

## **Madagascar's perspectives in a world in transformation**

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Few countries provide a more formidable testing ground for sustainable development than poverty-stricken Madagascar. The significance of the island's want for material gains in human welfare combined with the need to preserve its incomparable natural heritage extends well beyond the Indian Ocean shores off the east African coast.

In January this year, we held 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 event 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 political crises that have recurrently impaired the nation's progress since independence in 1960, saw Madagascar embark on a downward socio-economic spiral from which it must now rebuild.

The underlying institutional weaknesses behind the country's under-development and political volatility remain unresolved. However, the election of President Hery Rajaonarimampianina in January 2014 and the formation of a new administration around Prime Minister Kolo Roger in April have seen Madagascar reintegrate organs of the international system from which it had been excluded since 2009. The government has reclaimed its seat in the African Union and the Southern African Development Community, the IMF and World Bank have reactivated assistance programmes on which public finances are dependent, the EU has re-established full cooperation ties by unlocking €450 million of official development aid, and the economy's eligibility for trade preferences under the US African Growth and Opportunity Act is set to be reviewed.

Madagascar needs public and private investment in virtually every sector of economic activity, social service delivery and infrastructure. Given the right environment and policy incentives, the country is endowed with resources that should, in due course, see this domestic and foreign investment forthcoming, thereby delivering the prospect of a new tomorrow to its youth.

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\* The full conference report and presentation are available at:

<http://www.imd.org/uupload/webToolWWW/5345/Document/Madagascar's%20Perspectives%20in%20a%20World%20in%20Transformation.pdf>

Madagascar is part of a handful of nations to have experienced over the past thirty years a decline in per capita income coupled with a rise in absolute poverty. As a consequence of this dismal economic performance, Madagascar has become one of the world's poorest nations. Over 90 percent of its 23 million inhabitants live below the US\$2-per-day poverty line and social indicators such as child mortality, malnutrition, maternal health and primary education place the country in the bottom ranks of human development indices.

Ominously, demographic trends point to Madagascar having to absorb one of the world's highest annual increases in working age population over the coming generation. A Malagasy infant born in 2014 will be among a cohort of nearly 700 thousand new entrants to the labour market by the time he or she turns sixteen.

Madagascar's economic poverty stands in stark contrast with the unrivalled richness of its natural world. Its territory, which covers approximately the same area as its former colonial ruler France, is home to 5 percent of our planet's known biodiversity with more than 80 percent endemism. The singularity of its species and diverse ecoregions goes much further than these simple numbers suggest.

The vast island split off from what is now Africa 90 million years ago. It was one of the last landmasses to be colonised by man. Although much remains to be understood about its settlement, recent evidence from genetic research confirms that it was jointly settled by Africans and Indonesians a mere 1200 years ago. This joint ancestry between East and West has forged the nation's cultural and linguistic distinctiveness.

Moreover, while the precise origins of Madagascar's biodiversity remain enigmatic, if recent findings in evolutionary biology are accurate, the geographically isolated island completed a process known as speciation within 30 million years of having drifted from Africa's mainland. This would imply that the remains of its native habitat and wildlife are almost identical to that which existed over 60 million years ago. In the elegant words of Alison Jolly, a prominent primatologist and conservationist who devoted her intellectual life to investigating the social behaviour of lemurs, "Madagascar tells us which rules would hold true if time had once broken its banks and flowed to the present down a different channel." This channel is today under severe threat of irreversible destruction due to unmanaged human encroachment.

Of the many factors disrupting the balance between society and nature in Madagascar, underdevelopment can be identified as a chief culprit. Prevalent poverty and weak institutions are

jeopardising fragile and shrinking ecoregions. Madagascar is a predominantly rural society with over three-quarters of the population engaged in agriculture, a large share of which is low-yielding subsistence farming that employs slash-and-burn agricultural techniques. The illegal logging of precious woods – of which the lucrative trade in rosewood has become a symbol of corruption in recent years – and illicit artisanal mining for precious stones in officially protected areas further aggravate deforestation and habitat destruction. Madagascar is a nation in which the environmental degradation of poverty deserves attention.

If two words were to summarise our conference proceedings they are governance and openness. All analysts recognise that poor governance has afflicted Madagascar's development and hindered its economic take-off. The past decades have often favoured a culture in which short-term private gains have primed over long-term collective interests – an inclination toward rent seeking behaviour at the expense of nation building.

Furthermore, if the State is to address the priority of setting the conditions that will enable formal sector job creation to absorb rural migration and the youth bulge, it will need to establish an environment conducive to business dynamism, entrepreneurship and investor confidence – with the private and social sectors recognised as integral partners in the nation's progress. Beyond its narrow economic interpretation, openness implies an attitude on the part of the nation's elites that breaks with an insularity syndrome and seeks to absorb knowledge from outside experiences.

While the transformations occurring in the world economy undeniably contain challenges against which Madagascar is presently ill equipped to contend with, not least because of weak institutional capacities, low connectivity and the parlous state of energy and transport infrastructure, they also provide the opportunity to build on existing assets.

The fragmentation of global value chains can enable Madagascar to draw on an industrious workforce by capturing traditional and emerging export markets in labour-intensive manufacturing production. Regional precedents in Mauritius as well as Madagascar in textiles and clothing, for example, demonstrate that economic and social upgrading are possible within these production networks and that competitiveness partly based on the availability of low-wage labour need not come at any cost.

The fertility of the island's soil could allow for investment in responsible agricultural practices with far greater land yields that abate domestic food security concerns whilst simultaneously

diversifying into export products for which there is growing demand. Madagascar's cultural heterogeneity and environmental diversity offer the potential to develop a high-value ecotourism industry with beneficial impacts on both rural development and conservation. And the country could promote the value of its biodiversity and unique natural capital to the global commons through payments and credits for ecosystem and environmental services.

In response to rising demand for commodities, the administration has decided to accelerate the issuance of tenders for the exploration and exploitation of the nation's extensive mineral resources, including hydrocarbons. The socio-environmental risks of natural resource extraction in a deficient legal setting are clear, as are the possibilities of corruption and waste in the management of revenues. To profit from the occasion, precepts for sustainable development such as those proposed by the Natural Resource Charter could serve as a guideline.

Finally, youth is one of Madagascar's strongest assets but it needs to be confident, curious and trained. As the nation seeks to draw on the opportunities of integration, individual capabilities and the vibrancy of a local entrepreneurial response will be key components in the transmission of long-term dynamic benefits to the economy.

While the magnitude of Madagascar's economic, social and environmental challenges can be daunting, the conference sought to introduce encouraging narratives from Asian nations from which inspiration could be drawn. The divergence between South Korea's rise from poverty to prosperity in less than two generations and Madagascar's stagnation and failed economic take-off from similar income levels was particularly striking for the Malagasy youth in attendance.

This generation must be given the tools to mature in a society that gradually prospers along a development path that is more equitable and sustainable. If it fails in either objective then it will have failed in both. And it is not just Madagascar but the world that will irredeemably be poorer.

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