generally accepted as free and fair, as the major national and international observation missions concluded. As explained earlier, this was the first time in Madagascar's history that neither the incumbent president nor any former ones were on the presidential ballot. Moreover, these were the first elections to be organized by an Independent Electoral Commission with the support of the international community, and the first time that a single ballot sheet was used rather than asking political parties to distribute their individual ballots throughout the country's 20,001 polling stations. This structure helped level the playing field for all candidates, and contributed to the avoidance of fraud. Candidates were given equal amounts of free airtime to present their agendas on public radio and television. Although there were shortcomings in the technical organization of the process, especially with regard to the voter list, as well as major protests by the losing candidates, the results were ultimately accepted and the elected institutions put into place.

Effective power to govern

7

The new elected political representatives have considerable formal power to govern. However, their power is relatively weak because of the prevailing power structure. The president does not have the support of a strong political party (his political party, Hery Vaovao Madagasikara, was created only after the elections) and the National Assembly is composed of numerous political parties without a real majority for the president.

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 freedoms of association and assembly, but obtaining a permit to hold unrestricted events has become more difficult.

Association / assembly rights
5

A number of demonstrators were arrested in Tamatave in December 2014. The police used excessive force during the protest, resulting in the deaths of two demonstrators. A similar event occurred in Morondava.

In practice, opposition political parties and civil society organizations are often denied permission to engage in protests. In the capital, the police prefecture rarely issues permissions.

This fact helps explains civil society's weakness in holding the elected institutions accountable. As a pressure group, civil society is not strongly structured or well organized, in part because of the limited opportunity to express public disagreement with government policies and practices.

The constitution of the Fourth Republic 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 they have overstepped their role. This means they are often subject to interference or government restrictions, and some journalists consequently practice self-censorship.

Freedom of expression
4

On 19 June 2014, the National Assembly adopted a cybercrime law (Law No. 2014-006) that provides for prison sentences for anyone insulting or defaming a state representative online. Under Article 20 of the new law, using print or electronic media to "insult or defame" state representatives will be punishable by two to five years of imprisonment and/or a fine of MGA 2 million to MGA 100 million (€600 to €30,000).

In July 2014, two journalists were held on defamation charges for publishing a reader's letter accusing government ministers of involvement in the trafficking of rosewood. Their arrest came just weeks after a disturbing comment about media freedom by the president. He said there were "limits" to press freedom, and warned journalists to "be on their guard," while the prime minister asked journalists to stop putting "difficult questions" to the president. On July 25, the defamation complaint targeting Jean-Luc Rahaga and Solo Rabfiringa was withdrawn, and the journalists were released.

3 | Rule of Law

Separation of powers
4

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 judicial power.

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 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 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 half the Senate seats, can convene extraordinary sessions of parliament and call for referenda. The personalization of power by successive presidents has undermined checks and balances. An authoritarian power was in place for a long time, hampering the emergence of independent and credible institutions.

Independent judiciary
4

The Malagasy judicial system derives from the French tradition. A single judicial system has been in place since independence. The previous system was a bifurcated one with customary courts for most Malagasy and local courts for foreign residents and urbanized Malagasy.

There are three level of courts in today's Malagasy judicial system. 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 Constitutional High Court reviews whether treaties, laws and ordinances conform with the constitution. Moreover, it rules on disputes related to referendums and presidential or legislative elections, and proclaims the results of the presidential and legislative elections and referendums.

The military courts are organized by civilian magistrates. Its mandate includes issues dealing with national security.

The president serves as formal guarantor of the independence of the judiciary. To this end, he is assisted by a Superior Council of the Magistrature, on which he serves as president, and the minister of justice is vice president. The judiciary remains under the control of the Ministry of Justice, and reports of corruption in the judiciary continue. Efforts are underway to address this problem. The court system has a large backlog of cases, a fact that contributes to excessive investigative detention.

The personalization of power by successive presidents has affected the functioning, transparency and independence of other institutions, especially the judiciary. As a consequence, the Malagasy have lost faith in in the court system. Madagascar ranked 134th out of 144 countries in the World Economic Forum's Global Competitiveness Report 2014 – 2015 with regard to the issue of judicial independence.

Prosecution of office abuse
4

Madagascar ratified the United Nations Convention Against Corruption on 22 September 2004, as well as the African Union Convention on Preventing and Combating Corruption on 6 October 2004. Madagascar is also part of the SADC Protocol Against Corruption.

However, the government has not implemented these policies effectively, and corruption remains a serious issue, as does the lack of government transparency.

The inefficiency in sanctioning corrupt public-office holders is due to the lack of independence within the Independent Anticorruption Bureau (BIANCO), political pressure and the power of money. BIANCO lacks sufficient resources, and political interference is evident. A variety of cases has illustrated the widespread impunity for officeholders who break the law, especially with regard to the trafficking of natural resources.

Civil rights
5

The overall worrisome state of civil rights in Madagascar did not change with the 2013 elections. There are still abuses of power, and restrictions on press freedom and the freedoms of assembly and speech. 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 (for instance in the south with the Coup d'Arrêt operation, and on the east coast in response to the strike against electricity cuts). This has included unlawful killings, and mob violence (on the west coast).

Some media are subject to government censorship, harassment and intimidation, even though the constitution provides for the freedoms of speech and of the press.

4 | Stability of Democratic Institutions

Performance of democratic institutions

5

The 2013 elections were a major step forward, but democratic institutions remain weak. Institutions matter less than personal relationships, and an atmosphere of zero-sum politics continues to exist. This results in both structural and institutional weaknesses.

Political parties' lack of institutionalization (President Rajaonarimampianina did not have a political party before the elections) produces chaotic parliamentary dynamics within the National Assembly. The nomination of the prime minister was disputed. The Party of Andry Rajoelina (MAPAR) and his allies, which controlled a total of 77 seats, claimed the right to nominate the prime minister. However, a new bloc calling itself the Platform for a Presidential Majority (PMP), a coalition of various parties such as the Ravalomanana Movement, the Green Party, Leader Fanilo, Vondrona Politika Miara dia Malagasy Miara Miainga (VPM-MMM), Hiaraka Isika, the MDM and some independents, claimed the right for itself, with a majority of 86 seats.

The High Constitutional Court (HCC) ruled in MAPAR's favor on 18 February 2014. MAPAR nominated Haja Resampa, but this was rejected by the president. The PMP instead nominated Rolland Jules Etienne, but the president was forced to reject him as well as a result of the initial HCC ruling.

President Rajaonarimampianina subsequently decided to change the members of the court, as their mandate had expired in 2010. He appointed three new members, following the procedure laid out in the constitution (Article 114).

On 27 March 2014, the HCC declared the election of Christine Razanamahasoa (MAPAR) as president of the National Assembly to be unconstitutional. A new president, Jean Max Rakotomamonjy (Leader Fanilo; at this point the only candidate) was elected on 3 May 2014. Christine Razanamahasoa rejected the ruling, saying the HCC did not have the authority to nullify the legislature's internal procedures. On 11 April 2014, the PMP nominated Roger Kolo as prime minister. He was confirmed by Hery Rajaonarimampianina. Ten months after his nomination, popular protests over power cuts and a general failure to provide adequate public services led the prime minister and his cabinet to resign, and the president named a military general, Jean Ravelonarivo, as his new prime minister on 15 January 2015.

The president holds the most power within the Malagasy political system.

Commitment to democratic institutions
6

Except for some hardliners in the opposition (Comité de l'Opposition Extra-Parlementaire), the government and all significant political actors support the country's democratic institutions. As an example, on 22 January 2015, the Comité de l'Opposition Extra-Parlementaire asked for the dissolution of the National Assembly, but as the president and the majority of the National Assembly are political allies, the likelihood of any such dissolution is minimal.

This indicates that despite the existence of a certain will to destabilize the institutions, the majority of actors – especially the military and the economic interest groups – accept the elected institutions for the time being.

Since December 2014, the FFKM (Council of Christian Churches in Madagascar) has led a national reconciliation process between Hery Rajaonarimampianina and four former presidents, another important step toward political stabilization.

5 | Political and Social Integration

Party system
4

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 modern presidents have created their political parties after their elections. Notable exceptions are Philibert Tsiranana's PSD and Albert Zafy's UNDD parties. Didier Ratisraka's AREMA, Marc Ravalomanana's TIM, Andry Rajoelina's TGV and Hery Rajaonarimampianina's Hery Vaovao parties were all created after their leaders were in power. With about 230 registered political parties, the system is highly fragmented. For example, 42 of the parliament's newly elected members, or 29%, were registered either as their own party or as independents. While President Rajaonarimampianina's Hery Vaovao has no sitting parliamentarians, most of the political parties in the National Assembly support him. This situation confirms the winner-takes-all aspect of Malagasy politics, and illustrates the prevailing reluctance to play an opposition role. 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.

Interest groups
5

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. Some discussions were conducted with the government and the National Assembly after the 2013 elections.

There are a total of about 800 associations and NGOs. More than 60% are in the province of Antananarivo, with the provinces of Toamasina and Fianarantsoa also host to a healthy number. According to a 2013 report by the Madagascar National

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

There are a few notable exceptions to this general picture. Some faith-based development organizations, such as Sehatra Fanaraha-maso ny Fiainam-pirenena (SeFaFi), have created significant vertical integration and can thus communicate effectively both up and down organizational levels. However, one of this group's members has been nominated to serve as president of the High Constitutional Court.

The Council of Christian Churches of Madagascar still plays a political role. Since December 2014, it has been leading the national reconciliation process.

Approval of democracy
4

According to the most recent Afrobarometer survey, published in January 2014 and taking into account data from 2013, 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 and 2008), as corruption (perceived and real) has also increased, especially during the political crisis beginning in 2009.

In the most recent survey, about 50% of respondents declared that they had confidence in institutions such as the presidency, police and army, while about 40% said they trusted the electoral commission and the lower courts. Less than 30% said they had confidence in the state tax bureaucracy or the political parties (including the ones in power and those in opposition).

Approval of a democratic system had fallen compared to previous Afrobarometer surveys, though the most recent data still dates from before the 2013 general elections. While a majority still said they supported democratic principles, 9% of the respondents said they were in favor of a single-party system centralizing power at the presidential level, while 20% said they were in favor of the army taking power. Only 39% of respondents identified democracy as preferable to any other form of governance. Similarly, concerning the quality of democratic performance, only 29% of the respondents were of the opinion that Madagascar was a full democracy, whereas 32% declared that Madagascar was not a democracy at all or was one with major shortcomings. A full 40% failed to respond to this question, which suggests a general apathy regarding political matters.

Survey data on social capital and solidarity among the citizens are limited. However, the concept of social capital may be defined in Malagasy society as “fihavanana,” which can be translated as solidarity, mutual understanding and respect, social justice and peaceful cohabitation. This is generally present within Malagasy culture. However, observers note that solidarity and trust among citizens have been affected by the almost five years of political crisis, deepening social and economic rifts. On the other hand, the weakened presence of state services has pushed people to rely on solidarity as a means of survival. While self-organized groups fulfil this role, no quantitative data exist to confirm an increase of this type of group. In general, trust and solidarity tend to be organized along family, regional, and religious lines, and are structured by the strong presence of community traditions.

Social capital
4

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

The United Nations Development Program (UNDP) ranks Madagascar 155th out of 187 in its Human Development Index (24 out of 52 in Africa). Madagascar falls into the category of low human development, and as of the time of writing, it was evident that it would not achieve most of the U.N. Millennium Development Goals (MDGs) by 2015. Poverty has sharply increased; indeed, the World Bank estimates that more than 92% of Malagasy live under the $2-per-day poverty line, up from 89% in 2001. Moreover, 43% live below the $1.25-per-day extreme-poverty line, up from a low of 26.5% in 2005. Farmers (between 79% and 86% of households) are among the poorest individuals, followed by the self-employed (43%). The poorest regions are Androy and Atsimo-Atsinanana, both situated in rural areas.

Socioeconomic barriers
2

Despite crisis-related aid, as many as 600,000 children have left school. Poor parents have had to shoulder a heavy proportion of the costs for their children’s schooling due to a lack of government funding.

Economic indicators		2005	2010	2013	**2014**
GDP	$ M	5039.3	8729.9	10613.5	**10593.1**
GDP growth	%	4.6	0.3	2.4	**3.0**
Inflation (CPI)	%	18.5	9.2	5.8	**6.1**
Unemployment	%	2.6	3.6	3.6	**-**

Economic indicators		2005	2010	2013	**2014**
Foreign direct investment	% of GDP	1.7	9.3	5.3	**-**
Export growth	%	2.2	3.1	32.4	**-**
Import growth	%	-8.8	-6.1	10.1	**-**
Current account balance	$ M	-694.7	-887.7	-622.1	**-**
Public debt	% of GDP	86.4	31.9	34.0	**34.7**
External debt	$ M	3521.1	2699.3	2848.7	**-**
Total debt service	$ M	79.6	60.4	69.6	**-**
Cash surplus or deficit	% of GDP	-4.6	-0.9	-	**-**
Tax revenue	% of GDP	10.1	9.8	-	**-**
Government consumption	% of GDP	9.2	10.6	8.6	**-**
Public expnd. on education	% of GDP	3.8	-	2.1	**-**
Public expnd. on health	% of GDP	2.5	2.7	2.6	**-**
R&D expenditure	% of GDP	0.18	0.11	-	**-**
Military expenditure	% of GDP	1.1	0.7	0.7	**0.7**

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

7 | Organization of the Market and Competition

Market-based competition
4

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

This dichotomy between a market culture and opportunity on the one hand and significant structural barriers on the other is characteristic of the ongoing challenge Madagascar has faced with regard to market fundamentals. The World Bank's Doing Business index ranked Madagascar 163rd in 2015, down from 157th place only a year ago. In this regard, it is very close to the sub-Saharan Africa average. This places it among countries struggling with market-economy issues, but above the direst cases. The currency has long operated on a floating exchange basis with relatively little political interference. The informal market is relatively small (estimated at approximately 17% of the national economy by one scholarly study). However, approximately 65% of the labor force in Madagascar's capital of Antananarivo was estimated to have worked in the informal economy in 2011, and that figure might have increased further in the wake of the political and economic crisis.

Improvement has been evident in some areas. For example, it has become easier since 2005 to trade across borders, pay taxes and register property. International investors have been given significant liberties to invest, while nascent capital markets have helped domestic entrepreneurs to flourish. In the Doing Business 2015 report, Madagascar was ranked 37th in the world in terms of the ease of starting a business (down from 33rd in Doing Business 2014). By comparison, Mauritius was ranked 29th, and Rwanda 112nd. It takes eight days to start a business in Madagascar (compared to six in Mauritius and 6.5 in Rwanda).

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

Madagascar has recently become an industrial-mining country. Since 2009, permits for new mining activities have proliferated, with loose oversight driving new employment, but with investments from new international partners having little transparency. The illegal timber trade has increased dramatically over the same period. Finally, the textile industry has been badly hampered by the political crisis, as well as by the loss of African Growth and Opportunity Act (AGOA) trade preferences in 2009 following the country's unconstitutional change in power, as the country no longer met the AGOA criteria regarding political pluralism and the rule of law. Recognizing Madagascar's return to political pluralism after internationally observed elections in late 2013, the United States announced the restoration of Madagascar's AGOA eligibility on 27 June 2014. This represents a good opportunity for the textile industry.

Anti-monopoly policy
5

During the 1990s and particularly the 2000s, Madagascar saw a large sell-off of state-owned enterprises. For example, the state companies producing sugar (SIRAMA) and cotton (HASYMA) were privatized. However, the state remains a shareholder in hotel operations (Carlton), fishing (Nosy Be fishery), textiles (Cotona, FITIM), wood (Fanalamanga), the production and distribution of beverages (Star), air travel (Air Madagascar), telephony (Telma) and the exploitation of granite and marble resources (MAGRAMA). The presence of the state in these areas helps to explain the lack of competition these firms have enjoyed over the years.

The state has a monopoly in the electricity and water industry (JIRAMA), which provides irregular power supply in many regions, particularly in remote coastal provinces.

Several monopolies or cartels have been consolidated in areas such as the production and distribution of food (dairy products, oils, flours) and beverages (beer and non-alcoholic drinks). There is evidence of collusion between the political and the economic elite. These competition-dampening monopolies have helped maintain relatively high prices for consumers, particularly for the poorest, and discourage technological development.

There are few antitrust laws within the private sector (with the exception of Law No. 2005-020). However, as of the time of writing, a new law was slated for adoption and a competition council was in the works.

Liberalization of foreign trade
6

Madagascar belongs to the World Trade Organization (WTO). It is also member of several regional groupings, including the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC) and the Indian Ocean Commission (IOC), but has little trade with them.

The European Union remains the country’s largest trading partner, accounting for 24% of imports and 53% of exports. China is the second-largest point of origin for imports (13%), while the United States is the second-largest export destination (24%).

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

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

According to the country's central bank, foreign direct investment inflows amounted to $809 million in 2011 and $894 million in 2012. This increase is partially attributable to an increase in banks' capital holdings, which required them to borrow money from overseas parent companies or from foreign banks, as well as to several major loans taken out by telecommunications companies from abroad.

From January to August of 2014, the trade balance improved compared to the same period of the previous year, due to a slowdown in imports (-2%) and an increase in exports of 7.6%. This imports decline was influenced by a reduction in imported capital goods due to the low level of investment. Invoices for the purchase of energy and raw materials have stabilized compared to the previous year. Export volumes have risen primarily due to exports of mining products and textiles. Non-mining exports had fallen by 4% compared with the 2013 level.

Banking system
6

Until fairly recently, the Malagasy banking system was composed of a central bank and six commercial banks. However, the number of financial institutions has increased over the past five years, reaching 11 banks, six non-bank financial institutions (NBFIs) and 31 microfinance institutions. However, a large proportion of the country's banking assets are concentrated within three banks, reflecting the lack of competition. Total financial-sector assets totaled 25.5% of GDP in late 2011.

A leasing company, Equipbail-Madagascar, two mutualist financial institutions, the Adefi and CECAM, and a non-mutualist financial institution, SIPEM, round out the Malagasy banking system.

Banking law No. 95-030 was adopted on 22 February 1996, dealing with issues related to the operation of financial establishments and commercial banks. The Banking and Financial Supervision Commission (CSBF) oversees banks and financial establishments, and must provide operation permits to commercial banks.

Only about 5% of the population uses banks in Madagascar. The quality of bank portfolios was damaged by the crisis, making it difficult for banks to honor commitments. According to the central bank, bad loans represented 14.4% of gross credit in 2012. This figure had risen to MGA 354.9 billion by the end of June 2013, for a 2.8% increase since the end of 2012. While banks had an MGA 118.9 billion surplus over their required reserves by the end of 2012, they lent little to businesses, particularly over the medium or long terms, in large part due to the high political risks. The volume of long-term loans decreased between 2012 and 2011, accounting for just 10.5% of gross credit at the end of 2012. No reforms of financial regulations have been implemented in recent years, largely due to the political crisis.

Financial markets in Madagascar are relatively rudimentary, and the bank penetration rate is very low. This could be explained in part by high interest rates, strong requirements for collateral and guarantees, limited competition among banks, and a reluctance to finance foreign trade or working capital even when loans are secured by letters of credit. In general, financing is expensive and difficult to access. Local firms are confronted with numerous constraints, making expansion almost impossible. One of these limiting factors is the difficulty in increasing working capital through bank borrowing. Banks argue that many prospective borrowers neither have reliable and transparent balance sheets nor engage in long-term deposits, which complicates long-term financing.

8 | Currency and Price Stability

Anti-inflation / forex policy
6

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. The bank's interventions on currency markets has kept the ariary relatively steady against major currencies. There was some fluctuation between December 2012 and 2013, with its nominal value falling 3.5% against the euro and rising 0.8% against the dollar. As a consequence of this relative stability, combined with weak internal demand and ongoing fuel subsidies, annual inflation rates were held to 5.8% in 2012 and 6.9% in 2013. However, the cost of staples, especially rice, increased during the period of review following bad harvests, and in order to keep prices down, the government imported some 400,000 tons of rice in 2013.

Monetary aggregates have been kept broadly in check, and inflation did not passed the single-digit level during the period. After peaking at 16.4% in 2011, broad money growth decreased rapidly to 5.5% in 2013. While subdued demand kept credit to the private sector growing more or less in line with nominal GDP through 2012, it accelerated in 2013 mainly due to overdrafts, including those related to imports of petroleum products, and to a lesser extent medium-term (working capital) and long-term (working capital and construction financing) borrowing. The banking sector remains reasonably profitable and liquid.

Macrostability
7

Macroeconomic stability has been maintained through drastic budgetary adjustments that have undermined the government's ability to provide basic services, and have also restrained economic recovery.

Following the 2013 elections, the World Bank regularized its operations in Madagascar. Similarly, in June 2014, a $47 million rapid credit facility was promised by the International Monetary Fund (IMF), with the goals of rebuilding macroeconomic stability through economic and structural policies and measures, providing a favorable environment for inclusive growth and poverty reduction, and strengthening the capacity of the Malagasy government. That same month, Madagascar again became eligible for favorable trade treatment under the African Growth and Opportunity Act (AGOA), which will stimulate growth in the textile industry and help increase exports to the United States.

Government spending increased by 2.9% of GDP in the supplementary budget of August 2014. Emphasis here was placed on investment, including road rehabilitation, new classrooms and agricultural infrastructure. Consequently, the share devoted to current (rather than capital) expenditure has been reduced, though not substantially. The government also increased its social spending, in part by regularizing the employment status of some of the "community teachers" (Enseignants FRAM) working in public schools. The number of such teachers had increased rapidly during the transition period, as they were hired as replacements for retiring teachers or to staff the new schools being constructed to meet the needs of Madagascar's growing young population.

Around 40% of the increased spending was allocated to transfers and subsidies, including fuel subsidies, and for partial clearance of existing payment arrears and the prevention of future such arrears.

The supplementary budget provides that the additional spending would be sustained in equal measures by additional tax revenues and renewed budget support from international donors, for a total amount of 2.2% to 2.9% of GDP.

The 2015 budget was passed by parliament in December 2014. The macroeconomic policy framework has been firmed up as a result of the IMF's recent Article IV consultation mission (29 October – 11 November 2014). In 2014, the current account deficit is projected to have narrowed to about 2% of GDP, thanks to growing mineral exports, decreasing food-import needs, and lower-than-anticipated international oil prices. Growing credit demand prompted an increase in domestic interest rates, raising the cost of domestic budgetary financing. As a consequence, the government increased its statutory advances from the central bank.

In 2014, expenditure in high-priority sectors such as education and health remained too low, a fact partially explained by still-weak tax-revenue collection. A number of ongoing demands, including the need to finance fuel subsidies, public enterprises (such as the JIRAMA public power and water utility) and the underfunded civil-service pension fund have placed the budget under pressure. However, measures are being taken to strengthen public financial management. For example, policymakers have begun to clear domestic budgetary arrears, have developed a plan to shore up JIRAMA's finances, and have adopted a prioritized action plan.

In general, Madagascar continues to face complex challenges including weak institutions and governance, binding resource constraints, vulnerability to shocks, and the urgent need to reverse recent deterioration in a number of development indicators.

9 | Private Property

Property rights
5

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

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

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

Despite legal advances, the prohibition on land ownership by foreigners remains controversial and problematic. A system of long-term leases (up to 99 years) was established to address the issue in 2008, following the adoption of investment law 2007-036. However, there have been long delays and few successes so far with regard to actually approving land leases for foreigners. The new investment law grants land and property to certain companies registered in Madagascar. Since 2006, the Economic Development Board of Madagascar (EDBM) has been the issuer of authorization documents. The EDBM is intended to bridge public and private interests and facilitate investment.

However, land leases have become one of the most politically controversial issues in Madagascar. Conflicts exist around mining interests, and large-scale foreign-led agricultural operations are often seen as benefiting a small urban elite at the expense of the majority rural poor.

Private enterprise
6

Despite the improvements brought by the 2013 elections, Madagascar's business environment remains troubled. The recent crisis (2009 – 2013) disrupted the country's positive growth trajectory and the economic reforms adopted during the Ravalomanana era (particularly investment law 2007-036 and the Export Processing Zones law 2007-038).

Private companies experienced weak performance during fiscal 2010 through 2013. The real growth rate in annual turnover was a low 2.3% during this period, compared to 9.3% in countries with a similar level of income, and the overall employment growth rate was effectively zero. As of the end of fiscal year 2012, businesses in Madagascar were operating well below full capacity (63%), at a rate lower than the average in other countries in Africa (70%) or in low-income countries more generally (almost 72%).

Madagascar again lost ground in the World Bank's Doing Business 2015 report, dropping six ranks in the overall ranking for ease of doing business to land at 163rd place out of 189 countries.

According to the World Bank's 2013 Enterprise Surveys, the greatest threats to private companies' operations in Madagascar are associated with access to financial services, the growing informal sector, tax rates, corruption, political instability and the unreliability of electricity supply. Isolated from the world's main economic centers and global supply chains, Madagascar also suffers from a lack of competition and an incomplete liberalization of national airspace, both of which mute the country's growth potential. In addition, the state monopoly in the energy sector stifles the manufacturing sector – especially for industries located outside of the capital – and restricts investments in other sectors of the economy such as fishing, tourism and agribusiness.

A process of privatization began in 2001, but has slowed in recent years.

10 | Welfare Regime

Social safety nets
3

The question of the existence of formal and/or informal social safety nets has to be interpreted in the context of data on general living conditions. According to the UNDP, Madagascar's Human Development Index score in 2013 was 0.498. The country was ranked 155th out of 187 countries in this regard. The World Bank indicates that more than 92% of the population lives on less than $2 a day, and poverty rates have sharply increased in recent years, especially during the political crisis.

The crisis has also had an impact on public social expenditure in areas such as health care and education. Several health care centers have closed, and more and poor parents have had to shoulder a significant proportion of the cost of their children's schooling due to a lack of government funding. As many as 600,000 children have had to drop out of school as a result Acute malnutrition among children has increased in some areas by more than 50%. All of these events threaten the future and well-being of the next generation, and have ensured that Madagascar would not achieve its MDGs by 2015.

According to the World Bank, public expenditures for social protection remain extremely low. Since 2009, these have consisted almost exclusively of payments into a public pension fund, a fact that has sharply reducing expenditures for social safety-net programs.

In May 2014, the new government organized an international forum on social protection, inviting national and international experts, and representatives of non-governmental organizations and development partners working in social-protection-related activities. Subsequently, a social-protection policy-development process was launched. The World Bank is supporting the preparation of a new social-safety-net project for the poorest households, including a conditional cash transfer program for extremely poor families. This project has two objectives: to provide the poorest families with short-term income support while encouraging their children's school enrollment and attendance; and to promote the spread of nutritious food and eating habits, particularly for children. The project also includes a short-term employment program for households affected by disasters, so they do not have to sell their assets to cope with crises.

As of the time of writing, 5,000 households from Betafo (in the Vakinankaratra region) were participating in a pilot program launched by President Hery Rajaonarimampianina on 29 September 2014.

A total of 16,000 students have benefited from a family grant (Vatsin'Ankohonana) program being implemented by the Development Intervention Fund (FID) in collaboration with the Ministry of Population, Social Protection and Women's Promotion; the Ministry of Education; and the National Nutrition Office (ONN). As of the time of writing, the program was expected to be extended through July 2015, taking into account the evaluation and lessons learned from the pilot program.

These initiatives have to been seen against a general situation in which safety nets formally exist (pension, health insurance, etc.), but often fail to reach the poorest and most vulnerable portions of the population.

Equal opportunity
4

Legal and constitutional provisions guarantee ethnic, racial, ethnic and gender equity. However, the achievement of equality of opportunity is still a challenge in practice.

Madagascar scores a 3.5 (out of 6) on the World Bank's Country Policy and Institutional Assessment (CPIA) gender-equality rating (2013). In comparison to former parliaments in which women were strongly underrepresented (with less than an 8% share before 2009, and 17.5% in the transitional legislature), the National Assembly elected in 2013 shows an increase in the number of women legislators (23%). In the current government under Prime Minister Jean Ravelonarivo, six of 30 ministers are women. The presidency of the Electoral Management Body is also held by a woman.

However, traditional, cultural, social and economic constraints still prevent women from having overall equal opportunities. The difficulty for women in inheriting land and property is a prime example of gender inequality. In some regions, depending on local ethnic and kinship norms, women have difficulties acquiring land. Early marriage is common, particularly in rural areas, and violence against women is widespread among some ethno-cultural groups.

World Bank figures show no significant differences between school enrollment figures among men and women. The general literacy rate in Madagascar is below the average in Sub-Saharan Africa, and access to secondary and tertiary education remains limited for the vast majority of the population. However, the difference between literacy rates for men and women is just 5.8%. This may help explain the effectively equal labor-force participation rate for women and men (with women making up 49.5% of the total labor force).

According to the World Bank, women's labor-market earnings are not as high as those of men when controlling for various other factors.

Inequality in terms of ethnicity, religion and political preference is a less well-documented topic, and indeed as a rather hidden, subtle and sensitive reality. Although no systematic exclusion on the basis of these characteristics exists, there is evidence that ethnic and regional origin play a role in access to education, employment and the market. In the capital, the Merina-Côtier divide runs through the political, societal and employment spheres. The Merina population has privileged access to education, employment and public office. This is explained in part by the strong centralization of all services and infrastructure in the capital city, which complicates access for the people from the coast.

With regard to political preference, membership in or at least association with the party in power seems necessary in order to have access to high-level employment.

11 | Economic Performance

Output strength
5

Madagascar is a country with huge potential human and natural resources. Before the crisis, Madagascar grew at an average of 5% a year; however, economic growth was just 1.9% in 2012 and 2.6% in 2013. Economic growth is largely driven by extractive industries, agro-industry, banking, transport, livestock and fisheries. During the crisis, critical budgetary adjustments improved macroeconomic stability, but prevented the government from providing basic services and ultimately restrained economic recovery. Following the 2013 elections, there were early signs of an economic recovery in 2014, with growth for the year estimated at 3% and the inflation rate falling below 7% in December. The current account deficit is projected to have narrowed to about 2% of GDP in 2014, driven by growing mineral exports, decreasing food-import needs and lower-than-anticipated international oil prices. Growing credit demand prompted an increase in domestic interest rates and raised the cost of domestic budgetary financing, leading the government to increase statutory advances from the central bank.

Given the still-weak tax-revenue collection, spending on high-priority areas such as education and health continued to be constrained in 2014. The need to finance fuel subsidies, public enterprises (such as JIRAMA, the national water and electricity company) and the underfunded civil-service pension fund has added to budgetary pressures. However, the government has begun to clear domestic budgetary arrears, began development of a plan to shore up JIRAMA’s finances, and adopted a prioritized action plan for strengthening public financial management.

The National Development Plan (NDP) 2015 – 2019 forecasts growth of 5% in 2015, 7% in 2016, 9% in 2017 and double-digit growth in 2018. An interim plan including the president’s Emergency Program for the period 2015 – 2016 is contained in the NDP.

The NDP focuses on five strategic areas: i) governance, rule of law, security, decentralization, democracy and national reconciliation; ii) preservation of macroeconomic stability and support for development; iii) inclusive growth and; iv) human capital; and v) enhancement of natural capital.

The primary sector, which accounts for approximately 30% of GDP, should benefit from government measures intended to increase rice yields. Agricultural production is nevertheless highly vulnerable to locust invasions and climatic conditions that impact harvests on a regular basis. Mineral production, notably nickel and cobalt started in 2013, will continue, together with the exploitation of the Tsimiroro oil field that began in 2014. The textile and clothing sector will be revitalized with the reopening of the U.S. market to Malagasy products and the slight upturn in European demand. Services (55% of GDP), particularly tourism, should remain strong, but the enduring political uncertainties as well as the lack of real strength in economic growth in Europe will hold back any increase in tourism revenue.

Inflation should slow in 2015 thanks to a lower rate of growth in agricultural products. However, a reduction in fuel subsidies, if actually implemented by the government, could hamper efforts to hold down inflation.

Public spending is likely to rise in 2015. Madagascar will gradually address the domestic payments arrears accumulated over a number of years, which are estimated by the IMF to total 2% of GDP. The financial situation of JIRAMA, the source of part of the unpaid public debt, is also a heavy burden on the budget. The government expects the resumption of the international aid suspended after the 2009 coup d'état to provide the funding for its investment spending. The United States and the European Union indicated their agreement in principle to resuming aid following the signature of an agreement between the Malagasy government and the IMF in June 2014. However, payment of the aid is conditional on the finalization of the NDP and the stabilization of the political situation. Cuts in subsidies, increases in tax revenues due to increased mining production, and reforms intended to improve tax collection should help to prevent any serious further deterioration in public finances.

The country's public debt is essentially domestic due to the problems in accessing external markets in recent years. The concessionary nature of the loans the country may be granted once the flow of aid resumes should not seriously increase the country's debt burden.

The current account deficit is expected to stabilize in 2015. Clothing exports will benefit from the gradual economic recovery in the European Union, Madagascar's main trading partner, as well as from the United States' decision to restore the country's eligibility for the Africa Growth and Opportunity Act (AGOA) program granting preferential access by specific African countries to the U.S. market. With the completion of the mining-, oil- and gas-development projects, imports of capital goods are slowing. The need to import food, in particular rice, should ease thanks to improved local harvests. The slowdown in world raw-material prices will also help. The repatriation of profits from extraction activities will continue to have an impact on the balance of payments. Because of continuing uncertainties in the political situation, FDI will remain at a low level.

12 | Sustainability

Environmental policy
5

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

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

Within the African region, Madagascar is the second most vulnerable country to natural disasters. The country's vulnerability is a function both of high exposure levels due to its geographic position, and its low adaptive capacity, which is driven by high rates of poverty and unsustainable land and natural-resource usage.

Several programs aimed at combating environmental damage have been adopted, including an environmental charter, a national environment policy, a national strategy for clean development and a national action plan for adapting to climate change.

The crisis, which weakened governance and regulation and diminished control of domestic security, has increased the incidence of rosewood smuggling and the threat to endangered species.

Progress has been made towards the MDG of ensuring environmental sustainability, according to the 2012/13 national survey of MDG progress. The pace of deforestation has been reduced by 75% in the past 20 years; in 1990, Madagascar had 11 million hectares of forest and 11 million people, whereas there are currently 9 million hectares of forest and 20 million people. New protected areas (11% of the country) have been created. In 2003, Madagascar had 1.7 million hectares protected, while at the 2014 World Parks Congress in Sydney, Hery Rajoanirimampianina said that Madagascar now has a little under 7 million hectares of protected areas.

Nonetheless, environmental protection is hampered by weak institutional capacity. The Ministry of Environment and Forests' (MEF) effectiveness in managing environmental issues is compromised by internal conflicts, resource constraints and limited technical capacity. There is also duplication and ambiguity between the roles allocated to external organizations such as the Office National pour l'Environnement (ONE), which serves as the country's environmental regulator; and Madagascar National Parks (MNP), which is responsible for ensuring the protection of ecosystems and species, promoting research and environmental education, and managing ecotourism activities in national parks.

Two trust funds operate in the environmental sector – the Foundation for Protected Areas and Biodiversity (tasked with providing a secure and sustainable source of financing to the existing protected-area network, and with supporting the creation of new protected areas) and the Foundation Tavy Meva (focused on supporting environmental activities at the local community level).

The legal framework governing environmental protection in Madagascar has been characterized by rapid evolution and a largely reactive approach to the development of legislation. On the whole, it is highly fragmented and incoherent, both within and across legislative instruments.

Education policy / R&D

3

The administration of education runs vertically in parallel with governing bodies across eight levels, from the Ministry of Higher Education and Scientific Research, through regional directors of national education (Directeurs Régionaux de l'Éducation Nationale, DREN), local CISCOs (circonscription scolaire), and down to the schools. The private sector plays an important role, with faith-based and independent schools subject to national instructional and examination guidelines. The majority of teachers used to be civil servants. Today, nearly two-thirds of teachers are currently "community teachers" (Fikambanan'ny Ray Amandrenin'ny Mpianatra (FRAM) teachers) with little or no training, and 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.

The academic year begins in October and ends in July, and the official primary-school entrance age is six. The system is structured so that the primary school cycle lasts five years, lower secondary lasts four years, and upper-secondary lasts three years. Madagascar has a total of 5,808,000 pupils enrolled in primary and secondary education. Of these pupils, about 4,403,000 (76%) are enrolled in primary education. During the 2009 – 2013 period, despite crisis-related aid, the number of school-age children not attending school increased, possibly by more than 600,000. Fewer than half of the students who begin primary education reach grade five, and learning outcomes are declining overall (e.g., a 19% point drop in mathematics scores).

The per pupil expenditure (PPE) as a percentage of per capita GDP in primary education is 7%, lower than the median primary-level PPE for low-income countries as a whole, which is 9%. In Madagascar, the primary-level PPE is lower than the secondary-level PPE. The pupil-teacher ratio (PTR) at the primary level is 43.1, meaning that on average there is one teacher for every 43.1 primary school students. This is lower than the median primary-level PTR for low-income countries, which is 44. In Madagascar, the PTR in primary is higher than the PTR in secondary.

In order to optimize the allocation of public expenditure, the 2014 Supplementary Budget Law increased spending on infrastructure and essential services, and increased expenditures related to education (+ 5.5%) compared to the 2014 Initial Budget Act. In the 2015 Budget Law, the social sector will account for 32.6% of the

Public Investment Program budget. This sector will primarily support activities such as providing school supplies, further integrating and reintegrating school-age children, supplying desks and benches, building new classrooms, creating new schools, and supplying them with new equipment and tools (high schools and vocational-training centers).

Madagascar’s tertiary-education sector is one of the least developed in the world, and is far behind the average for sub-Saharan Africa. The public sector includes six universities, four 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. During the 2000 – 2011 period, the total number of students at the national level increased from 32,156 to 85,548, or from 199 to 385 students per 100,000 inhabitants. The enrollment rate is extremely low, and heavily concentrated in Antananarivo. The six public universities had a total of 52,028 students; the University of Antananarivo accounted 47% of these, and the University of Toamasina another 22%.

The country has not quite reached gender parity, although the proportion of female students has increased slightly to 48.2%.

The number of permanent teachers has not risen in parallel with the student population.

Eight public research centers employ 300 researchers and engineers. Programs here address issues of agricultural production and rural development, health, biodiversity and environmental management, technological innovation, and nuclear technology. Due to lack of funding, no recruitment has taken place in the last decade, and equipment is badly out of date. A national research strategy was published in 2013, structured around four areas: defining research priorities to meet the needs of the country’s social and economic development and its environmental constraints; creating a national research agency tasked with defining priorities and evaluation; developing international partnerships; and guaranteeing sufficient public funding.

The current situation is the result of long-term underinvestment and inadequate governance of the higher-education sector. In 2012, public expenditure on higher education was MGA 82 billion, compared to MGA 85 billion the previous year, even though enrollments in public institutions increased by 12.5%. This amounted to 0.3% of GDP, or 12.8% of total public expenditure on education, as compared to 16.8% in 2006. Public spending for research amounted to MGA 10.5 billion, or 0.04% of the state budget in 2012, a decrease from 0.05% in 2007. Most of the budget goes to salaries and student scholarships. As a consequence, educational resources and investment received little funding.

Transformation Management

I. Level of Difficulty

Structural constraints on governance are high. According to a 2013 World Bank report, existing structural constraints have been exacerbated by the 2009 political crisis, which has lasted for almost 5 years. As an example, poverty has increased significantly, resulting in 92% of the population living under the poverty line. This qualifies the country as one of the poorest in the world. Other intensifying structural constraints include infrastructural deficiencies (roads, electricity and water provision, communication), education and the lack of a skilled labor force (less than 15% of the labor force has a secondary education, and only 3.4% of workers have a tertiary education). Moreover, natural disasters (cyclones, locust invasions), diseases (plague), and the country's isolated geographical position further complicate management performance. Even the return of elected government institutions in 2013 failed to result in improved living conditions after a year, forcing the new prime minister to resign. Structural constraints thus have a real impact on political performance and stability.

Structural constraints
8

In general, civil society is rather weak in Madagascar. Although many associations and NGOs exist on paper, their actions are limited in terms of impact, especially in terms of playing a watchdog or lobbying role with regard to government institutions. The most recent Afrobarometer survey indicates that few citizens are active members of an association or community group (only 17%, compared to an average of 37% over 23 African countries). Among the factors that weaken civil society are politicization; the lack of coordination or collaboration between different associations due to competition for limited resources (especially during the political crisis); and a lack of social rooting on the part of organizations' leaderships, which often acting in their own interests instead of the general interest. However, during the 2013 elections, civil-society organizations coordinated voter-education and election-observation activities, and created nationwide platforms to increase their impact.

Civil society traditions
7

Conflict intensity
5

Malagasy society is structured by several cleavages of varying type: political, social, ethnic and religious. However, these cleavages do not lead to widespread violence or open, violent conflict. For example, the 2013 electoral process was characterized by political tensions that held the potential to erupt into violent confrontation. However, no open conflict occurred, and elections were conducted in a relatively peaceful environment. One of the reasons is that broad popular mobilization and demonstrations in support of political parties or candidates (or to protest specific issues) have become more difficult, as illustrated by the 2013 Afrobarometer survey. Only 10% of respondents said they had participated in this type of event, with 80% saying they would never take part in a protest or use violence for a political cause. However, social and economic conditions (lack of electricity, lack of payment of scholarships at university level, civil-servant salaries; etc.) have begun mobilizing people, often triggering violent repression in response.

The current reconciliation exercise between current and former presidents illustrates the existence of political cleavages, but has had little impact on a general population that has distanced itself from the political sphere.

II. Management Performance

14 | Steering Capability

Question
Score

Prioritization
5

The president of Madagascar possesses sweeping powers in comparison to other semi-presidential systems. The constitution of the Fourth Republic (2010) did little to mitigate executive strength, but it did reduce certain powers or relegate them to the policy realm, where the president maintains de facto control. In some cases, a strong presidency can be an advantage in forming a developmental state able to conduct long-term planning. However, presidential power in Madagascar is embedded in sociopolitical networks subject to electoral vicissitudes.

In terms of priority setting, 2013 was dominated by the electoral process, leaving little room for other priorities. Elections were seen as a necessary condition enabling exit from almost five years of political crisis.

The formation of a government after the 2013 elections took considerable time, as consensus had to be reached on the nomination of the prime minister.

In the first half of 2014, the general state policy has focused on strategic policies designed to create inclusive and sustainable development based on inclusive economic growth, with the aim of eradicating poverty. The highest-priority areas include strengthening governance; the rule of law and equitable justice; economic recovery; and improving access to basic social services. In practice, it is too early to judge whether these priorities can be translated into action, especially with an existing tradition of short-term vision and ministers hoping to make personal gains before being pushed out of office. Indeed, questions regarding political stability are a major challenge in maintaining and translating strategic priorities into action. Illustrating this point, the Roger Kolo government resigned on 12 January 2015 due to a lack of performance and results. A new government was installed on 25 January 2015; however, as of the time of writing, it is too early to evaluate how the government has maintained and operationalized strategic priorities.

Implementation
4

Almost one year after the elections and the formation of a new government, a first change of government took place that will affect the implementation of strategic priorities.

The government in place as the review period closed had served only since 25 January 2015. The former government, under Prime Minister Roger Kolo, was in place less than a year (having taken office in 2014) and was not successful in setting and realizing priorities. The country faces a number of problems such as electricity cuts (JIRAMA is unable to provide electricity continuously, mainly because of poor management), plague, large amounts of garbage, unmaintained roads, illegal trafficking of all kinds (including rosewood and other natural resources), and insecurity in urban and rural areas (particularly bandits in the south). Moreover, the country did not received aid (budget support) from its international partners.

These persistent problems contributed to the pressure that resulted in the government change. However, 2014 was also year of stabilization and normalization of relations with international and regional partners. The previous year was consumed by election preparations, with the political sphere dominated by the development of consensus in organizing and accepting these elections.

New Prime Minister Ravelonarivo, a general, has indicated that the National Development Plan, the Program of Presidential Priorities, the General Policy of the State, and the main pillars of the government program will be the key documents shaping ministry activities. All ministries were requested to submit their strategic documents before 16 February 2015.

For this reason, it remains too early to judge the implementation of the new government’s policies and action plans.

Policy learning
6

The year 2013 was dominated by the organization of presidential and legislative elections. The success of these elections was necessary in order to exit the political crisis, rejoin the international community and again win access international development aid. International pressure helped push the government to learn from the past and organize the elections in a transparent and credible way. This helped avoid a cyclical post-election crisis and obtain their acceptance by all stakeholders.

The price of the political crisis has been very high, and the necessity of taking action to redress the situation and tackle extreme poverty is urgent.

In this context, the elected government has shown a willingness to learn from past experiences, and has proved itself open to external recommendations and expertise. As concrete actions remain limited, it is difficult to judge how flexible the government will be in adjusting its action plans if needed.

15 | Resource Efficiency

Efficient use of assets
4

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 of the highest ranks in government, as well as of the diplomatic corps. Most ambassadors are political appointees. There are also weaknesses with regard to capacity building. Training programs for state officials lack the means to qualify them fully for their ongoing responsibilities. The fragmentation of the public service and the emergence of corporatist structures impose additional constraints and management problems. The existence of various special statuses of certain parts of the administration means that public service bodies receive broadly unequal treatment.

The General Internal Audit Directorate, which is overseen by the Ministry of Finance, rarely conducted audits during the review period. The National Assembly, which is officially tasked with overseeing public expenditure, does little to fulfill this function.

The national budget is primarily prepared by the government, and the National Assembly approves it with few modifications.

The policy of decentralization has not produced the expected results. The high concentration of civil servants in the region of Analamanga affects the state’s ability to provide public services in the outlying regions. The civil service is aging, with nearly half aged 50 or above. A quarter of civil servants will retire during the 2011 – 2018 period. This will require the state to allocate considerable funds to pay pensions.

The allocation of financial resources to the provinces, regions and municipalities is not fairly organized. Most expenditure remains concentrated in the capital.

This general situation deteriorated further during the near-five-year political crisis. The newly elected institutions will have to prioritize the issue of efficiency in order to respond to donor expectations and retain eligibility for budget aid. Communal elections were postponed until 2015, but are a critical aspect of the decentralization of responsibilities and resources.

Policy coordination
4

As stated by the World Bank, Madagascar is a country with many advantages, including unmatched biodiversity, great agricultural potential, mineral resources and abundant labor. With the assurance of complementarity between physical and human capital, and good governance, it could be a prosperous country. Indeed, 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. One of the new administration’s most urgent tasks is to implement policies aimed at reversing this increasing poverty.

If this goal is to be achieved, coordinating conflicting objectives should be made a top priority, enabling the government to develop a coherent policy adequate to the numerous challenges in almost all sectors. According to the World Bank, this 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 should be implemented through discussions with stakeholders. However, Madagascar’s political system has historically been marked by a strong executive power that undermines the separation of powers and the independence of the judiciary. Political contests are structured by personal relations and influence rather than actual policy, and clientelism and favoritism are common features. Rent-seeking tendencies have emerged with increasing force, fueled by financial gains linked to the discovery of oil reserves. Bureaucratic corruption is as common as political corruption, but the latter is only rarely prosecuted. All of these practices make it difficult to develop coherent and coordinated policies.

The current government’s national action plans are intended to serve as the foundation for specific ministerial plans, thus guaranteeing coherence.

Anti-corruption policy
4

According to existing data on corruption, Madagascar experienced a slight decrease in 2013 as compared to the previous year. The World Bank's 2012 Worldwide Governance Indicators reflect the detrimental effect of the political crisis on the country's governance. Madagascar scores 31.10 for its control of corruption (as compared to 54.85 in 2008).

According to the 2014 Afrobarometer report, the individuals polled perceive corruption to be widespread and worsening, particularly within political institutions. The share of individuals reporting personal experience with corruption increased slightly, from 15% of users of public administrative services in 2008 to 22% in 2013.

The various forms of corruption include petty and bureaucratic corruption, electoral and political corruption, organized crime and human trafficking (corruption and the complicity of public officials have contributed to making human trafficking possible), and corruption in the renewable-resources and extractives sectors.

Madagascar made significant efforts and advancements with regard to anti-corruption policy in the early 2000s with the passage of new legislation and institutions. However, this anti-graft struggle experienced a significant slowdown during the crisis (2009 – 2013). President resident Hery Rajaonarimampianina has declared that he wants to make the fight against corruption one of the top priorities of his term in office.

Despite some notable shortcomings, such as the absence of a freedom of information law or protection for whistleblowers, Madagascar has a rather strong anti-corruption legislative framework and largely complies with international conventions on this issue. However, the country lacks a clear policy by which to coordinate various institutions' anti-corruption efforts. In 2011, the several anti-corruption institutions decided to create an exchange and coordination platform to try to bridge this gap, but the results have not been satisfactory. Moreover, all the anti-corruption bodies are under the supervision of the executive in one way or another, which undermines their independence.

Madagascar adopted its anti-corruption law in 2004 (law No. 2004 – 030). This law criminalizes active and passive bribery, abuse of power, embezzlement of public funds, influence trading, and favoritism, among other activities. The law also details the sanctions for violating its provisions. Another law adopted in 2004 criminalizes money laundering.

The 2011 law on political parties prohibits corporate donations to political parties, but not anonymous donations. It obliges political parties to report regularly on their finances, but no specific oversight institution is identified, and there are no sanctions imposed in cases of non-compliance.

Madagascar has been party to the U.N. Convention against Corruption since 2004, and to the U.N. Convention against Transnational Organized Crime since 2005. The country ratified the African Union Convention on Preventing and Combating Corruption in 2004. The various institutions addressing the issue are as follows.

Within the judiciary:

- The Chaîne Pénale Economique Anti-Corruption (CPEAC), which deals with cases received from the Bureau Indépendant de Lutte Anti-Corruption (BIANCO) and the Service Spécialisé dans la Lutte Contre le Blanchiment des Bapitaux et le Financement du Territoire (SAMIFIN). The CPEAC is criticized for inefficiency along with the rest of the judiciary and is seen as prosecuting only the "small fish." This situation is partly explained by the fact that the service lacks sufficient resources, equipment and permanent offices.
- BIANCO is seen as effective in combating and reducing low-level corruption, but it has been largely toothless with regard to political and large-scale corruption. BIANCO does not have the mandate to open investigations on its own initiative, and ultimately lacks adequate resources to properly fulfill its mission. The members of the bureau are nominated by the president, a fact that undermines its complete independence.
- The Comité de Sauvegarde de l'Intégrité (CSI) is in charge of promoting human rights, the rule of law and the fight against corruption. Its president is nominated by the president of the republic, a fact which undermines its independence. There is only limited information regarding the actual operations and efficiency of this committee.
- SAMIFIN is in charge of the reception and analysis of reports of suspicious transactions, and transfers relevant cases to the judicial authorities. SAMIFIN faces a number of obstacles in its operation. First, the country has not adopted a national policy against money laundering, leaving the agency largely without guidance. In addition, the institution lacks adequate resources to function, and in 2014, did not even have a permanent office.
- The Direction Générale de l'Audit Interne, under the aegis of the Ministry of Finance, is expected to play a role in the fight against corruption via its oversight of the quality of public service and the use of public finances, as well as through its audit missions. The administration is considered to be understaffed, and audits are rarely conducted.
- The Supreme Court's Chamber of Accounts (Cour des Comptes de la Cour Suprême) is in charge of the control of the government's accounts, and also supervises the execution of finance laws and oversees state-owned companies and public organs. There is a lack information regarding the management of public finances.

- Madagascar's ombudsman (Médiature de la République Malagasy) was created in 1992 as an independent public body in charge of receiving and processing citizen complaints regarding the public administration and local governments. The ombudsman is a member of the CSI. There is no information available regarding the ombudsman's operations or efficiency.
- • Madagascar's public-procurement authority (Autorité de Régulation des Marchés Publics, ARMP) was created in 2006 as an independent oversight entity to operationalize reforms to the country's public-procurement system. The body was tasked with upholding the principles of free access to public contracts, equal treatment of candidates and transparency within procurement processes. The ARMP is in charge of setting applicable norms with regard to public procurement and of their implementation. It also adopts measures to prevent and fight corruption in this domain, undertakes or commissions independent audits of the execution of public contracts, and launches investigations in cases of noncompliance. There is only limited information available concerning the operations and efficiency of the Malagasy public procurement authority, but media reports suggest that due to a lack of resources, the institution has not overseen the conduct of public-procurement operations since 2010, and that only a few public organs located in the capital city were inspected.

16 | Consensus-Building

Consensus on goals
6

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 Southern African Development Community built a consensus behind the need for free, fair and transparent elections, culminating the signing of the road map in September 2011 by 11 political parties, excepting only former President Didier Ratsiraka's party. Ratsiraka's group and some other small political parties wanted to complete the reconciliation process before the elections.

The elections took place in October and December 2013, organized with the support of the international community. The results were accepted by the main political actors. This balloting represented a major step forward, but did nothing to resolve the underlying causes and impact of the 2009 coup. Laws and institutions matter less than personal relationships and the prevailing condition of zero-sum politics. The malleability of political alliances rose again to the foreground over the nomination of the prime minister (although the 14 January 2015 nomination of the second prime minister, Jean Ravelonarivo, proved easier) and the battle over control of the National Assembly, as independent parliamentarians gravitated toward whichever political bloc seemed closest to forming a dominant coalition.

By the close of the review period, President Hery Rajaonarimampianina had secured the support of a large majority in the National Assembly.

There is a broad consensus on the value of a market-oriented economy. A first version of the market-friendly National Development Plan was discussed in the National Assembly during the review period. It was mainly accepted by the participating legislators. The forthcoming National Development Plan (prepared by the president's economic advisors) is expected to give priority to reforms that would raise the level and efficiency of pro-poor and pro-growth government spending, improve governance and strengthen institutions, increase high-return infrastructure investment, and improve the business climate.

Anti-democratic actors
5

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. President Rajaonarimampianina appointed 59 generals in December 2014 in order to guarantee their support. There are several members of the military in the new government (appointed on 25 January 2015), including the prime minister, minister of defense, the minister of economy, and the secretary general of gendarmerie. A military coup seems unlikely in the short term, and would represent a step backward for democratization.

Cleavage / conflict management
6

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 current reconciliation exercise between current and former presidents illustrates the existence of political cleavages, but has little impact on a general population that has distanced itself from politics. On 19 December 2014, President Rajaonarimampianina met all four ex-presidents under the formal auspices of the Council of Christian Churches in Madagascar (FFKM), which has been pursuing national reconciliation for years. By the end of the review period, they had met seven times. A further meeting was scheduled for March 2015, following which a regional meeting would be held with the participation of other political actors and civil-society representatives.

The regional cleavage is primarily the effect of the strong centralization of politics at the capital level and an ineffective decentralization policy. It has not been to date addressed with a coherent policy, as most important political and economic elites are based in the capital and are not broadly interested in developing the other regions. However, during the election campaign, the current president promised to tackle this issue. A first step will be the organization of communal elections in order to have elected mayors and secure an effective distribution of resources.

In the long run, only strong economic growth with an effective redistributive social component and real democratic participation at all levels of political life (village, region and state) will defuse the structural conflict in Malagasy society.

Civil society participation
5

Participation of civil society in the political process is weak due to a cleavage between policymakers and the grassroots. Once institutions elected, there are few mechanisms for involving civil society in decision-making processes or agenda setting. By the same token, few civil society organizations play a watchdog role or seek to hold the government accountable. Civil society organizations are often weakly structured and internally divided, with their leaders embedded in the political process. Although some large national platforms exist, they are often weak at the grassroots level, and lack credibility and impact on decision-making processes. However, some progress was evident during the 2013 elections, during which civil society organizations were able to create platforms to educate voters and observe the elections. Moreover, the elected institutions subsequently organized some consultative meetings with civil society as a part of the law-making process. Although the past role of churches in political reconciliation processes was affected by the political crisis, the actual ongoing reconciliation process is again being facilitated by the churches.

Reconciliation
7

While most reconciliation attempts organized by national and international actors failed during the transition period, the Council of Christian Churches in Madagascar (FFKM) has since December 2014 conducted a national reconciliation process between current and former presidents. The return of Marc Ravalomanana on 12 October 2014 was in the spirit of national reconciliation. After a period of detention in Antsiranana, Marc Ravalomanana was back in Antananarivo by Christmas.

Several meetings of the parties involved were organized in early 2015, after which the FFKM was slated to produce a report containing suggestions for the next step in the national reconciliation process. Although it is too early to conclude on the effectiveness of these meetings, the fact that they are taking place is crucial in the political reconciliation process.

However, these meetings have lacked transparency, and their results have not been made available to the public.

The reconciliation process represents a major step in the normalization of the political situation. It could reduce the effect of the country’s prevailing winner-take-all politics, and even end the condition of exclusion and exile that has followed each crisis.

This process should be organized across the country (at the regional, district and communal levels), and should feature the participation of other political actors, civil-society representatives and traditional leaders.

17 | International Cooperation

Effective use of support
6

The government clearly aims at political and economic development through the elaboration of different strategic plans such as the National Development Plan, the Program of Presidential Priorities, the General Policy of the State and the main pillars of the government program. These key documents shape all ministry activities. All ministries were requested to submit their strategic documents before 16 February 2015.

These strategic documents are being developed through the use of external expertise and recommendations from international partners and donors. The goal is to address the alarming situation faced by Madagascar after almost five years of political crisis and international isolation. The donor community has again expressed a willingness to assist the country, and the government has responded positively. This has led to close collaboration with the international donor community (IMF, World Bank, European Union, U.N. agencies, bilateral donors), as well as to reform requirements as a condition of unlocking aid. As of the end of the review period, implementation of the joint action plans was about to start; thus, it is too early to evaluate the effectiveness and efficiency of their implementation.

During the crisis and subsequent international isolation, Madagascar was forced to seek alternatives to its usual development partners, obtaining financing and investment from new sources such as China.

Credibility
6

Madagascar has gone through a five-year political crisis, leading to international isolation and a dramatic decline in direct cooperation. The unconstitutional change of government in 2009 undermined the international community’s confidence in the county’s attempts to achieve democracy and strengthen the market economy. Thus, the political crisis not only affected the democratic process (no elections were organized during the crisis period), but also the formal economy; economic activity slowed, investment stagnated, and social indicators deteriorated. A World Bank report estimates that more than 92% of Malagasy now live on less than $2 a day. The suspension of external budget support forced the government to reduce social and infrastructure spending.

Sanctions were lifted following the presidential and parliamentary elections of December 2013, which helped Madagascar regain credibility within the donor community. The IMF initiated dialogue with the government and reached agreement with the Malagasy authorities on a program that could be supported by the IMF’s rapid credit facility (RCF). Other multilateral and bilateral donors followed the same path, renewing dialogue with Malagasy authorities on possible ways to support democracy and market-economic development. As an example, the European Union reestablished relations with Madagascar on 19 May 2014, and strongly indicated that it would provide support Madagascar through the 11th European Development Fund (EDF).

Regional cooperation
6

In the aftermath of the unconstitutional change of government in 2009, relationships between the new government and regional and international organizations collapsed. Regional organizations such as the African Union and the Southern African Development Community (SADC) were strongly involved in the mediation efforts, in monitoring the implementation of the roadmap, and the organization of the country's 2013 elections. The SADC road map signed on 17 September 2011 was invaluable in helping the country emerge from its political impasse and organize elections.

The electoral process drew considerable attention from all regional and international observers. Once the president and National Assembly were elected, Madagascar was again accepted as member of regional organizations such as the Common Market for Eastern and Southern Africa (COMESA), the SADC and the Indian Ocean Commission (IOC).

Cooperation agreements in the aviation sector, in the field of agriculture, in tourism (Vanilla Island), and in maritime safety are planned as part of the IOC. Madagascar plans to boost trade cooperation with the countries of COMESA. The country will also host the COMESA summit in 2016.

Madagascar has also cooperative agreements with countries including Mauritius (trade, agriculture, tourism) and South Africa (trade and education).

Strategic Outlook

With the 2013 elections enabling Madagascar to be reintegrated into the international community, the country faces numerous challenges. However, there seems to be a political will to develop comprehensive and coherent strategic plans to tackle these political, economic and social issues. The National Development Plan was expected to be completed in early 2015 and will provide guidance for future national and international policies.

In general, the government should make some major decisions and take significant actions to improve democracy and the economic climate. Such actions should include:

- strengthening institutions and governance at all levels;
- continuing the national reconciliation process with the participation of all relevant political, economic, military and social actors, in order to promote political stability;
- promoting the creation of political parties rooted at a national level, while regulating the participation of independent electoral candidates in order to reduce political fragmentation;
- tackling corruption and building institutional integrity (for example, by promoting the independence of BIANCO and other institutions working in the anti-corruption field);
- engaging in reforms of the security sector and judiciary (for example, by barring military officers from serving in political or civilian administrative capacities; improving maritime security; participating in peacekeeping missions; ensuring that career advancement within the military is shielded from political manipulation and in line with international best practices, and facilitating cohesion and professionalism);
- improving the national-budget development process by organizing consultation rounds with the National Assembly, the private sector and civil society;
- accelerating the decentralization process and distributing state resources more effectively;
- promoting free competition and a healthy fiscal climate, and improving infrastructure in order to stimulate growth by attracting national, regional and international investors;
- increasing fiscal maneuvering room in order to raise the level and efficiency of pro-poor/pro-growth spending while preserving the sustainability of the public debt. This must involve broadening the tax base, a comprehensive revenue-mobilization strategy, improvements in the composition and quality of public expenditure, and strengthening public financial management;

- increasing public expenditure on social protection, education and health care, especially in rural areas;
- improving the “watchdog” role of civil society, giving it the ability to oversee public actions and request accountability. This can be done through capacity building and the reinforcement of social networks; and
- improving access to information, while allowing private audiovisual media to establish national coverage.