

Madagascar

Status Index (Democracy: 7.50 / Market economy: 5.39) 6.45		Management Index 6.31	
HDI	0.499	Population	17.6 mn
GDP per capita (\$, PPP)	809	Population growth¹	2.9 %
Unemployment rate	35 %*	Women in Parliament	6.9 %
UN Education Index	0.64	Poverty²	61.0 %
		Gini Index	47.5 (2001)
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. ¹ Annual growth between 1975 and 2002. ² Population living below \$ 1 (1990-2003). * estimation by the author.			

A. Executive summary

In December 2001, the Malagasy population voted in as president the entrepreneur and Mayor of Antananarivo, Marc Ravalomanana, with a 51.5% majority (www.electionworld.org) in the first round of presidential elections. The defeated opponent, Admiral Didier Ratsiraka (35.9% of the total vote), who had governed the country since 1975 (excepting the period from 1991 to 1996), did not accept his electoral defeat and pushed the country into a deep constitutional, economic and social crisis, accompanied by unrest that bordered close to a civil war for approximately four months.

It took approximately two years to bring Madagascar back to its pre-crisis production and economic status. Certain reconstruction projects, such as destroyed bridges, will take longer; lost shares and position in the international market (tourism, textiles, etc.) will take even longer to re-establish.

In historical terms, this scenario is typical for Madagascar. From the 18th century onwards we can observe repeated swings from phases of modernization and transformation successes to phases of stagnation and regression. Madagascar's colonial history itself is characterized by a series of blocked transformation processes with growth and slumps in different economic sectors throughout different phases.

The new president cum entrepreneur, Ravalomanana, aims to lead the country into an accrued phase of massive modernization for growth, democracy, rule of law and welfare under market economy conditions. In short, Ravalomanana aims to pave the path toward a "Malagasy renaissance." His vision is shaped by

integration into the world market, a society of achievement, the conservation of a “natural Malagasy specificity” and, driven by his personal “neo-Calvinist” work ethos and philosophy.

The fact that the president has to invite or motivate in a disruptive, confrontational way a lethargic Malagasy society accustomed to economic and social regression for more than a generation constitutes a key hurdle to transformation. In order to bring about transformation, Ravalomanana must provoke an atmosphere of change, opportunity and take-off. In so doing, he faces several domestic and external constraints, including extreme poverty and marginalization of large sections of the Malagasy society; illiteracy; and narrow margins of maneuverability in macroeconomic terms due to increased prices in crude oil, volatile capital markets and highly sensitive exchange rates.

B. History and characteristics of transformation

The transformation process materialized in Madagascar in a disparate, unsynchronized and discontinuous manner. The foundation for an efficient economic and social market and competitive order was laid under the semi-authoritarian government of President Philibert Tsiranana (1960-1972). These foundations were, however, constrained by a postcolonial framework of the *Communauté Française*, which was characterized by its civil liberties for a limited, socially and economically assimilated French-speaking élite and economic transactions massively conditioned by oligopolistic and monopolistic elements. The first true democratic transformation started at the end of the 1980s, and was marked by the fall of Ratsiraka in 1991, which led to a constitutional change (3rd Republic) and to a democratically elected government under President Albert Zafy in 1993. The disastrous economic management under Ratsiraka (state enterprises, misallocation, and indebtedness) galvanized a peoples’ movement, *forces vives*, composed of clergy, trade unionists, intellectuals and entrepreneurs into action. These forces undermined the authority of the state party, the Association for the Rebirth of Madagascar (AREMA), through long strikes, organized civil disobedience and demonstrations from 1988 to 1991 to the extent that Ratsiraka’s army fired on protesters and young people, finally signaling the end of his regime.

The government of heart surgeon Professor Zafy was, however, unstable and unable to face economic and social modernization, and struggled with changing majorities in parliament. An impeachment process against Zafy in parliament eventually removed him from power. On the basis of a still intact old state party, AREMA, which had superficially modernized by presenting some young leadership figures, Ratsiraka was able to represent himself as a presidential candidate from his exile post in Paris. Presidential elections in December 1996

swept Ratsiraka back into office in the second poll under dubious results. Ratsiraka introduced a constitutional change according to which parliament could be dissolved by him “by producing decisive arguments,” that were vaguely formulated. His political innovation was to introduce a form of decentralization by reorganizing territories into six “autonomous provinces.”

Transformation toward a market economy in Madagascar remains far removed from what could be termed a market economy. Whilst Madagascar was a middle-income country during the colonial era and up to the 1960s, de-industrialization took place from 1972 onwards, which led Madagascar to be labeled a “highly indebted least developed country.”

From 1972 to 1975, Madagascar closed its bulkheads. First, French citizens’ properties were expropriated followed by a collectivization of large parts of domestic and international economic activities. Large enterprises were taken over by government and managed administratively, not economically. Investments were decided by political decisions, in part with the consent of the World Bank. In “virtual industrial estates,” the government sponsored administrative personal machinery that existed on paper only, i.e. without production or profits. There were Soviet style combines in all sectors, including agriculture, transport, public utilities and commerce.

The transition to democracy was initiated in 1988 under pressure from the IMF and World Bank, when Madagascar had to announce its debt and supply collapsed. The IMF negotiated a sequence of structural reforms (programme d’ajustement structurel I and II), with the Madagascar government whereby financial aid was made conditional upon devaluation, privatization of industries and banks, and economic modernization, i.e. opening markets. The Ratsiraka government implemented these structural reforms timidly and without conviction. These reforms failed to produce anticipated benefits such as macroeconomic stabilization in terms of inflation rate reductions, a reduction of public deficit, stabilizing the exchange rate and stimulating growth. Furthermore, social conditions in terms of nutrition, education, income distribution, health care and employment worsened instead of showing improvement.

Consequently, there are high expectations—both domestically and internationally-associated with the Herculan reform initiative of President Ravalomanana and his Prime Minister Jacques Sylla as Chef du Gouvernement since 2003.

As a president cum entrepreneur, Ravalomanana’s envisioned transformation program integrates both the economic and socio-political dimensions of transformation. He views both as deeply intertwined and mutually conducive.

There will be no real economic progress unless the citizens and economic subjects live in transparent political conditions that are conducive to economic progress and growth. Favorable conditions include education, health, effective state and good governance. Improved access to credit, private property guarantees, access to markets, low taxes and a competitive environment is also necessary.

After the declared “end of history and ideology,” his vision is a non-paradigmatic attempt to modernize a society by immanent virtues of common sense. Ravalomanana refrains from ideological reference and combines reforms of the Stein-Hardenberg type in Prussia from the early 19th century with the reform endeavors of J. F. Kennedy and an early Willy Brandt government. His reform ideas are liberal in nature; they are social-moral by personal virtue and developmental in their outlook and international dimension. Implicitly, he carries out Erhardian reforms of the 1950s in post-war Germany under completely different historical, economic and social contexts. Morally, he could be termed Adenauerian with respect to democracy, radicalism and international order. In addition, due to his early socialization in professional training in Norway and Sweden, he is influenced by Scandinavian welfare thinking. At the half-way point of Ravalomanana’s mandate, the balance of successes and failures of his government is intrinsically mixed.

C. Assessment

1. Democracy

1.1. Stateness

Problems of state identity do not exist in Madagascar. There is an unimpeded, respected monopoly on the use of force. There are, however, isolated cases in marginally settled areas of the South (savanna) and in some parts of the primary rain forest patches where there is no state presence, but where the state’s authority is not questioned. The definition of citizenship and who qualifies as a Malagasy are not at issue in Madagascar. All citizens have the same citizenship rights, reinforced by the integrative effect of one single state language - Malagasy - codified in a written form over centuries, which is the standard of communication.

State and religion are separate and the political process is secular. The Christian churches play a crucial role in providing social services to large parts of the population.

A comprehensive system of administration is fixed and public order and security are guaranteed, although one can occasionally observe hypertrophic and dysfunctional qualities in the administration.

1.2. Political participation

Universal suffrage and the organization of elections have progressed considerably in 2002 and 2003. In previous regimes political participation was always guaranteed in the constitution but the actual organization of elections was very deficient: low participation, faulty voter lists, a lack of transparency and biased vote counting were the rule and not the exception to the rule. In addition, other problems blocked political participation: the Ministry of the Interior was the executive elections agent and election results were more a function of political intention than a reflection of voter preference. Since the takeover of the Ravalomanana and Sylla government, the quality of elections has improved considerably, and includes the following: the update and completion of voter's lists, the introduction of secure ballot boxes, the invitation of the international community to monitor elections. Thus, the general parliamentary elections in December 2002 and the municipal elections in November to December 2003 may be considered in accordance with international standards of free elections—despite the infrastructural difficulties commonly found in African nations.

Moreover, civic education is a subject in schools from the primary level onwards; and a taskforce department for civic and political education was created in the Ministry of Education. However, in some remote areas one has to accept that occasionally traditional tribal leadership is crossbred with a modern type of political representation.

State and private media have considerable freedom of expression, provided for by the constitution, but journalists or editors are sometimes too hesitant to exploit their liberty to a full extent (the censor's scissors are in one's mind).

Political and civic initiatives can develop freely. According to the registrar's file, the number of parties in Madagascar range between 160-176. Sometimes, ethnic cleavages are presumed or taken for granted in the dynamics of associations and initiatives, but objectively they are rather limited. A potential religious cleavage between Muslims and Christians is practically non-existent.

1.3. Rule of law

Considerable deficiencies exist in the area of checks and balances because the constitution is clearly biased toward the French semi-presidential system. The Executive is clearly dominant; the Parliament (bi-cameral Assemblée Générale

and Sénat) has only limited control and possibilities for sanctions, but no initiative function.

The judicial corps is also not independent; the Minister of Justice is at the same time supreme administrative and disciplinary head of the judges (*garde des sceaux*). The president of the republic defines the parliament's agenda, which is internally organized (it sits twice for a limited number of weeks in the year), politically weak and technically badly prepared for an efficient control of the government. Additionally, the President of the *Assemblée Générale* cannot, enhance the political weight of the house.

Since the last constitutional reform in 1997, the executive has been granted a trump card with article 91, which allows the president to dissolve the parliament for unspecified reasons and thereby undermines parliament.

Corruption is widespread in Madagascar. Therefore, the Ravalomanana government has placed anti-corruption measures on the top of its priorities. Recent decades of corruption went unpunished in the past and cabinet members, members of the presidential family, and top public servants enjoyed a *de facto* immunity.

The Ravalomanana government has pushed the public anti-corruption drive giving it some sort of credibility. The government established a working Commission against Corruption in September 2003 and the introduction of an operative agency against corruption in September 2004 (*Bureau Indépendant de la lutte contre la Corruption, BIANCO*)

1.4. Stability of democratic institutions

Democratic institutions have existed since the first republic; they did not reflect politically differentiated opinions and processes, but rather a regressive fixation on authoritarian structures inherited from a pre-colonial past. The Malagasy democracy was, up until the middle of 2002, a system of state party governance that presented itself as party pluralism. Democracy under Ravalomanana is largely centered on his personality as a leader. Too few politicians in Madagascar effectively represent a significant constituency to speak of a stable pluralism. The opposition leader Albert Zafy (previous president from 1991-1994) has been discredited.

During the period of assessment, 2003 to 2005, Madagascar has, against all odds and expectations, observed a remarkable stability of its democratic institutions:, which is one of the greatest transformation achievements of Malagasy society. Majorities changed; the parliamentary composition changed; the president of the

Senate was newly elected and institutional operations were respected. The constitutional and politico-criminal derailments were corrected and judicially addressed. Democratic institutions were accepted as legitimate by all political and social actors inside the country - even by the AREMA leadership. Ratsiraka's electoral slogan in 2001, "Me or the chaos," did not materialize.

1.5. Political and social integration

Madagascar's political institutions are inefficient, partly due to the lack of a stable pattern of political party organization. During the period of assessment, there was no evidence of a reversal toward a more stable, socially rooted party system. With 160-176 registered parties, the system is highly fragmented. The old, in a sense depreciated, former state party, AREMA, is now confronted by the majority party Tiako i Madagasikara ("I love Madagascar" or TIM). TIM was founded (or hammered) out of nothing by Ravalomanana after his presidential victory. TIM is less a structured political party and rather a diverse group of like-minded senior personalities aiming for rapid transformation. However, the political and ideological direction of transformation is not yet clear and lacks a solid organizational structure.

In this bipolar context, a pattern of parties is plotted: low membership figures; low degree of organization; little political content, little social endowment in the modern sense of the word; little trans-regional integration; "personal-ist", "clientele-ist" tendencies. The consequence is considerable voter volatility. A large bloc of independents - or one-man shows - exists. This panorama is one of the main impediments to a consolidation of Malagasy democracy.

At the same time, Madagascar does not have a well-differentiated landscape of social interest groups. Employers are to a certain extent organized (large enterprises, small scale enterprises, chambers of commerce, banking associations and an association of young entrepreneurs) but their integrative capacities are limited and they have no influence on the formulation of domestic or international economic policy.

For the last century, enterprises were considered the product of political will but not an autonomous actor for transformation. Fiscal and economic policy created a climate whereby protective external tariffs were sustained, rather than the reverse. The election of Ravalomanana, the most important entrepreneur of a productive enterprise (Tiko milk products and beverages), as president of Madagascar shows the country's commitment in placing a transformation-oriented modern elite in office. However, he has yet to bring about a radical change in the dominant paradigm. Case in point: in 2002, Ravalomanana decided to reduce customs duties for a variety of imports (investment items and certain consumer products) in order

to stimulate economic recovery and policy initiative. An entrepreneurial outcry was heard; in response “we are not yet competitive, we need tariff protection” was the reaction.

In the past, union organizations followed the French syndicalist tradition and organized according to ideological lines: communist, Maoist, socialist (Force Ouvrière) and Christian, massively dominated by public sector employees and government legal intervention. Accordingly, at the time of this writing the trade unions are highly fragmented, weak and cannot be considered representative of the work force. The tripartite mechanism to promote concerted action, introduced on ILO recommendations, is stagnant due to the fact that the Ratsiraka government nominated the administrative council for the social insurance fund (CNAPS) unilaterally, not allowing an internal social representation from the capital and labor positions.

The differentiation of civil society initiatives continues, considering it started from such a low level. Civic organizations demonstrate a high willingness to cooperate. The best example of this is the Consortium des Observateurs, which organized for the presidential election in December 2001, and was composed of pro-democracy activists and Christian clergy and lay groups. There is also a cooperative platform for human rights. However, in general, a single activist at the top, often someone who is not prepared to foster building the organization’s capabilities and the participation of young people, dominates civil society initiatives. Financial backing of these activities is very weak, ad hoc and erratic, and depends significantly on external development aid funding.

However, despite these structural weaknesses, the fact that the will of Malagasy voters was realized in 2002 can be interpreted as a success of civil society. The Association for the Promotion of the Rule of Law took up the issue of Ratsiraka’s unconstitutional appointment by the High Constitutional Court before the Supreme Court’s Administrative Chamber. Thus, the organizational dynamics of Madagascar’s civil society won a victory of sorts in 2002.

Opinion polls have shown that the general population is not disaffected by democracy in principle but that it rejects the elitist politics of the past. With voter turnout for the 2001 presidential elections at 66.7% and turnout for the municipal election in 2003 at around 67.9%, democracy is not being directly called into question. Instead, the population is demanding more progress in transformation.

Although there are no representative surveys available, regionally limited opinion polls carried out by German political foundations indicate a general acceptance of democratic principles but also reservations against political parties in general and politicians in particular. There are currently no veto actors to democracy in Madagascan politics.

2. Market economy

Madagascar's market economy transformation results require a careful eye of scrutiny. The demand to open up and privatize of the economy was respected and followed in principle during the assessment period. State-owned banks were privatized before the period under review. However, French banks took the majority of the shares, thus conserving an oligopoly rather than a market economy.

In 2001, the state energy giant Solima (petroleum products distribution company) was split and sold to different international capital interests. However, this sector continues to retain more oligopolistic structures than that of an open, competitive market. On the initiative of the Ravalomanana and Sylla government, Air Madagascar was reorganized by Lufthansa Consulting and brought back into profitability during the assessment period; the state telecommunication organization Telecom was sold to an international (Hong Kong) capital group and the public utility enterprise Jirama (water and electricity) was undergoing the process of privatization. Whereas the Ratsiraka administration deferred or diluted economic reforms, Ravalomanana shows a willingness to increase the speed of reforms: his credo is productivity, competitiveness, market and market accessibility, liberalization and entrepreneurial initiative for everyone. One has to acknowledge that this vision is not accepted by all, and in particular not by the academic and administrative elite, forged socially and psychologically by a century of French (Jacobin) interventionist economic theory and about three decades of communist administration. The reforms need decades (at least) to produce results. It is therefore too early to make final judgments on the economic and social policies of the government.

2.1. Level of socioeconomic development

The level of socioeconomic development in Madagascar is characterized by a classic dual economy structure and marginalization effects. About 80% of the population lives in rural areas and largely under subsistence economic conditions. In the 1960s, Madagascar was once one of the world's premium quality rice producers, but productivity and output have stagnated since then, making the country a massive importer of rice from Pakistan and Thailand. Vanilla, cacao, litchis, mangoes and other products including coffee and tea are export items, but sometimes of poor quality, and often marketed by mafia groups. Generally, these items are directed toward traditional markets in France with limited prospects for growth.

Seafood (shrimp) is a potential growth sector, but it is highly sensitive to non-tariff restrictions such as hygiene regulation in the European Union and the

United States. Madagascar is endowed by rich subsoil products (precious stones, chromite and other metals). Their exploitation has been artisan or of poor managerial quality. Recently, a textile and apparel industry in the so-called Export Processing Zones has made some progress, allowing for good export prospects to the United States and European markets in the context of the African Growth and Opportunity Act (AGOA) Initiative and the Cotonou Treaty.

2.2. Organization of the market and competition

Madagascar inherited a strong French interventionist economic pattern where some colonial houses and capital groups built over half a century a semi-governmental, at times parastatal, layer of basic industries: agriculture, processing, transport, extraction and public utilities. A colonial-administered market was followed by a communist-administered market. Only since the late 1980s, under the direction of the IMF and the World Bank, can a general trend toward market orientation be identified. However, this orientation has encountered a skeptical public, elite and administration. Schumpeterian, Walrasian or Marshallian thinking in economic policy has yet to be promoted. As an entrepreneur in Madagascar, one often wants to have a quasi-monopolist segment of the market, reserved or earmarked by an administration and then the freedom to exploit it accordingly. Market change and competition are parameters that should, in the eyes of many entrepreneurs, be eliminated or reduced to a minimum. Several of Ravalomanana and Sylla's reform difficulties have been rooted in this underlying paradigm.

2.3. Currency and price stability

Ravalomanana and Sylla are paying the bill for following IMF, World Bank and Doha Round philosophies too strictly. Within 6 months of deciding to reduce import taxes on some investment and consumer items, the exchange rate, while being constant for about one decade, fell sharply, depreciating to about 50% against the dollar and the euro. At the same time, oil prices increased to \$ 50 a barrel in 2004. Both factors produced a price rise of about 24% across the board, leading to an outcry as salaries and incomes remained constant. Government departments reacted by further liberalization in the transport sector, (for instance importing additional rice and subsidizing it) but there is limited room for maneuver to react to external shocks.

2.4. Private property

Private property, again, is a field that clearly illustrates Madagascar's dualistic structure. Whereas private property is guaranteed in principle, exercising this right requires social influence to bear the costs of legal consultation and design. Hence, only 10% of the total territory is registered by the land survey office and is appropriated properly to individuals. In rural areas, private property ownership is mixed with traditional collective (tribal) property forms. According to the metaphysical beliefs of the Malagasy people, soil and earth are the seat of their ancestors' spirit. Property is therefore on par with a public collective good and cannot be privatized.

In the past, foreign investors could not buy property titles on Malagasy soil. In general, the property rights of investors were long-term lease contracts, allowing for some investment stability. In a radical breach with the past, Ravalomanana introduced in 2003 free access to land for foreigners, provided they were prepared to invest in industry and the process would follow a specific administrative screening process through an investment bureau. Society was deeply split over this issue; the political traditional elite rejected it, invoking memories of the colonial era and arguing that Malagasy soul would again be sold to neo-colonialist masters. Finally, both chambers of the parliament accepted the bill. This vote caused a split in the AREMA position, when the ordinary AREMA senator voted in favor of the bill and against the directive of AREMA leadership.

2.5. Welfare regime

The welfare regime is very weak, both in breadth and substance. Social security and health insurance exist, but only a limited portion of the population is covered. Only 5 - 10% of the work force receive an income in the formal sector under regularized conditions. Therefore, contribution to this system is limited. Moreover, welfare was badly administered due to corruption and political patronage. In rural areas, churches provide much of public health and education services. In general, informal networks, such as the extended family, must provide welfare since the amounts paid are not commensurate with survival needs. The age for pension is 60 years for men and 55 years for women, which, combined with low contributions, poor management and corruption, will prove the system unsustainable in the long-run.

2.6. Economic performance

In 2002, the confrontation between Ravalomanana and Ratsiraka led to an economic crisis. According to official figures, the GDP decreased by more than

12%. Facilitating a declared policy for growth in the first part of his mandate, Ravalomanana reduced tariffs and import duties for a variety of investment and consumption goods, which resulted effectively in an explosion of private demand and produced a growth of about 9%, thus recovering from the slump in 2002 but placing pressure on the exchange rate.

Toward the end of 2003 and beginning of 2004, the volatile exchange market's reaction was a 50% depreciation of the Malagasy Franc/Ariary. At the same time, rising oil prices produced an inflationary multiplier effect. Since markets in third world countries such as Madagascar tend to have oligopolistic structures, prices were more distorted than in OECD countries. Inflationary pressures filtered through the whole economy by a pattern of markup inflation behavior (as seen in the transport sector); speculation and cross elasticity effects negatively influenced the state of affairs generally.. Government interventionist measures in response to these market reactions are to a very limited extent effective in the national context, and viewed unfavorably internationally.

Despite the unfavorable context, the new Ravalomanana and Sylla government demonstrated remarkable performance, although structural challenges and distortions remain.

2.7. Sustainability

Environmental considerations and sustainability constitute core elements of Ravalomanana's belief system. Agenda 21 "being globally responsible and acting locally" was placed in bold letters in his office as chairman of Tiko well before becoming mayor, leader of the opposition or president. He insists on water conservation, proper management of towns, reforestation, health, education, and preparing the ground for long-term development for future generations.

Given its endowment, Madagascar could be considered a sustainable unit. Water resources could produce electricity in abundance. Provided proper management and organization, the industrial process could be brought in line with sustainability. Consequently, Ravalomanana's political discourse changed from the concept of "rapid" to "sustainable development." Nevertheless, he believes he must accelerate all processes in order to use the present window of opportunity to recover the lost four or five decades in development and to re-inspire Malagasy society to the virtues of an early take-off under King Radama I in the early 19th century.

Education is in poor shape: primary education suffers from overcrowded classes; buildings in near ruins, poorly paid and de-motivated teachers, and outdated curricula and methods. Secondary education and university systems are also in

poor shape. The outcome of these deficiencies has produced hazardous academic results. This is in part due to a privatized micro-type of secondary schooling. Furthermore, professional training is underdeveloped. This is to some degree caused by an explosion in enrollment related to the country's age structure. However, professional training is underdeveloped also due to the second republic's failure to re-invest in and deepen social capital.

The first round of adjustment policy has also affected the education sector. The Ravalomanana and Sylla government introduced environmental and civic education and made English a compulsory subject. The debt initiative sets budget means free, which are invested in new teachers, buildings and improved curriculum to improve education. While reforms have begun, it will take a cautionary 15-20 years before these reforms will yield results.

3. Management

3.1. Level of difficulty

Ratsiraka's electoral slogan in June 2001, "Me or the chaos," called for a continuation of his authoritarian rule. Much of the population was prepared to agree following the disastrous outcomes of the first democratic transition from 1991. The list includes floating majorities in parliament ("variable geometry"), the impeachment of President Zafy, mediocre economic results in macroeconomic terms and in social dimensions. France, the European partners and the United States were prepared to continue to live with Ratsiraka.

The donor community adopted a passive-pessimistic vision; aid routinely showed no prospects. Furthermore, Malagasy society grew accustomed to a long-term economic, social and moral decline. In the words of Ravalomanana, the "backbone" of the Malagasy people was broken three times: first by colonial France (alienation), second by Ratsiraka's communist experiment (expropriation), and third by Ratsiraka's come-back (de-motivation). Ravalomanana and some 60 other leaders did not accommodate.

Any performance evaluation of the new Ravalomanana and Sylla government must consider this psychological framework.

Ravalomanana, the successful, self-made industrialist without formal university training (*à la française*), and the company lawyer Sylla are leading a country against all odds. Ravalomanana advocates a modern vision for Madagascar and Sylla seeks to put this vision into social legal action.

Madagascar's economic and social framework was also weak. Indeed, Ravalomanana and Sylla faced a bleak economic outlook as they took office in 2002.

- The treasury and the cash box of the central bank were empty
- Madagascar could not serve its obligations to the IMF, hence capital influx was blocked
- Modern sector enterprises were bankrupt or run down
- Bridges had been destroyed
- People were affected by starvation, disease and illiteracy
- The political system and elite were dishonored and in shambles

During the assessment period from 2003 to 2005, Madagascar was still deeply influenced by the civil strife and near civil war in 2002. Foreign money flooded in after the Paris meeting of donors in September 2002, but there were no prepared reconstruction schemes at hand. Ad-hoc responses prevailed.

The TIM majority in parliament rendered government action easier. Apart from some politically controversial voices in the parliamentary (and Senate) opposition and Zafy's coastal or anti-Merina drive, there was no political threat to the government. Frequent debates over deposing Sylla lacked substance.

Profile of the Political System

Regime type:	<i>Democracy</i>	Constraints to executive authority:	2
System of government:	<i>Presidential</i>	Latest parliamentary election:	01.12.2002
		Effective number of parties:	1.6
1. Head of State:	<i>Marc Ravalomanana</i>	Cabinet duration:	01/03-present
Head of Government:	<i>Maitre Jaques Sylla</i>	Parties in government:	1
Type of government:	<i>unified government</i>		
		Number of ministries:	23
		Number of ministers:	23
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = $1 / (\sum p_i^2)$; p_i is the share of parliamentary mandates controlled by party i. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>			

Much of the population expected economic gains to be felt immediately. Strikes were held regularly in sensitive sectors: university students for larger scholarships and better accommodation conditions, petrol refinery workers cut off gasoline flows to the capital, and public service administrators demanded salary increases. It was therefore extremely difficult for the government to claim that funds were available only for investments, and not for salary increases and social benefits.

3.2. Steering capability

Ravalomanana's reform and transformation program could be referred to as a "magic octagon," calling for:

1. Access to the market for the Malagasy economic actor and subject: road construction, creation of a domestic market
2. Access by the Malagasy economy to international markets: reduction of customs fees and tariffs, of non-tariff trade barriers, diversification to new markets (Asia, USA), and stimulating exports
3. Access to education for everyone: massive expansion in the public school system, fighting illiteracy
4. Access to health for everyone: nutrition programs for mothers and children, health centers in rural areas, reproductive hygiene and combating HIV and AIDS infections well before it develops into a pandemic
5. Installing the rule of law, modernization of the judicial system, eliminating corruption in judiciary and legal procedures
6. Rehabilitation of the public administration, professionalization of administration fighting corruption, introducing business-like efficiency criteria, organizing administration more closely to citizens (regionalization, decentralization, devolution)
7. Rehabilitating democratic structures through the separation of powers, transparent elections and upholding the constitution
8. Leading Malagasy society into the information age by modernizing public information systems (radio and television) and enlarging the telecommunication sector (glass fiber cable for international communication), generalizing non-cable communication inside the country, privatizing and improving competitiveness of providers.

This is an extremely ambitious program. As such, it can be regarded as an organizational adventure in implementing a program with an administrative body that is socialized along the authoritarian practices of the second republic. The day-to-day practice of such a program is prone to trial and error. One must re-motivate old practitioners while introducing new administrative cadres from abroad or from local training centers with responsibility. Such endeavors are not immune to the risk of emerging democratic actors returning to non-democratic habits.

In the beginning, the president himself monitored and motivated the process of change. His first decision was to mobilize the presidential office itself by buying a second-hand Boeing 737 jet, which allowed free movement within and outside the country. He thus allowed Air Madagascar to operate independently without interruption by presidential timetables, as had been the case under Ratsiraka.

While the costs of a presidential jet have been the subject of criticism, Madagascar's topography and poor infrastructure make a presidential jet a necessity to carry out the work of government.

Ravalomanana reformed the official government ministers' bloc by dividing them among different task forces; foreign affairs, defense and decentralization were linked directly with the president's office. Road construction, transport and finance were allocated to a task force under a vice-prime minister. The remaining government departments were put under the prime minister. Ravalomanana aimed here to reduce hierarchy, maintain direct access to decisions and expedite delays caused by red tape. However, the traditional elite labeled this modernization anti-constitutional. Ravalomanana's plan to require judges to publicly declare their property as a means of increasing transparency in the judicial system collided with a strong corporatist attitude within the judicial system. Judges opposed this policy and went on strike.

Overall, the Malagasy government –demonstrated a remarkable steering capacity, despite the international context, which prohibits the government from making drastic decisions. Each decision is subject to consultation with the IMF and the World Bank, or is not fully understood by Malagasy society.

The international negotiations for debt reduction, the Paris club debt management and the bilateral aid negotiations were executed on professional grounds with surprising success. Ravalomanana was able to convince some of Madagascar's World Bank-exposed younger elite to join government and help organize it differently. At times, this conflicted with conventional wisdom. Ravalomanana was repeatedly criticized for a lack of professionalism and statesmanship as he gave priority to managers from outside established government circles. The opposition repeatedly demanded government reshuffles, calling in particular for the resignation of Prime Minister Sylla.

However, much of this criticism stems from groups discredited by history and regression: the apparatchiks of AREMA have run down the country's economic, social and moral substance of country and society for 30 years; the UNDD leadership surrounding Zafy did not prove efficient during their reign.

Clearly, not all innovative proposals implemented by Madagascar's government, administration and civil society met with widespread agreement. Generally, the public demonstrates a theoretical desire for change, but respond with criticism and a conservative attitude once changes are put into practice. Nevertheless, the overall qualitative outcome was remarkable.

3.3. Resource efficiency

Madagascar was and is dependent on external assistance resources. Given the administrative and bureaucratic stiffness and blueprint in the international process one does not wonder that the execution and degree of implementation amounts to only between 7% and 67%, varying from agency to agency. It was typical for Ravalomanana's style of running the country to invite World Bank management from Washington to explain to him item by item why the World Bank projects were poorly implemented. In this he is a thoroughbred outspoken manager: "If we had decided to spend money on a project I cannot allow value-added forgone due to delays and miss-management". In the meantime, the president's office has introduced a quarterly review system in order to spot dysfunctionality in the development investment program.

Political and administrative corruption was endemic in Madagascar. The Ravalomanana and Sylla government took particular efforts to reduce this. The Transparency International Malagasy Chapter has published, after three years of preparation, an Index of Perception according to which Madagascar is placed very much at the bottom of the list as the fifth worst inflicted country in the world. Although the fight against corruption has started, not much success has been made yet.

3.4. Consensus-building

The current Malagasy transformation to democracy was itself an exercise in consensus-building. Elected by a massive vote of confidence in the first round, Ravalomanana was forced by the African Union, the European Union, France and the United States into two negotiation rounds in 2002 (Dakar I and II) to accept the process of consensus-building. Finally, the government agreed to include AREMA ministers, provide consensus by a parliamentary general election, organize round tables among political parties, provide amnesty for politically motivated criminal acts (civil unrest 2002), which was announced in Ravalomanana's New Year's speech of 2003/2004. However, consensus-building cannot abide for voters' appetite for change and the rule of law. Although consensus and reconciliation in African states and societies ranks high on the international agenda, this approach often slows political efficiency, innovation, control and the mode of operation for decades.

3.5. International cooperation

Madagascar is highly dependent on external assistance. In 2002, the share of external assistance was 8.5% of the GDP. In the same year, the official

development assistance (ODA) stood at \$22 per capita. Between 70% and 80% of all investments in development are financed by bilateral and multilateral donors. The country cooperates closely with the donor community.

In marked contrast to Ratsiraka and Zafy, Ravalomanana is open-minded, a world citizen, who blends internationalism with a strong Malagasy identity, in an assertive and confident manner. He has signed constructive international treaties on biodiversity, climate and other development issues. Madagascar joined several international organizations: the South African Development Community (SADC) regional integration (demand for membership October 2002; provisional membership status began in August 2004), the Common Market for Eastern and Southern Africa (COMESA), Doha Round, World Alliance against Corruption, etc. Currently, the Malagasy government is internationally acknowledged for its reconstruction efforts, commitment to democracy, open market approach and regional commitment in the New Partnership for Africa's Development (NEPAD), SADC and elsewhere.

Due to his entrepreneurial background, the president looks for new markets and sees value in the Indian Ocean Rim Association; he also establishes links to Southeast Asia, India and Australia. The Ravalomanana government has also pursued a fresh approach to bilateral relations with Morocco, Senegal, Egypt and other African nations.

4. Trend of development

4.1. Democratic development

Democratic development has made a quantum leap both quantitatively and qualitatively during the assessment period. All the elections in 2002 and 2003 were fair and transparent and largely assured participation. Worthy of note, however: due to administrative insufficiencies, anywhere from 10 – 30% of the population (mostly women), have no identity cards or are not registered. The government and civil society have developed initiatives and supplementary aids to increase voters' lists by providing provisional documentary papers.

In short, considerable progress has been made in the following areas:

- Fair and transparent general elections in December 2002, providing for a stable majority in parliament (National Assembly)
- Fair and transparent municipal elections in November 2003; allowing a generation change in local political leadership
- Stable government structures within a democratic, republican structure, including: cabinet Sylla I, cabinet Sylla II, cabinet Sylla III; Sylla I: April 2002 to June 2002; Sylla II: allowing accommodation of for Dakar I and II

by integrating AREMA ministers for some time, and finally transforming into cabinet Sylla III after the parliamentary election (December 2002) resulted in a large TIM majority; since January 2003, cabinet Sylla III stable, yet under permanent criticism from opposition, and minor changes in 3 “junior” ministerial posts in October 2004; Prime Minister Jacques Sylla viewed as a personal and political bridge between UNDD governments of President Zafy between 1991 to 1995 – at that time Sylla was Minister for Foreign Affairs – and the era of Ravalomanana, integrating Ravalomanana’s reform drive within a sound judicial and legal framework.

4.2. Market economy development

Ravalomanana’s management style is the most visible aspect of the transition process. He has introduced business-like re-organization plans (less hierarchy) in government; established achievement criteria for ministers and public service; and he has been present at international discussions (Earth Summit in Johannesburg, Triade in Tokyo, Non-Alignment Meeting in Bangkok). Ravalomanana has made Madagascar a participant in international discussions on environment questions, investment issues, education, health and biodiversity.

The Ravalomanana and Sylla government’s exemplary achievements include:

- Introduction of a one-stop investment office for domestic and foreign investors (Guide – guichet unique) in order to simplify investment procedures
- Liberalizing land acquisition for foreigners in principle
- Pushing forward road building and rendering them sustainable
- Accelerating international donor-sponsored development projects for social improvement
- Introducing market logic in selected sectors
- Initiating steps to reform the public service
- Initiating anti-corruption work (BIANCO)
- Clearly, reforms do not yield immediate results. Structural reforms such as those initiated by Ravalomanana yield results usually in 10 to 20 years. Reform criticism stems from the following:
 - One group criticizes the reforms as not radical and fast enough
 - The second group argues that Ravalomanana’s reforms are too rapid and consider them unbearable for the Malagasy population
 - The third group wants to benefit from reform profits in real terms immediately

Given Madagascar's psychological, social and developmental background, such criticism is overly demanding.

Table: Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002	2003	2004
Growth of GDP in%	+4.7	+6.0	-12.7	+9.8	+6
Export growth in%	20.8	3.8	-48.1	+34.7	7.3
Import growth in%	21.4	4.2	-40.1	+41.3	16.8
Inflation in% (CPI)	8.7	4.8	--	-1.7	24
Investment in% of GDP	15	11	14	16	19
Tax Revenue in% of GDP *	9.5	7.7	5.6	8.4	9.1
Unemployment in%	--	--	4.5~	--	--
Budget deficit % of GDP #	4.6	8.2	7.7	7.9	7.8
Current account balance in billion \$					

Source: www.mefb.gov.mg (homepage of the Ministry of Finance) compiled from different tables
Indirect Taxes; ~ ILO Data for 2002, not reliable, estimated by the author: app. 35%

Except external budget aid.

D. Strategic perspective

Ravalomanana's vision is that of an industrially and socially accelerated development of the country, similar to the Malaysian and Singapore examples. He believes that Madagascar has the potential to become another tiger state, probably in an axis of growth in Southern Africa including South Africa, Madagascar and Mauritius.

Subsoil resources, as well as human and natural resources are available for a wide range of productive activities. Since the environmental conditions are conducive, much depends on organization and governance: a society with endemic corruption, without transparency in politics and economics, will not achieve its goals. Therefore, Ravalomanana insists on a particularly strong transformation effort far beyond purely economic or managerial terms. Ravalomanana aims to restore confidence in society, thus restoring democracy and people's participation. Putting prices right and providing a market space (physically and economically) will automatically produce benefits. In essence, German economists such as Eucken, Müller-Armack and Erhard are at work with Ravalomanana. Germany could theoretically play a central role in Madagascar's development, some 40 years after former state president Lübkes first visited in Madagascar.

However, a transformation policy such as Ravalomanana's needs a far more ample financial framework than that presently offered by the World Bank, IMF and the EU and Cotonou Agreement. Under present conditions, the individual

foreign investor is rightly (and by nature) hesitant and “prudentially incremental,” therefore influx of capital and investments will remain slow. Ravalomanana, however, thinks of dynamics, of an interaction of domestic and international multipliers and accelerators. In such conditions, capital need is multiplied by a factor of 30 to 50, which calls for some sort of a Marshall Plan. The international community does not seem prepared to cope with such expectations, particularly if Madagascar has to compete on the “investment market” with Eastern Europe, China or others. Late-comers in the African context need, however, a “positive discrimination”.

In general, Ravalomanana and Sylla stress economic and social development objectives. Constitutional or political reforms are of secondary importance. Given the presidential structure of the constitution, inherited by a pre-colonial disposition and a colonial and post-colonial orientation toward France, there is little room or prospects for a “parliamentarization debate” in Madagascar. The following would be sufficient for a political reform agenda: enhancement of good governance, an operating system of checks and balances, enlarged public awareness, reduced corruption to one-third its present size, reduced cleavages between civil society, political parties and state authority, consistent constitutional implementation, and as the law states, leaving office after three terms. Yet, the implementation of this extensive agenda is not only a matter for the political leadership at the top, but of the society as a whole and its emerging elite.

One core problem is that expectations of a battered society are increasing out of proportion to minor or major progress in the course of the assessment period. While Ravalomanana has thus far been successful, society expects more e in economically tangible terms.