



## Madagascar's Perspectives in a World in Transformation

Institut Français de Madagascar  
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### Conference Report\*

Groupe Socota and the GEM, in partnership with the Institut Français, convened a conference in Antananarivo entitled *Madagascar's perspectives in a world in transformation*. The objective of the event was to take stock of the economic opportunities that have arisen for Madagascar in today's rapidly evolving global environment.

The timing of the conference coincided with the conclusion of a democratic transition whereby the country returned to constitutional order after five years of debilitating political impasse. This period of instability, as with previous crises that have recurrently impaired the nation's progress, saw Madagascar embark on a downward socio-economic spiral from which it must now rebuild. The conference sought to feed the public debate as to how Madagascar can open to the world and stimulate its undeniable potential.

### THE DOMESTIC CONTEXT

As a result of an economy that has consistently underperformed over the past decades, Madagascar has become one of the world's poorest countries. Income and social indicators place the nation in the bottom ranks of human development indices while demographic trends point to the island having to absorb an exceptionally rapid annual increase in the working age population over the coming generation. The magnitude of Madagascar's economic, social and environmental challenges is huge. The country needs investment and financing in virtually every sector of economic activity, social service provision, public infrastructure and administrative and institutional capacity.

Given the right policy incentives and environment, Madagascar is endowed with abundant resources that should see this investment forthcoming – thereby delivering the prospect of a new tomorrow to its youth. All analysts recognise that poor governance has been a key factor in the nation's failed economic take-off. The return to constitutional order and international legitimacy should provide the momentum for reforms and the formulation, through dialogue, of a development strategy that draws on the opportunities provided by the world economy.

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\* The full report and speaker presentation are available at:  
<http://www.imd.org/uupload/webToolWWW/5345/Document/Madagascar's%20Perspectives%20in%20a%20World%20in%20Transformation.pdf>

## A WORLD IN TRANSFORMATION

*Jean-Pierre Lehmann*, Emeritus Professor of International Political Economy at IMD, set the thematic framework for discussion. The objective of his presentation was threefold:

1. Open a window on the world by describing globalisation from a deep historical perspective in which rising nations have invariably been characterised by openness and curiosity.
2. Describe the dynamics of 21<sup>st</sup> century globalisation that have given rise to irresistible forces relative to which Madagascar must learn to position itself.
3. Introduce encouraging development experiences from three Asian nations – South Korea, Vietnam and Bangladesh – from which lessons can be drawn for Madagascar.

### ❖ Three Illustrations of Development from Asia\*

On balance, against considerable adversity, South Korea, Vietnam and, more modestly, Bangladesh, offer encouraging narratives worth investigating as Madagascar seeks to map out its own model of economic and social development. The scenarios of these nations at different rungs of the income ladder differ considerably. Yet all rest on specialisations that have been strengthened over time by learning from outside experiences and leaning on the possibilities of the international economy.

While the immensity of Madagascar's reconstruction task can be daunting, South Korea provides the tale of a nation rising from widespread destitution to prosperity in two generations. Vietnam, despite being consigned by many analysts to backwardness, has sprung up income rankings and drastically reduced poverty. And although Bangladesh remains a poverty-stricken nation, it has developed a world-class network of entrepreneurs and NGOs that effectively target social sectors and the poor.

\* The detailed presentation and account of the three models can be found in Appendix 2 of the full report.

The following propositions were put forward for deliberation:

- Madagascar has to outline a pragmatic vision as to how it can position itself in the 21<sup>st</sup> century global era. Success will largely depend on how it responds to external stimuli and opportunities.
- Societies have progressed by virtue of responsible elites held accountable by strong institutions ensuring the effective use of national resources, i.e. "nation-building" rather than "rent-seeking".
- The metrics of success must continuously be redefined. National wealth should be understood in its broadest sense as enhancing the quality of life the majority of Madagascan society.
- Certain qualitative factors permeate from successful Asian nations as the sine qua non of economic performance: administrative governance, public goods, business environment, products and services, relations with the "diaspora", individual capabilities.
- Economic openness allows for the expansion of market opportunities and the absorption of knowledge. However, the positive spillovers from integration depend on a robust strategy and policy framework based on Madagascar's capacities and domestic priorities.



## MADAGASCAR'S PERSPECTIVES

The conference panellists, selected for their hands-on knowledge of Madagascar's failings and successes and their understanding of the island's unfulfilled potential viewed from different perspectives, were invited to react and engage in debate with the audience.

*François Goldblatt*, French Ambassador to Madagascar, laid emphasis on the fact that the lessons from international economic history should instil a considerable sense of hope. The question to ask for Madagascar, which may feel marginalised and lacking in confidence, is the following: How can the nation best respond to the visible and hidden forces of globalisation that define our era?

- Madagascar's successful democratic transition is a foundation. However, any future government will rely on the collective will of political and business elites to work towards the public good. The country needs to put in place a system of governance that is legible and transparent for all; one that restores the rule of law and the confidence of investors and international partners.
- As Madagascar rebuilds, there are three pillars on which the recovery will be based: (i) a massive (and unpopular) fiscal effort at increasing tax revenues from upper and middle incomes; (ii) the reactivation of well-targeted donor assistance programmes along mutually agreed development strategies; (iii) the attractiveness of Madagascar as a destination for foreign direct investment.

*Noro Andriamamonjjarison*, President of the Groupement des Entreprises de Madagascar, the nation's leading employers' federation, underlined that the domestic private sector – respectful of the law – must be heard and recognised as an equal partner in the reconstruction process.

- Sections of the Madagascan private sector have proved remarkably resilient despite the uncertainty that has characterised the domestic environment and critical factors of non-competitiveness that need to be addressed: difficult business environment, burdensome administrative procedures, weak judicial framework, mounting infrastructure shortfalls.
- Madagascar's international success stories are as yet too few and concentrated in a limited number of sectors. Should the aforementioned constraints be eased and a policy of openness undertaken in a strategic and law-abiding manner, domestic firms could contemplate long-term investment plans that would generate much needed employment.

### ❖ Entrepreneurship and Youth

Beyond opening a window on the world, one of the ambitions of the conference was to encourage a sense of empowerment and entrepreneurship in Malagasy youth by facilitating a dialogue with the private sector. Youth is one of Madagascar's strongest assets but it needs to be confident, curious, championed and trained. As the nation integrates through trade and investment, the vibrancy of a local entrepreneurial response will be an essential component in the transmission of long-term dynamic benefits to the economy. Suggestions include rehabilitating the image of private enterprise as creator of value, promoting national models, developing skill sets and cultivating a culture of risk and discovery.



*Sahondra Rabenarivo*, Managing Partner at Madagascar Law Offices and member of the civil society organisation L'Observatoire de la Vie Publique (SeFaFi), emphasised the need to define a common project based on an understanding of global dynamics and shared national objectives.

- The forces of globalised normative convergence exert considerable pressure on a small and impoverished country like Madagascar to harmonise its regulatory framework with international rules and standards in order to improve the nation's attractiveness as an investment destination.
- This raises three challenges for Madagascan society: (i) breaking an insularity syndrome so as to identify objectives and position the nation with intelligence and foresight; (ii) pushing for domestic legal compliance and insisting that legislation is both applied and scrutinised; (iii) setting priorities within a common project in which the parameters of success are defined. An enabling legal environment is to be framed according to these three challenges.

#### ❖ **Biodiversity and Development**

Madagascar's economic poverty stands in stark contrast with the richness of its natural world. However, the island's unique biodiversity and high level of endemism are under severe threat of irreversible destruction due to unmanaged human encroachment. Prevalent poverty and weak institutions are two of the dominant factors that are disrupting the balance between society and nature and leading to habitat loss. The question was discussed as to whether Madagascar, as custodian of one of the planet's most singular natural worlds, could take advantage of this heritage to create development opportunities.

Sustainable development has started to move up the global agenda and for Madagascar this could provide an opportunity to be seized. The shift in emphasis toward environmental and ecosystem services may facilitate the integration of Madagascar's natural capital as an important component of economic development. Of vital importance is an understanding that the environment is home to services and assets critical to future wealth and wellbeing. A message addressed to Madagascar's inquisitive youth is that the preservation of biodiversity and rural development can be reframed as an exciting challenge for the nation's creative minds.

*Salim Ismail*, President of Groupe Socota, one of Madagascar's major corporations engaged in export-oriented activities in textiles and seafood, outlined the opportunities available for export growth and employment creation while insisting on the need to create an environment conducive to business dynamism and investor confidence.

- Madagascar can position itself advantageously relative to structural shifts occurring in the global economy: (i) rising production costs in Asia are enhancing the competitiveness of low-income countries with an abundant supply of labour; (ii) the fragmentation of global value chains allow for integration by specialising in labour-intensive tasks; (iii) rising demand in Asia and Africa opens avenues for export growth and diversification beyond traditional US and EU end-markets.
- In light of the above, policy-makers should consider two key areas: (i) how to attract FDI while setting the conditions that will facilitate the dissemination of technology and know-how to the local economy – e.g. investment in education; (ii) consider the reforms and policy interventions necessary to mobilise existing resources held by the domestic private sector.



## CONCLUDING REMARKS

The panellists and speaker were invited to convey an idea or message drawn from the conference discussions. These concluding words were primarily addressed to Madagascar's young generation and future decision-makers who will be the drivers of change and prosperity on the island.

François Goldblatt – *I am convinced that there is no Madagascan curse or inevitability. There is, however, a lack of confidence that must be restored. Madagascar will be on the road to recovery when its population and elites will have started working together. The parallel between South Korea's rise from poverty and Madagascar's stagnation from similar income levels must be kept in mind. All development has sprung from investment.*

Sahondra Rabenarivo – *My principal idea is in relation to Madagascar and these Asian nations that have succeeded. They have all charted their own course and the question to answer for us all is: What is Madagascan pragmatism going to look like? Furthermore, we need to understand the root causes of poverty and why, on the basis of evidence and analysis from around the world, certain programmes work and others fail.*

Noro Andriamamonjiarison – *I retain four words. Curiosity and awareness: To have the curiosity to know and understand the world while building awareness as to how we can better engage and integrate. Consultation and determination: To frame a concerted national strategy based on consultation and the firm determination to implement it. Public-private dialogue will be an essential component of this consultation process.*

Jean-Pierre Lehmann – *The message I would address to youth is that there are five all-important qualities to integrate this world in transformation: curiosity, professionalism, an understanding of global dynamics, an ethical compass, and care for one's community. The velocity with which the world economy is evolving is unprecedented and it requires minds that are globally adjusted rather than parochial.*

Salim Ismail – *My message could hold in three words: Why not Madagascar! However, as an adoptive son of the nation, I would not be fulfilling my duty if I did not convey a heartfelt plea. Of the many reforms that need to be undertaken, there is one fundamental reform that stands above all: That collectively we succeed in raising our ambitions. In addition, collectively, we need to position the public interest at the heart of our concerns.*

### ❖ Two Words in Summary

- Governance coordinated at the public, private and social levels to develop strategies and policy interventions aimed at promoting broad-based and sustained socio-economic development.
- Openness as a means to adjust to external forces, absorb knowledge and unlock Madagascar's potential while escaping the temptation of insularity.

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Esther Coquoz, journalist at Radio Télévision Suisse, moderated the conference. Participants included leading business representatives from Madagascar's main economic sectors, representatives of international organisations and foreign embassies, representatives from civil society, and university rectors, professors and students.

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