

FAST Update

Madagascar

Semi-annual Risk Assessment
June to November 2005

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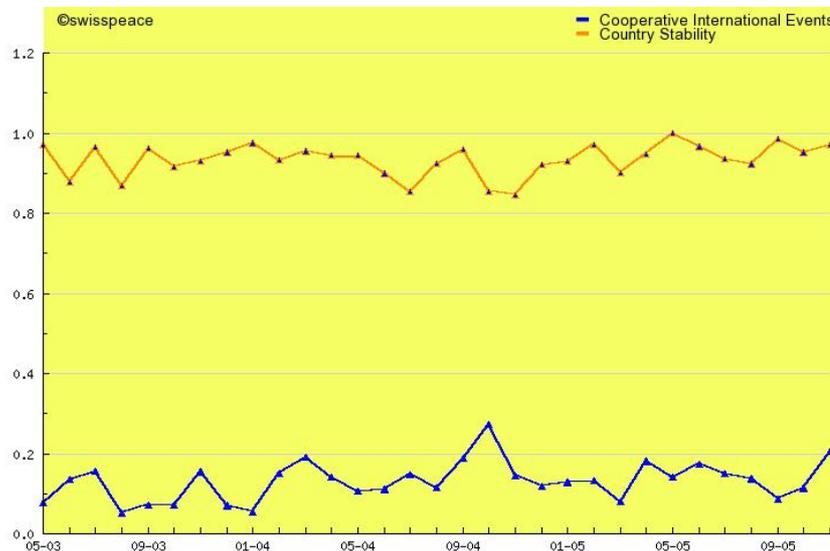
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Country Stability and Cooperative International Events (relative)



Average number of reported events per month: 122

Indicator description: see appendix

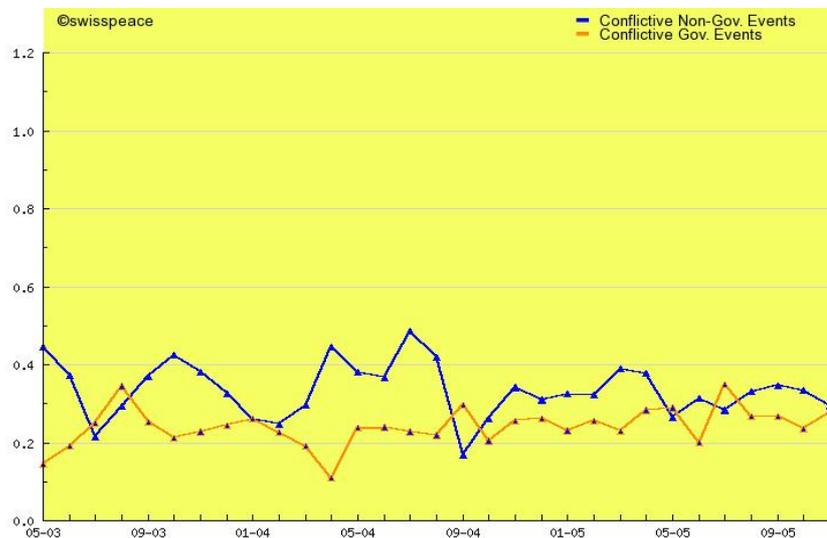
Risk Assessment:

- While Ravalomanana's support at home is facing challenges, support from overseas remains strong, the trend in international cooperation since he secured office in mid-2002 indicating steady support for his regime. Significant economic pledges in the second and third quarters of 2004 (during which Madagascar qualified for debt relief under the World Bank's Highly Indebted Poor Countries Initiative (HIPC)) were followed by solid follow-up and complimentary actions in 2005, the debt relief by the G8 and Germany in mid-2005, and the qualification and disbursement of the US Millennium Challenge Account in 2005. Spikes in cooperation tend to represent the massive aid inflows, while dips tend only to represent periods of positive negotiation. There are spikes in conflictive international events reflected in the stability index. However, their importance is relatively muted and rarely an indication of exogenous disquietude.
- The World Bank has six criteria for measuring program effectiveness in poor countries: voice and accountability, political instability and violence, government effectiveness, regulatory burden, rule of law, and control of corruption. President Ravalomanana has been hailed by the World Bank, the International Monetary Fund, the United States, France, Germany, and others as making remarkable strides in all six categories. Advances against corruption have been singled out not only by the Bretton Woods Institutions, but by the leading non-government organization on the topic, Transparency International.
- Conflictive international events primarily represent international criticism of actions by Madagascar's radical opposition. The French ambassador has criticized the National Conference of the opposition, and in October a local World Bank representative criticized the opposition press, even while complimenting the direction of the economy. However, some more serious criticisms did start to mount in 2005. For instance, in November the World Bank criticized the government for not respecting procedures governing World Bank loans. These loosely veiled accusations of corruption included a threat by the World Bank to cut subventions to poverty alleviation projects. The threat led President Ravalomanana to fire key managers. The World Bank appeared sated by the action and on 24 November assured the government that funding would continue.
- In June the G8 group of wealthy countries announced that Madagascar would be one of 18 countries receiving nearly universal debt relief that will bring US\$ 836 million over time. Germany followed suit with a commitment to drop all Malagasy debt, totaling € 29 million. Other international relationships continue to prosper in both the public and private sectors. In June, Saudi Arabia offered MGA 100 million (€ 47,000) in food aid, the Philippines ICTS company took control of their investment in a state owned port in Toamasina

harbor, China agreed to drop tariffs on 60 Malagasy products in an effort to foster increased trade, and Ravalomanana encouraged Japanese investment. French President Jacques Chirac visited Madagascar in late July and used the occasion to open a new Alliance Française and to encourage French investment. Nevertheless, in October the hotel group Accor, refused to invest in Madagascar. This was disappointing for a government bent on increasing foreign investment. During his visit Chirac also gave a long anticipated apology from France for its role in the 1947 uprising, in which as many as 100,000 Malagasy are thought to have perished. France then committed €3 million to the Malagasy government. Chirac also showed tacit support for Ravalomanana by refusing to meet with the opposition, despite significant efforts by the SPDUN, RFN, and CRN.

- The United States criteria for aid is parallel to the World Bank's, focusing on good governance, investment in people and promotion of economic freedom. One of 15 poor countries to qualify for the U.S.'s new Millennium Challenge Account (MCA) funding, in April Madagascar became the first country to win an MCA award worth US\$110 million (€ 90 million). The first of the funds were dispersed in July for use in rural development in the regions of Vakinankaratra, Amoron'i Mania, and Menabe. In addition, in July the United States Minister for Agriculture signed two agreements with the Malagasy government and gave US\$10 million (€ 8.5 million) in food aid.
- President Ravalomanana has also stepped up Malagasy institutional relations overseas. The African Union, which originally refused to accept Ravalomanana's victory in the 2001 elections due to the 2002 melee, reversed its apprehensions. In August Ravalomanana traveled to Addis Ababa to meet with the African Union and discuss Security Council representation. The Executive Secretary of SADC, Dr. Tomaz Augusto, visited Madagascar in October following approval in August that Madagascar become a full member of SADC. Madagascar stands to benefit from what is seen to be an attractive regional market of 216 million people and a GDP of approximately US\$230 billion (€ 1.95 billion). It is expected to create opportunities for investment, economic growth and development and to enhance the country's bargaining power on the international arena, while enjoying substantial economies of scale.
- Praise continues to be heaped on Ravalomanana's handling of the Malagasy economy. On 8 November, prior to committing to a new IMF mission to work towards a new Poverty Reduction Grant Facility, IMF's First Deputy Managing Director, Anne Krueger, stated with cautious optimism that she "welcomed recent steps to address the sizable tax revenue shortfalls earlier in 2005, and preliminary data for October indicate that these steps are beginning to bear fruit".
- International support is unlikely to waver in the near future. Since he came to office the question asked has not been whether to support Ravalomanana, but how much support is necessary to ensure his success. It is unclear if the increased levels of support he has garnered are enough to ensure his political future, despite his position heading towards the 2007 elections appearing to be strong.

Conflictive Non-Government and Government Events (relative)



Average number of reported events per month: 122

Indicator description: see appendix

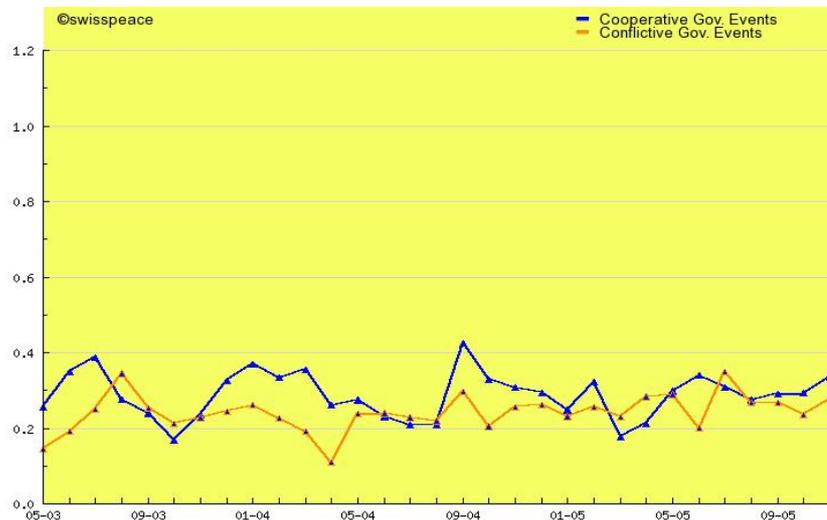
Risk Assessment:

- Levels of conflict within government and non-government sectors fluctuated during the course of 2005. The economy has posed new challenges for the president, but opportunities for the opposition. The opposition, in turn, overplayed its hand in the middle of the year with a national conference that called for a transitional government and a general amnesty for those accused of crimes in the previous regime. Recent reductions in levels of conflict can be attributed to modest economic opportunities, a failure of the core opposition to unite, and splintering of the opposition as a whole.
- Civic groups, and opposition that resides outside of government, have been the main contributors to current levels of conflict. Concerns have coalesced around levels of inflation and opposition to Ravalomanana, in particular for the conflation of his personal corporate activities and his activities as president, the latter being expressed in efforts by an increasingly radical opposition to unseat Ravalomanana.
- Churches have long been powerful actors in Malagasy civil society. President Ravalomanana, who is also Vice President of the Protestant Church of Jesus Christ in Madagascar (FJKM), has secured church support. In return, Ravalomanana has unabashedly used the church organization for his own social and political ends. For instance, in 2005 the region of Vatomantry suffered tremendously from a humanitarian crisis brought on by flooding, high rice costs, and low international market prices for commodities such as coffee and vanilla. Ravalomanana responded by offering MGA 1 billion (€ 469,000) in support to local churches. However, Ravalomanana also faces new challenges arising from a schism within the FJKM that led to the formation of the New Protestant Church in Madagascar (FPVM) - and which, at the time, briefly took over FJKM buildings. The government banned the FPVM and in November the Court of Justice found the church as having acted illegally. Nonetheless, the government crackdown on the FPVM has become political grist for the opposition. In another sign of ecclesiastical fracture, Cardinal Gaetan Razafindratandra has continued to support the president, while a significant group of Catholic bishops have lobbied the Vatican to have him replaced.
- Student strikes, popular for decades in Madagascar, and of which there were several in the first half of the year, continued until June when arrests began at the Mahajanga campus. The JERM (Young Gathered Students of Madagascar) that led the strike has clear ties to the political opposition which has made several demands for the release of students. In July the JERM asked the Minister of Education to postpone the beginning of summer holidays so as to extend the period of teaching.
- The close relationship between Ravalomanana's public and private responsibilities, as evidenced in Ravalomanana's preferential treatment towards his own Tiko and Magro company, has long drawn the ire of his detractors. The Madagascar Broadcasting Systems (MBS), a Tiko subsidiary, is directed by President

Ravalomanana's daughter, Sarah Ravalomanana. MBS and President Ravalomanana directly, have been accused of acting with a heavy hand to quell opposition press. Tiko also has close associates in the three largest banks (the BOA, the BFV Société Générale, and BNI-Crédit Lyonnais), as well in the air transport sector (Asecna) and the rice sector, through Ravalomanana's other company Magro. Originally a milk products company, Tiko has continued to diversify, most recently with the creation of a large construction company (Compagnie de Construction Malagasy) that will liaise closely with the president's engineering company, Asa Lalana Malagasy, (Alma) created in 2003, as well as the hotel's group acquired by Tiko. There have been other benefits to Ravalomanana's holdings, such as a zero tax rating for Tiko and a unique exemption from rice import tariffs for Magro. During the year some of his supporters have also begun to challenge him on this issue: most recently, in September the pro-Ravalomanana GRAD IloAFO denounced Ravalomanana's policy of giving resource support to technicians ("Tiko boys") at the expense of politicians. Opposition RPSD MP, Faharo Ratsimbalsou, promised crowds of supporters in October that a transitional government would nationalize Tiko and Magro.

- There are three primary opposition coalitions in Madagascar: the SPDUN, the RFN, and the CRN. They all seek to oust Marc Ravalomanana, but their accusations and demands differ. The SPDUN is most concerned with what it sees as poor governance and poor management of the economy. The CRN, the most radical of the organizations and led by former President Zafy Albert, accuses Ravalomanana of dictatorial behavior and degrading social life. It calls for annulling the 2002 legislative elections and creating a transitional government and a national reconciliation. The RFN also seeks a transitional government and national reconciliation but not through taking to the streets, as called for by the CRN. These three groups came together for a national conference from 2 – 4 June. Long in planning, their hope was to create a united force against Ravalomanana. However, by mid-June it was clear that it had served instead to fracture the opposition, the SPDUN denying CRN claims that the national conference intended to give an ultimatum to the government to force it into a transitional government. For instance, on 31 July some members of the local Toamasin branch of the national conference denounced the conference leadership. The CRN have continued to advocate the creation of a "parallel government" and a "coup project"; on 9 August this resulted in the RFN abandoning the conference. Solofonantenaina Razoarimihaja, TIM national president, also criticized the conference. The moderate opposition, led by one-time and would-be Prime Minister, Norbert Ratsirahonana (AVI party), publicly denounced the conference, the idea of a transitional government, the national reconciliation movement, or any efforts towards violence. Other moderate party leaders, including Manandafy Rakotonirina (MFM) and Moxe Ramandimbilahatra (TEZA), followed suit. More recently, however, support for the president has grown with TEZA (which, in November called for him to run for reelection), but has decreased with AVI, which continues to denounce the conference while at the same time criticizing the government and calling for a reform in the electoral code.
- President Ravalomanana's 'honeymoon period' is decidedly over. Opposition appears to be rooted in different factions of society and is manifest in different ways, from the political to the quasi-tribalist (see "Madagascar Update, Fourth Quarter, 2004"). His supposed base of support in rural areas should be viewed with some circumspection. Nevertheless, there are still few credible challengers on the horizon for the 2007 presidential elections. In November, Voninahitsy Jean Eugène of RPSD Vaovao and Norbert Lala Ratsirahonana of AVI, made announcements making it appear likely they will run, and Jacques Sylla the TIM Prime Minister may also run against his own president. Yet none have 'traction' as of yet. CRN and national conference parties have opposed demonstrating their candidacy, as it would appear to undermine their calls for a transitional government. It is quite unlikely that in the near future there could be a nationwide conflict such as that which Madagascar faced in 2002. However, Ravalomanana does face a threat arising from his own policies. These are seen to have increased the cost of rice (despite recent stabilization) as well as petroleum (and the resultant electricity) cuts, and which have brought out significant resentment, even in Ravalomanana's Antananarivo base.

Cooperative and Conflictive Government Events (relative)



Average number of reported events per month: 122

Indicator description: see appendix

Risk Assessment:

- Contradictions that lie within the economy have continued to drive both political cooperation and conflict as the pace of economic reform has not been matched by consistent growth or improvements in living standards.
- According to the International Monetary Fund, Gross Domestic Product (GDP) is expected to increase by 6.3 percent in 2005. This is not only a sign of a robust economy, but an indicator that the increases in GDP over the past three years may be more than just recovery from the economic fallout from the 2002 political crisis. Export processing zones continue to grow, as does construction and tourism. New international markets continue to flourish as President Marc Ravalomanana has shown great agility in attracting diverse investors from Germany, France, the United States, and China, countries once thought to be competitors on the island. There have, arguably, never been more opportunities for new growth in Madagascar, and inflation, 27 percent at the end of 2004, has declined. Both of these factors help explain the modest improvements in levels of cooperation and decline in conflict.
- The inflation level of 15 percent in mid-2005 is still considered unacceptably high, and is forecast to remain in the double digits for the year. This is a challenge to the government and one that continues to hide a much more pernicious problem. Outside of the relatively small new business sector, rice and oil are far and away the two goods which have the most impact on livelihoods. Rice is the staple food in Madagascar and the country is a net importer. Following International Monetary Fund (IMF) figures, 2001 annual prices averaged as low as MGA 317 per kilo (€ 0.15) on the retail market. But, in 2004 the price spiked as high as MGA 1172 per kilo (€ 0.55), with monthly figures as high as MGA 1320 (€ 0.62). These are tremendous increases in a country with a GDP per capita of € 193. The high costs have had a massively destabilizing effect, and this had led President Ravalomanana to abandon the country's import-led price stabilization program in favor of direct government price subsidies. As a result, in mid-2005 prices dropped to approximately 1000 MGA per kilo (€ 0.47) and look likely to stabilize at around MGA 800 per kilo. Yet, this came at a high economic cost arising from the loss of fiscal revenues and revenues for domestic producers. The IMF also noted concerns about related tax revenue shortfalls in early 2005. Ravalomanana now faces the challenge of balancing the basic human need for rice (that has led to demonstrations for the past year), with the economic need to float prices on a primary good.
- Petroleum prices in Madagascar also climbed, reaching as high as 2000 ariary (€ 0.91) per liter by June 2005. Prices have since eased, but remain high and volatile, affecting most especially transportation of goods and

traveling costs of the rural poor. The cost of diesel has proven a challenge as most of the country's electricity comes from diesel burning power plants.

- The national water and electricity utility, JIRAMA, signed a management contract with the German engineering corporation, Lahmeyer International, in January 2005. When Lahmeyer took over a month later they discovered JIRAMA was nearly bankrupt. There was no money with which to buy more petroleum and no credit with which to acquire it. By May 2005 every city in the country began rationing electricity, with some smaller towns shutting it off altogether, sometimes for days at a time. The capital, Antananarivo, started cycling blackouts every afternoon and evening. In June 2005 JIRAMA raised electricity prices by 30 percent. Prices stabilized only with World Bank promises of US\$5 million (€ 4.2 million) in support of JIRAMA. Ravalomanana surprised many speculators in October 2005 by announcing that JIRAMA will not be privatized. In a November speech, Anne Krueger, Managing Director of the IMF, seemed to imply concern but took a conciliatory tone, citing that Malagasy authorities are developing an action plan for addressing the severe financial and structural problems facing JIRAMA, a reference to Ravalomanana's IMF-encouraged effort to raise taxes.
- There is little opposition from within government to Ravalomanana's path of liberal reform. His party, Tiako-i-Madagasikara (TIM) controls 103 of the parliament's 160 seats and another 22 seats are held by a supportive alliance. Furthermore, most of the officers of the TIM party were in President Ravalomanana's umbrella company, Tiko. What does exist is conflict between the government and the judiciary. On 14 February the union of judges went on strike; the government reacted by cutting their salary (an action upheld by the High Court). In July the assembly passed a law governing the status of judges. The Union of Malagasy Judges (SMM) has appealed, unsuccessfully as of the time of writing, to the High Constitutional Court to intervene.

Country Stability	The Country Stability index reflects three independent factors: (i) challenges by non-government actors to the state's monopoly of force; (ii) state repression; and (iii) violence entailing physical force against persons or property. The index is scaled between 0 and 1, where 1 means high and 0 low stability.
Cooperative International Events (Relative)	Number of Events (i) that have a positive value on the IDEA conflict-cooperation scale* and (ii) where at least one actor comes from outside the country divided by the number of all reported events. The Indicator has a range between 0 and 1.
Conflictive Non-Government Events (Relative)	Number of Events (i) that have a negative value on the IDEA conflict-cooperation scale* and (ii) where at least one Initiator is a government actor divided by the number of all reported events. The Indicator has a range between 0 and 1.
Conflictive Government Events (Relative)	Number of Events (i) that have a negative value on the IDEA conflict-cooperation scale* and (ii) where at least one Initiator is a government actor divided by the number of all reported events. The Indicator has a range between 0 and 1.
Cooperative Government Events (Relative)	Number of Events (i) that have a positive value on the IDEA conflict-cooperation scale* and (ii) where at least one Initiator is a government actor divided by the number of all reported events. The Indicator has a range between 0 and 1.
Conflictive Government Events (Relative)	Number of Events (i) that have a negative value on the IDEA conflict-cooperation scale* and (ii) where at least one Initiator is a government actor divided by the number of all reported events. The Indicator has a range between 0 and 1.

* The IDEA cooperation-conflict scale is a general weighting that attaches a weight to every event. The scale has a range from -13 to +8. Event types that are regarded as cooperative have positive values, conflictive event types have negative values.

Who are we?

FAST International is the early warning program of swisspeace, based in Bern, Switzerland. The program is funded and utilized by an international consortium of development agencies consisting of the Austrian Development Agency (ADA), Canadian International Development Agency (CIDA), Swedish International Development Cooperation Agency (Sida), Swiss Agency for Development and Cooperation (SDC), and the United States Agency for International Development (USAID).

What do we want to achieve?

FAST International aims at enhancing political decision makers' and their offices' ability to identify critical developments in a timely manner so that coherent political strategies can be formulated to either prevent or limit destructive effects of violent conflict or identify windows of opportunity for peacebuilding.

How do we work?

FAST International uses both qualitative and quantitative methods, with the combination of methods being determined in each case by customer needs. The centerpiece of FAST International is the collection of single cooperative and conflictive events by means of a web-based software, applied by local staff using a coding scheme called IDEA (Integrated Data for Event Analysis), which is based on the WEIS (World Interaction Survey) coding scheme. The monitoring by FAST International is done independently from Western media coverage, thus providing for a constant influx of information. This information is collected by FAST International's own Local Information Networks (LINs). The quantitative empirical analysis is based on composed indicators developed within the IDEA framework. Since even the most profound quantitative analysis requires interpretation, FAST International cooperates with renowned country/area experts.

What are our products?

FAST International offers different early warning products tailored to customer needs. The only standard product available to the general public is the FAST Update, which provides the reader with an overview of developments on a semi-annual basis. It consists of three to five tension barometers (graphs), displaying cooperative and conflictive developments, which are analyzed by FAST's country/area experts on the basis of specific indicators. Whenever major changes occur in one of the countries or regions under scrutiny, FAST releases Special Updates, which follow the structure of the regular FAST Updates. FAST Updates are available in either hard copy, in electronic form on the respective country page or by subscription.

Which countries do we currently monitor?

Africa: Angola, Burundi, DRC/Kivu region, Ethiopia, Madagascar, Mozambique, Rwanda, Somalia
Asia: Afghanistan, India/Kashmir, Kazakhstan, Kyrgyzstan, Nepal, Pakistan, Tajikistan, Uzbekistan
Europe: Georgia, Kosovo, Macedonia, Russian Federation/North Caucasus region