Development or Decay?:

Investment outcomes following political turnover in Madagascar

By

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Dedicated to Kira, Safiya, and Teo

“Maro ny olona fa hianao no andrian’ny saiko”

~Ranaivo

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Table of Contents

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Turnovers, or leadership changes, play a central role in political systems and the investment decisions of economic actors across sub-Saharan Africa. In some cases, turnovers have been followed by rapid increases in investment and in others, by decreases. To understand how political turnovers affect investment decisions within neopatrimonial systems, I argue that the characteristics of new leaders must be considered in addition to the processes by which the turnovers took place. Crucially, I argue that investment increases result when new leaders have greater capacity and different ethnic and party affiliations than their predecessors.

Political economists analyzing narrow types of turnovers have agreed that they are consequential but differed concerning whether the effects are positive or negative. A comprehensive, causal theory explaining the full range of turnovers and subsequent economic outcomes, including mechanisms, is lacking.

To build a theory that addresses this gap, I conduct three case studies of turnover in Madagascar using data from over 100 elite interviews, three focus groups, and multiple databases of contemporary news sources. Based on these case studies I argue that varying investment outcomes following turnover are determined by four types of instability: security, regime, administrative, and network. Security and regime instability accompanying turnover reduce the propensity to invest, network instability increases the propensity to invest, and administrative instability increases investment when it is characterized by higher capacity among incoming executives in comparison to their predecessors. The mechanisms detailed in this dissertation which connect systemic instability to individual investment decisions are narrative creation, uncertainty minimization, and boundary aversion.

Following the logic of nested analysis, which positions case studies in relation to large-N analysis so that each can inform the other, I compile a cross-national, time-series dataset of turnovers in independent sub-Saharan Africa with measures that operationalize the components of instability. I then propose two models which seek to capture the extent to which the relationship in Madagascar between turnover and investment applies to Africa generally. Finally, I assess the implications of these findings for the political economy literature, policymakers, political risk professionals, and future research.

Chapter 1: Linking political turnovers and economic outcomes

1.1 Introduction: Question, motivation, and argument

In December 2001, a disputed election in Madagascar between the incumbent president, Didier Ratsiraka, and his challenger, Marc Ravalomanana, triggered mass demonstrations, violence by security forces, sabotage of critical infrastructure, and a "low-intensity civil war" across the country.[1] The characteristics of this political turnover and subsequent breakdown echoed those of previous crises that have taken place across sub-Saharan Africa: institutions were distorted or altogether ignored, economic output plummeted, and investors fled. Despite these difficulties, Madagascar began to recover after Ravalomanana consolidated control and made significant economic advances under the new president. This sequence was not unprecedented. Numerous leadership changes in sub-Saharan Africa have been accompanied by elements of instability and followed by extended periods of economic development. However, in many other cases of turnover, new leaders and post-turnover administrations have not improved economic trajectories. The divergent performance of countries following political turnover raises a set of important, inter-related questions. *How do political turnovers affect subsequent economic outcomes? What is the process, and what are the mechanisms, that shape this relationship? Which characteristics of turnovers and new leaders are critical to the process linking political turnovers to economic trajectories in post-turnover periods?*

Leadership changes, or "turnovers," play a central role in political systems. In their writing on sub-Saharan Africa, Annan (1998) describes the "winner-take-all" nature of elections, Jackson and Rosberg (1984: 435) depict the prospects of turnover as a source of catastrophic destabilization, and Van de Walle (2003: 310-311) claims that the presidency is the "dominant arena for decision-

[1] Randrianja and Ellis (2009: 208) write, "The situation turned into nothing less than a low-intensity civil war, although there were no more than a hundred victims according to official figures."

making" and controlling it is the "main drama" in African regimes. More broadly, Bueno de Mesquita, et al (2005: 8-9), among others (Levitsky and Way 2010; Downs 1957), argue that "the politics behind survival in office is, we believe, the essence of politics…. We take it as axiomatic that everyone in a position of authority wants to keep that authority and that it is the maneuvering to do so that is central to politics in any type of regime."

Turnovers have economic consequences. Previous research using small subsets of turnover shows that they significantly alter economic trajectories (Jones and Olken 2005), reshape institutional arrangements (Jones and Olken 2009), and affect the productivity of individual firms (Earle and Gehlbach 2014). Turnovers function as potential disjunctures to existing political systems and corresponding economic structures, or, in other words, they are potential triggers in a model of "punctuated equilibria."[2] In this dissertation, I will analyze the direction, magnitude, and mechanics of changes to economic outcomes triggered by political turnovers. To do this, I will focus on how political turnovers shape investment decisions, a leading indicator of economic growth and tangible sign of expectations regarding future conditions.

Turnovers affect investment decisions by altering expectations regarding the political economy in which businesses will operate. During turnover processes, the strengths of government institutions are reinforced, or their weaknesses are revealed; current and potential investors adjust their perceived likelihoods of a wide range of policies; and changes to the identities, associations, and capacities of the individuals in key positions take place. These points are frequently folded into a general argument that political instability, including turnover, deters investment (Alesina et al. 1996; Persson and Tabellini 2002: 354). Yet other political scientists have made the opposite argument, claiming that political instability caused by turnover stimulates investment by reducing control of economic rents (Pinto and Timmons 2005; Bienen and Herbst 1996; Olson 1982) or

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[2] The "punctuated equilibrium" framework for analyzing disjunctive political change was adapted by Krasner (1984) from evolutionary biology and became a tool of the "historical institutionalism" approach (Bernhard 2015).

producing more educated leaders (Besley 2011b). Empirically, the strong argument that instability leads to reduced investment cannot be maintained; there are numerous cases—Madagascar under Ravalomanana is one—in which turnovers have preceded periods of increased investment and positive economic outcomes. The opposite is also true: instability has often led to periods of decreased investment and negative outcomes. This was the case in Madagascar, for example, after Andry Rajoelina replaced Ravalomanana in 2009. The concept of instability is too broad and too imprecise to make reliable theoretical claims.

I argue that leadership changes influence investment decisions, but the underlying mechanism—instability—must be disaggregated and tied to individual investor expectations to explain variation among post-turnover economic outcomes. Turnovers created four distinct forms of instability—*security, regime, administrative,* and *network*—with separate effects on investor expectations. Security and regime instability are a function of the turnover *process* whereas administrative and network instability are a function of the *leaders* before and after turnover. The forms of instability are defined as follows:

Process

- *Security* instability: changes to the type and role of violence within the system for selecting political leaders
- *Regime* instability: changes to the set of institutions that determine who governs the country and the authority he exercises

Leader

- *Administrative* instability: changes (from leader to leader) in stock experiences that facilitate reaching his stated objectives
- *Network* instability: changes (from leader to leader) in the leader’s key ascriptive properties

After disaggregating the potential instability created by turnover into the four components above, I find evidence from three case studies in Madagascar to support a set of four hypotheses: first, security instability, characterized by violence during the turnover process, reduces the propensity to invest (and vice versa); second, regime instability, characterized by major changes to institutions that determine leader selection and authority, reduces the propensity to invest (and vice versa); third, administrative instability, characterized by increased capability in the new leader and associated inner circle, increases the propensity to invest (and vice versa); and fourth, network instability, which occurs when the new leader's ascriptive communities differ from the previous leader, increases the propensity to invest (and vice versa). Considered together, these four hypotheses constitute a framework for describing and analyzing the effect of political turnover on economic outcomes.

In this introductory chapter, I will define key terms, summarize multiple perspectives on turnover, and outline the research approach and corresponding data. Subsequent chapters will present the framework connecting turnover to investment in detail (chapter two), provide cases from Madagascar in which turnover leads to increased investment (chapter three), decreased investment (chapter four), and flat investment (chapter five). The final chapters will present a quantitative model of turnover and subsequent investment outcomes across independent sub-Saharan Africa (chapter six) and a concluding chapter concerning implications of the findings, possibilities for future research, and practical applications (chapter seven).

1.2 Definitions: Turnover and investment

Turnover and investment are critical terms to define before exploring the components of instability and their effects. *Turnover* occurs when the occupant of the state's most powerful political office changes.[3] While a large majority of turnovers that take place are clearly identifiable, some cases require country-specific knowledge, particularly when a country's most powerful political office is not clear. The Archigos database of political leaders identifies the "effective leader of each independent state" by relying on primary and secondary sources, as well as expert opinions, to determine the person who "de facto exercised power in a country (Goemans et al. 2009: 71)." The coding for Rwanda is illustrative: Archigos identifies Paul Kagame as the effective leader of Rwanda beginning in 1994 even though his title, Vice-President and Defense Minister, nominally placed him below the country's President, Pasteur Bizimungu, until 2000. Hence, according to the logic of Archigos—and this dissertation—no turnover took place in 2000 when Kagame became Rwanda's president.

By analyzing the effect of turnovers, I am implicitly arguing that turnover can and should be analyzed as a coherent conceptual category. This differs from the body of research on political turnover which separates turnover into discrete categories such as coups, revolutions, or electoral transitions. Many examples of this research follow this approach because they are meant to explain why turnovers occur rather than the consequences they trigger. To take a well-known example, Skocpol's *States and Social Revolutions* (1979) limits its focus to a subset of successful social revolutions and provides a theory for why they take place. There are other studies, such as Fosu (2002) and Moehler and Lindberg (2009), which focus on economic and political consequences, not causes, of a well-defined subset of turnovers.[4]

This body of research provide the basis for much of what we can say regarding turnovers' effects, but the emphasis on using differences among turnovers reduces the set of cases at the

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[3] While this typically occurs when the occupant of a certain office changes, it can also occur when a country's most powerful office changes (e.g. from President to Prime Minister).

[4] Fosu (2002) find that successful coups d'état, abortive coups, and coup plots generally reduce economic growth and productivity. Ufelder (2013) reports similar findings to Fosu in a "statistical analysis I did a couple of years ago for a private-sector client who was concerned about how various forms of political instability might affect investments in poorer countries." Moehler and Lindberg (2009) find perceptions of institutional legitimacy are increased by elections that lead to turnovers.

outset and obscures potential findings regarding the consequences of turnover which are true across categories. Turnovers may take place via separate mechanisms (e.g. coups, elections) for reasons that depend on the structure of initial political institutions or the strategies and capacities of incumbent actors or challengers, even when other many other elements of the turnover are similar. In the terms of this dissertation, the "type" of turnover may be central to process components of instability but not to leader components, or vice versa. Finally, distinguishing among types of turnover presents significant definitional challenges. The Center for Systemic Peace, for example, produces a "Coups d'Etat, 1946-2015" dataset which tracks successful coups and attempted coups, but excludes five additional categories (e.g. "ouster of leadership by rebel forces" or "resignation of executive due to poor performance and/or loss of authority").[5] The case of Ravalomanana in 2002 is illustrative: the means of turnover could be considered a democratic election, ouster of leadership by rebel forces, or resignation.[6] By treating turnover as a coherent conceptual category, but not disregarding the means by which it occurs, my research makes the claim that different forms of turnover *can*—not *must*—lead to similar outcomes and avoids a number of challenging definitional decisions that could skew its findings.

Broadly stated, *investment* consists of any goods purchased for the purpose of generating income in the future. This purpose is the fundamental distinction between investment and consumption, the two primary components of GDP. The World Bank's World Development Report on the subject states, "Firms invest to make profits."[7] Typical investments include building or expanding a factory, increasing inventory, purchasing real estate, or buying stocks. The US Bureau of Economic Analysis provides a more technical definition,

> Gross private domestic investment consists of purchases of fixed assets (structures, equipment, and intellectual property products) by private businesses that contribute

[5] From codebook (pp. 2-3) to Coup d'État Events, 1946-2015 (Marshall 2016c).
[6] Similarly, the 2009 turnover in Madagascar has been labeled a coup by some and a resignation by others. There is clearly a political dimension to these decisions.
[7] World Bank 2004a: 20.

> to production and have a useful life of more than one year, of purchase of homes by households, and of private business investment in inventories (BEA 2015: 8).[8]

The government also invests, but these expenditures are separated from private investment. While there are similarities between private and public investments, there is no theoretical justification for assuming that the basis of government investments is to generate income in the future rather than achieve a political goal such as gaining support from a particular interest group. Another common distinction, between domestic and foreign investments, is based on their source of origin, not their purpose. While there may be disparate effects of investment based on its source and the investment climate often differs by source, I will not distinguish between domestic and foreign investment in this research. The components of instability that connect turnover to subsequent investment decisions are not inherently related to the specific source of private investment, and there are significant definitional challenges in separating the two.[9]

Investment is central to economic trajectories. The World Bank's 2005 World Development Report states, "Investment underpins economic growth by bringing more inputs to the production process (World Bank 2004: 2)." Numerous studies have explored the quantitative relationship between investment and subsequent growth on the national and firm level.[10] Uncertainty plays a key role in the literature on the causes and effects of investment, as summarized by Salahuddin and Islam (2008:25, my italics):

> Different forms of uncertainty arise from different circumstances. For example, *uncertainty arising from investment irreversibility* (see Bernanke 1983, Pindyck 1991, Bertola and Caballero 1994, Goldberg 1993, Dixit and Pyndyck 1994, Chirinko 1996, Abel and Eberly 1999), *uncertainty related to instability* (see Rodrik 1991, Kormendi

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[8] The data for investment in this dissertation comes from the Penn World Tables dataset, which uses national accounts data provided through the UN.

[9] The distinction between domestic and foreign investment is blurry in Madagascar, where dual citizenship is common among major economic actors. This situation is not unique in Africa; Liberia and Cote d'Ivoire, among other countries, are similar.

[10] While this literature is too broad to summarize here, there is no consensus on the effect of investment. Many scholars, such as De Long and Summers (1991), find positive correlations between certain kinds of investment (i.e. equipment investment) and subsequent growth, while others, such as Carkovic and Levine (2002), find that other kinds of investment (i.e. foreign direct investment) do not "exert a robust, independent influence on growth."

> and Meguire 1985, Cordoso 1993, Bleaney 1996, Beaudry, et. al. 2001 and Serven 2003, Krishna et. al. 2003), *uncertainy and trade investment nexus* (Asterio and Price 2005), *uncertainy, investment, and economic growth,* and finally *uncertainty emanating from sociopolitical instability* (see Alesina and Perotti 1994, and Campo and Nugent 2003).

The forward-facing purpose of investment and the link to uncertainty make it particularly relevant to the question raised at the outset of this dissertation: How do political turnovers affect subsequent economic outcomes? The partial or complete irreversibility of most investments requires people to form expectations regarding future stability and future actions of the government. The importance of these expectations, as revealed by the investment decisions that result, shape economic trajectories.

1.3 Perspectives on turnovers and economic trajectories

1.3.1 Popular and policymaking perspectives on turnover

Van de Walle's claim (2003:310-311) that controlling the presidency is the "main drama" of African regimes is illustrated by the demands of numerous protesters across the continent as well as countless newspapers and radio programs across the continent. In the popular imagination, if not always the academic literature, the link between political turnover and economic outcomes is frequently made with certainty. Newspaper headlines prior to elections, following coups, or during major protests frequently highlight their economic effects, as a brief selection of headlines from Reuters illustrates:

- "Military coup would be bad for Egypt: finance minister" (Reuters, Feb. 11, 2011)
- "Madagascar counts presidential election, economy at stake" (Reuters, Oct. 25, 2013)
- "Slowing Zimbabwe economy points to more anti-government anger" (Reuters, Sept. 8, 2016)
- "Jacob Zuma, South Africa's $50 million burden?" (Reuters, Nov. 3, 2016)

The motivations of voters and protestors, like the connection between newspaper headlines and popular perspectives, are difficult to establish, but the pervasive claims that leadership changes (or the lack thereof) will affect economic outcomes are difficult to miss across sub-Saharan Africa. Lending weight to the impression that people in Africa, like those in other regions, believe that leaders affect economic outcomes, Bratton, Bhavani, and Chen (2012: 27) cite evidence from Afrobarometer that Africans across 16 countries consider "the government's perceived handling of unemployment, inflation, and income distribution" when voting.[11]

The policymaking community in sub-Saharan Africa has also supported efforts that would encourage democratic turnover and reduce non-democratic turnover, though economic performance is generally tangential to these efforts.[12] The link is most overt where longstanding autocrats have held power despite poor economic performance or in cases where attempts to retain power have led to violence. Policymakers' arguments for turnover are often couched in terms of greater democracy, the rule of law, or human rights, the practical implications of which are not lost on African leaders or citizens. Since the end of the Cold War, Posner and Young (2007) document that African presidents have become more likely to leave office by constitutional means (i.e. losing an election or reaching a term limit) than by violent overthrow, including coups and assassinations. Election monitors (Kelley 2009), term limits (Young and Posner 2007), and policies that deny recognition to coup leaders (Omorogbe 2011) have been critical to this result, and these instruments depend heavily on support from donors, civil society, and international organizations. In a more novel approach, the Mo Ibrahim Foundation, created in 2006 to improve governance and leadership in Africa, connected leadership to turnover by awarding an annual prize—$5 million up

[11] It does not follow that leaders should necessarily prioritize economic growth or investment. Treisman (2015) finds that faster economic growth increases the ruler's survival odds in the short run, but Zakharov (2016) finds that leaders who value longer tenures have incentives to hire incompetent subordinates, and Harding and Stasavage (2014) find that leaders should prioritize highly visible public goods rather than the quality of public goods.

[12] By policymaking community, I am referring to members of international organizations (e.g. the World Bank), international aid organizations with policy aims (e.g. USAID), and non-profit organizations, domestic or international, who seek to shape economic and political policies from positions outside the government (e.g. the Chamber of Commerce). Members of this community have significant collective influence on key aspects of governance, including revenues, the content of laws, and the allocation of attention among various issues.

front and $200,000 per year—to presidents in Africa who "demonstrated exceptional leadership," dedicated their tenures to improved livelihoods, and *ceded power* democratically.[13]

In sum, there is considerable support among a variety of policymaking actors for efforts to encourage leadership changes, though this support may be the indirect result of support for stronger, more accountable and participatory political institutions. While many policymakers, like academics, have expressed skepticism that democratic institutions will lead to positive economic outcomes, this causal relationship underlies programs in key policymaking organizations. The U.S. State Department, for example, gives the following as an official objective: "Promote democracy as a means to achieve security, stability, and *prosperity* for the entire world" (my italics).[14] Similarly, an objective of the African Union's "Charter on Democracy, Elections, and Governance" is: "prohibit, reject, and condemn unconstitutional change of government in any Member State as a serious threat to stability, peace, security and *development*" (African Union 2007, my italics). In contrast, some policymakers continue to support turnover through non-democratic means, with improved economic outcomes as a direct or, more often, indirect justification.[15] Neither popular nor policymaking channels typically talk about the effect of turnover on economic outcomes in the abstract, but they frequently make the link for individual cases and frequently support policy positions which assume a positive relationship between democratic turnover and economic coups and a negative relationship for extra-constitutional turnovers.

[13] A more detailed account of the Mo Ibrahim Foundation's motivations and efforts is available at: [http://www.moibrahimfoundation.org/en] (accessed 2 February 2012).
[14] See State Department site: http://www.state.gov/j/drl/democ. /
[15] See the Brookings Institution's 2012 memo entitled "Saving Syria: Assessing Options for Regime Change" (Byman, Doran, Pollack, and Shaikh 2012). Note that the economic benefits to regime change in this memo are related to sanctions and bilateral aid, not investment.

1.3.2 Professional perspectives on turnover

Private sector firms and investors have increasingly professionalized their perspective on turnover and its potential economic consequences under the heading of "political risk."[16] This risk is analyzed or managed by in-house teams or outsourced to a growing number of companies and consultants. For example, Control Risks maintains offices in 36 countries and claims to "[specialize] in helping organizations manage political, integrity and security risks in complex and hostile environment."[17] Similarly, the Eurasia Group writes in their "what we do" section,

> "Our clients range from macro hedge funds to institutional investors, from family companies to the world's largest multinational corporations…We take a structured approach to understanding these challenges, and we provide our clients with tools not only to anticipate and manage political risks, but also to profit from opportunities."[18]

The appetite for professional political risk analysis appears to be growing. A recent article summarizing opportunities for careers in political risk listed 17 firms operating out of London alone.[19]

While Control Risks and the Eurasia Group, among others, typically tailor their analysis to industry or company-specific concerns, academics from various settings (law schools, business schools, social science) have made attempts to define political risk and its main drivers. Comeaux and Kinsella (1994: 1) define it as "the risk that the laws of a country will unexpectedly change to the investor's detriment after the investor has invested capital in the country, thereby reducing the value of the individual's investment." While this definition emphasizes the importance of expectations, timing, and value, it focuses too narrowly on changes to laws. An earlier definition by Thurnell (1977: 4) is more comprehensive: "[political risk is] the risk or probability of occurrence

[16] Departments responsible for analyzing and managing political risk are sometime called government relations, public affairs, sustainability, regulatory affairs, etc.
[17] https://www.controlrisks.com/ [accessed May 15, 2015].
[18] http://www.eurasiagroup.net/services/what-we-do [accessed November 29, 2016].
[19] https://www.linkedin.com/pulse/career-political-risk-uk-how-break-industry-insight-ben-kinley [accessed November 29, 2016].

of some political event that will change the prospects for the profitability of a given investment." These events can include discriminatory regulations, nationalizations, kidnappings, and civil wars, among numerous other political events.[20] Political risks are found in every country, even if the drivers are different. The IHS Energy Group, for example, published a model in which the political risk scores for energy projects in Norway and Nigeria were equivalent, though Nigeria's was based on the potential for war and unrest, and Norway's was based on potential changes to legal and fiscal terms (IHS, Erkan, 2011: 32).

What drives political risk? Erkan (2011: 33), like the definitions above, focuses on change: "Political risk usually comes into existence following 'changes to the political and socio-economic conditions of the host country from those that existed at the time the agreement in question were originally entered into.'" The connection with turnover is straightforward. Political risk analysis focuses heavily on elections, the views of opposition leaders, and the potential for wars and coups. The actual political risks many companies face center on changes to regulations or tax policy, but significant changes to these conditions often take place following turnovers that introduce new ideologies or replace the networks within the political system. Changes to the security environment, a significant driver of political risk, are also connected to turnover, sometimes as triggers, sometimes as consequences.

Turnovers are not the only the source of political risk for private companies and investors. Major internal government shake-ups sometimes take place in the absence of turnovers, regional political events can lead to domestic political concerns, and international trends often drive domestic political decisions and business environments. Nevertheless, leadership changes are the primary focus of attention of most professional risk analysis, particularly if you include actions taken by the incumbent government intended to forestall a potential turnover or analyzing pillars of stability that will help incumbents survive potential turnovers. In this sense, turnovers are a lens

[20] See Erkan (2011: 25) for a more complete listing and description.

through which private companies and investors evaluate the likelihood of government actions that would affect their projects. The absence of visible effects driven by turnovers can also be instructive; like the "dog that doesn't bark," turnovers which do not create instability are significant events and drive expectations.[21] The case studies in this dissertation will illustrate these evaluations at a granular level.

1.3.3 Academic perspectives on turnover

Most comparative research on political turnover follows one of three strategies, or a combination thereof: first, it separates turnover into discrete categories, such as coups, revolutions, or electoral transitions; second, it seeks to explain why turnover occurs rather than the consequences it triggers; or third, it subsumes instances of turnovers into a broader category of instability which includes cases of non-turnover. Following the first strategy above, Fosu (2002), for example, focuses on one type of turnover: coup d'états. He utilizes a distinction among coups, aborted coups, and coup plans to reveal separate, but significant, effects on subsequent economic growth. Jones and Olken (2005) choose an even rarer means of turnover, death in office from natural causes or accident, to evaluate the economic effects of leaders. Weinstein (2005: 1) also chooses an uncommon turnover mechanism, civil wars won decisively by rebels, and argues that recovery, including "post-war political and economic development," may be more likely in the absence of foreign intervention.[22]

Other authors follow the second strategy above, explaining why turnovers take place. They often restrict the domain of cases as well. Brownlee (2007), is one of many scholars who has

[21] As one example, consider the close but non-violent election of John Atta Mills in Ghana in 2008. The lack of security instability or regime instability was likely more important to the process of forming expectations than the re-election (and non-turnover) of John Kufuor in 2004.

[22] Weinstein's cases—Uganda, Eritrea, and Puntland (Somalia)—illustrate the potential trade-offs to intervention he seeks to analyze: examples of "autonomous recovery" have been accompanied by high levels of violence.

analyzed elections and their outcomes; one part of his research considers when elections under authoritarianism lead to democracy. In a similar vein, Shelton, Stojek, and Sullivan (2013) identify three key dimensions affecting who prevails in civil wars. Similar research looks at the conditions which lead to social revolution (Skocpol 1979), coups (Ufelder 2015), and other mechanisms of turnover, though it seems some mechanisms, such as forced resignations, deaths in office, are seen as too rare or too fundamentally unpredictable to analyze comparatively. These two research strategies are responsible for much of what we know, comparatively, about the determinants and subsequent outcomes of turnover. The third strategy, by contrast, considers instances of turnover as a part of a larger phenomenon, such as civil wars, democratization, or most broadly, instability. The Political Instability Task Force, for example, composed an extensive list of "major political instability events" from 1955-2003; these included revolutionary wars, ethnic wars, adverse regime changes, and genocides/politicides (Goldstone et al. 2005). Other research define instability by the frequency of turnovers[23]

Unlike research that begins by focusing on a particular category of turnover or ends when a new administration is established, my research will focus on turnover as a broad, but nevertheless coherent, conceptual category with the potential for important economic consequences. It does not assume that different forms of turnover will have different outcomes but neither does it ignore how turnover takes place. This approach is consistent with qualitative research in African politics that considers turnover. Bienen and Herbst (1996) and Kjaer (2004), for example, argue that the structure of coalitions and the goals of incoming leaders, not just the form of turnover, are critical to the new leadership's economic strategy and tendency to reform.[24] By focusing on turnover and its

[23] Persson and Tabellini (2002:354) and Bernhard (2015). Note that Bernhard is discussing "chronic instability," meaning multiple turnovers in rapid succession.

[24] This is also consistent with theoretical arguments by Haber (2006) and Wintrobe (2007) that highlight the structure of elite coalitions and motivations, not how the leader attained power.

economic outcomes, my research on turnover assumes that the material interests, time horizons, and strategic calculations of leaders are related to their political emergence.[25]

Research on leaders, their strategic calculations, and their impacts provides a less process-oriented and more individual-focused, contingent approach to the importance of turnover and subsequent economic outcomes. This research frequently relaxes assumptions that are common to other literatures, namely that political actors emerge exogenously, act in accordance with material interests and infinite time horizons, and possess a perfect understanding of how strategic actions affect outcomes (Rodden 2009; Ahlquist and Levy 2011).[26] Initial examples of quantitative research evaluating economic effects of specific leaders have argued that they affect economic growth rates (Jones and Olken 2005; Besley, et al. 2011a), and that individual autocrats are the cornerstones of national institutions (Jones and Olken 2009). In contrast, Easterly and Pennings (2015) argue that data quality is too poor to make strong claims, and find that average growth rates are largely not explained by variation in leader quality. Easterly and Pennings (2015: 1) note that there has been "surprisingly little effort" to formalize the relationship between the quality of national leadership and the variance of growth rates, but there is important theoretical context for these claims. Major qualitative works in the African politics literature (Callaghy 1984; Jackson and Rosberg 1984; Médard 1992; Chabal and Daloz 1999) find that the role of leaders and corresponding political networks are persistent and central to economic dynamics and outcomes.

In general, the academic research on turnovers and subsequent economic outcomes is underdeveloped, particularly given the attention the subject receives among the population and policymaking community. Quantitative research designs, though promising, have been hindered by the small number of turnovers, made even smaller by designs that analyze a subset of turnovers,

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[25] See Straus (2015) for a causal narrative in which strategic calculations are partly determined by elements of the regime's political emergence. He argues that "'founding narratives' shape how elites understand and respond to threats in acute crises, especially war (2015: 11)."
[26] There are International Relations scholars who also seriously consider the role of leaders and leadership (see Byman and Pollack 2001).

and by the difficulty of distinguishing between economic factors that lead to turnover and those that result from it. In contrast, qualitative research on leaders has provided deep insights and levels of detail on how they affect economic outcomes, but few of these studies have incorporated dynamic processes. There has been more focus on the equilibria than the punctuation. By focusing on political turnovers, broadly, and subsequent investment decisions, my dissertation will therefore add a dynamic component to the literature on leaders, analyze a potential source of variation among development outcomes, and link popular, professional, and academic perspectives. By using case studies and a quantitative model, my research design seeks to use country-specific knowledge to inform a more generalized, measurable approach.

1.4 Research strategy: Nested analysis

1.4.1 Nested analysis overview

The methodological approach guiding my research design is the "nested analysis" framework outlined by Lieberman (2005). The goal of this approach is to join large-n, cross-national quantitative analysis with targeted case studies in a unified research design that allows each method to inform the other. The graphic representation of Lieberman's approach (see Figure 1) concisely explains the steps of "nested analysis." The underlying logic is straightforward. Beginning with a research question, the first step is to undertake a preliminary large-N analysis of the proposed relationship. If this does not lead to robust and satisfactory results, a mix of "on-" and "off-the-line" case studies are used to suggest a revised, more coherent theory and model. This model then becomes the basis for further large-N analyses. The nested analysis approach is an early example of a trend toward increasingly formal mixed-method, iterative research designs within comparative politics (Yom 2015; Glynn and Ichiro 2014). Numerous scholars have argued that quantitative research approaches such as Bayesian analysis (Humphreys and Jacobs 2016) and statistical matching (Abadie et al. 2015) are strengthened by qualitative evidence. The reverse is also true.

In this dissertation, I begin with a broad question: How do political turnovers affect economic outcomes? Using a preliminary large-N, cross-national quantitative analysis of independent sub-Saharan Africa, I find evidence that turnovers precede investment increases. This is true in a "matching" model that considers turnover in all country-years in independent sub-Saharan Africa *as if* it were assigned randomly as in an experimental design. However, these findings are not statistically significant, though narrowly, and more importantly, cannot be sustained without making untenable assumptions.[27] Hence, I have chosen three case studies from Madagascar[28]—the periods following leadership changes in 2002, 2009, and 2013—to develop a more coherent, robust theory. Through these case studies I consider two additional, related questions: What is the process, and what are the mechanisms, that shape the relationship between turnovers and subsequent investment? Which elements of the turnover process and which characteristics of new leaders are critical to this relationship?

The theory of security, regime, and administrative, and network instability briefly outlined at the outset of this introduction is based on these case studies. Following the final step of the nested analysis approach, I test this revised theoretical relationship using a large-N dataset. Before proceeding to the case studies and model in subsequent chapters, I will briefly outline and justify the data selections that support this approach, beginning with the case studies and then moving to the dataset and model.

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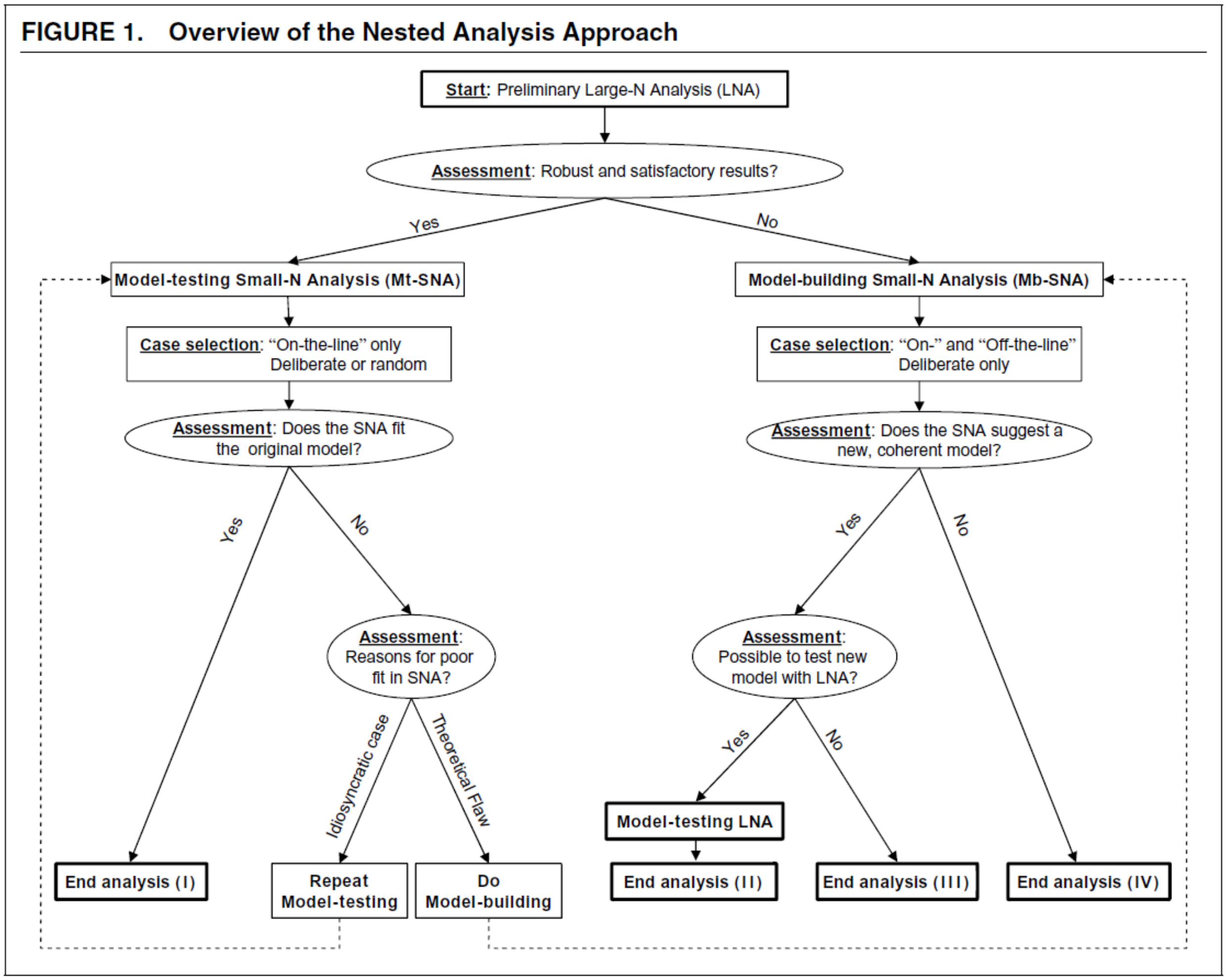
[27] Using a model of 113 matched pairs (n=226) from an original set of country-years (n=1418) in independent sub-Saharan Africa, I found that the 95 percent confidence interval for the increase in investment two years after turnover was -3.3 percent to 17.5 percent. Subsequent sensitivity analysis, which relaxes the assumption that both country-years in the matched pair were equally likely to receive the treatment, significantly widened the confidence interval.

[28] I discuss the merits of Madagascar as a research site in section 1.4.3.2: Why Madagascar?

Figure 1. Graphic Representation of Nested Analysis Approach (Lieberman 2005: 437)



1.4.2 Data

1.4.2.1 Qualitative approach

The case studies of turnover in Madagascar in my dissertation vary on the outcome: subsequent change in investment. The first, consisting of the turnover from Ratsiraka to Ravalomanana in 2002 and change in investment over the next 4 years, is a case of turnover leading to increased investment. The second, consisting of the turnover from Ravalomanana to Rajoelina in 2009, is a case of turnover leading to decreased investment. The third, consisting of the turnover from Rajoelina to Rajaonarimampianina in 2014, is a case of turnover leading to flat investment. There are advantages to selecting cases from the same country; numerous characteristics such as the country's geography, ethnic and religious identities, and historical foundations, are held relatively constant, making a comparison of cases more tractable. Moreover, practical requirements for many primary research methods, including local language proficiency and extensive research contacts, are often infeasible for a multi-country project. There are disadvantages as well, namely that short-terms global and regional conditions differ across cases, and the turnovers and subsequent periods are inter-related, but these drawbacks are less significant for theory development than for theory testing.

In the nested-analysis approach, common reservations regarding bias produced by deliberate case selection are subordinated to the researcher's language skills, historical knowledge, and theoretical interest in a particular case. The potential for making sweeping claims biased by individual cases is minimized by making explicit comparisons to a broader empirical pattern, not by randomly selecting episodes to study in depth (Lieberman 2005: 446-47). Likewise, case selection for theory building necessarily focuses on values of the dependent variable: "the very nature of [small-n analysis for model building] implies that we may lack the scores on the explanatory variables of interest at the outset of the project, making it impossible to use the explanatory variables for case selection (Lieberman 2005: 445)." Therefore, the cases I have selected vary on the dependent variable.[29] By analyzing three cases which cover the range of possible outcomes, my research will identify critical variables and interactions that will contribute to an improved theory of turnover's economic effects.

My case study research will employ the logic and techniques of process tracing. This approach focuses on the "observable implications of hypothesized causal processes" using a variety of

[29] While selecting cases without variation on the dependent variable is appropriate for some research purposes, such as identifying the potential causal paths for a specific outcome (George and Bennett 2005: 23), it is generally necessary to select cases with variation on the dependent variable to avoid biasing results (Geddes 1990).

empirical sources (Bennett 2008: 705). The goal of process tracing is to document whether the sequence of events and the available evidence fits the explanation. Process tracing techniques are primarily qualitative, and the focus on explaining a causal chain across time within a single case generally points toward a narrative outline of the relationship between theory and facts.[30]

1.4.2.2 Qualitative data

During 16 months of field research in Madagascar conducted between June 2011 and September 2013, I interviewed more than 100 separate informants, organized three focus groups, and created news databases using local media sources, regional media sources, and US diplomatic cables. To understand how political dynamics shaped the investment climate in Madagascar, I talked to numerous members of recent administrations ranging in status from the Prime Minister to bureaucrats within the Finance Ministry. During my interviews, I met with members of multiple administrations and multiple political parties. To understand how specific investment decisions were affected by political turnovers, I interviewed businessmen and investors from a range of different sectors, backgrounds, and geographic locations. These included: large foreign-owned mining and petroleum companies, well-established Malagasy manufacturing and distributing companies, and investors holding stakes in companies in the tourism and agri-business sectors, among others. I also met with the owners of numerous small and medium enterprises to get a better sense of how the political climate affects investments whose principals have different levels of access and exposure to Malagasy administrations. To gain a greater understanding of the connections between political networks and investment decisions, I met with members of the

[30] Relying on narrative to connect a theory to facts leads to the potential for narrative fallacies. Kahneman (2011:199) writes, "Narrative fallacies arise inevitably from our continuous attempt to make sense of the world. The explanatory stories that people find compelling are simple; are concrete rather than abstract; assign a larger role to talent, stupidity, and intentions than to luck, and focus on a few striking events that happened rather than on the countless events that failed to happen." I will address this fallacy in the concluding chapter.

diplomatic community, civil society, international financial organizations, and journalists. I conducted these interviews in the capital, Antananarivo, Madagascar's primary port, Toamasina, and a regional capital, Sambava, with close ties to two important exports, vanilla and rosewood. In many cases, I spoke with elite informants on multiple occasions. The data from these interviews is crucial to my case studies; they provide insight on the key elements and mechanisms that connect political turnovers to subsequent economic trajectories, particularly the content and formation of expectations.

In addition to interviews, I organized focus groups in Toamasina and Antananarivo. Through the assistance of my local partners in Toamasina, the *Laboratoire Pluridisciplinaire* at the University of Toamasina and the *Centre d'Information Technique et Economique (CITE),* I met with three separate groups for a set of 2-hour conversations on the intersection of politics and business in Madagascar. These groups were medium-size enterprises, small businesses, and informal businesses. My research assistant helped me lead the conversations in Malagasy and write an analysis of each focus group. In Antananarivo, I held similar roundtables with members of business organizations (e.g. the Chamber of Commerce), civil society, mining companies, and environmental NGOs. In general, these focus groups provided an excellent opportunity to hear a range of views and experiences in one setting; the data I gathered from these conversations will also be crucial to my case studies.

The final qualitative data components for my case studies of turnover in Madagascar are three databases, two of which are composed of news articles, and the third is the full set of US diplomatic cables made public from 2006 to 2010. To create the first database of news articles, I collected each article (n=2714) published by the Indian Ocean Newsletter (ION), the Africa Mining Intelligence (AMI), and Africa Energy Intelligence (AEI) from 1993 – 2013 that references business or politics in Madagascar. These three newsletters share the same publisher, Indigo Publications, and publish biweekly. They are specifically targeted toward businessmen, prospective investors, and "elites" within Madagascar and the international community. Often criticized for publishing speculative, if not false, articles, all three publications nonetheless convey and shape the prevailing expectations and narratives in politics and business. In general, I will use articles from these publications as evidence of the content of contemporaneous expectations and narratives rather than evidence of factual claims. In cases where I have corroborating evidence from interviews, experience, or reliable news organizations, I will cite the newsletters for factual claims.

The second database of news articles consists of articles published from August 2012 through August 2013 (n=1454) by Madagascar's two most respected and widely-read French-language newspapers, *L'Express* and *Midi Madagasikara.* I compiled the articles daily during my field research by selecting 1-2 articles per paper per day that best illustrated the key political and economic issues which received public attention in Antananarivo. This method of selection is neither random nor representative, and the database is biased toward events in the capital and toward the editorial stances of their respective owners. *L'Express* was owned by the businessman and appointed-mayor of Antananarivo, Edgard Razafindravahy, who was politically allied to the President of the Transition, Andry Rajoelina, before their falling out in advance of the election in October 2013. *Midi Madagasikara*, in contrast, was founded by the Andriambelo family, and its editorial line was generally sympathetic to the ex-President Marc Ravalomanana during 2012-2013. I will use and cite both papers as evidence of the historical record and contemporaneous debates in Madagascar, but in both papers, there are considerable events and viewpoints which were not covered or represented.

The full set of 295 US diplomatic cables sent from February 22, 2006 through February 26, 2010 which mention Madagascar, first released to the public by Wikileaks, is the third database I use in my case studies. The content of the leaked diplomatic cables, though widely covered in the press, has been largely ignored in comparative politics. I agree with Michael (2015) that this is a missed opportunity "to generate novel and unique insights concerning political phenomena," and that the various concerns—methodological, ethical, and legal—are overstated, if not irrelevant.[31] The value of data from the diplomatic cables is particularly valuable for understanding how political and economic elites—including diplomats, politicians, and businessmen—formed expectations at a granular level during tumultuous periods.

The interviews and databases described above are the primary basis for the case studies in this dissertation, which themselves form the basis for the theoretical framework in chapter two. They are augmented by additional sources such as company annual reports, published interviews, and the reports from various missions (e.g. World Bank, election monitors). Because process tracing relies for internal validation on "bits and pieces of evidence that embody different units of analysis" as well as "contextual assumptions," there is no means for evaluating the evidence in a "sample-based format (Gerring 2007: 173, 184-185)." Instead, readers are asked to evaluate the causal story in relation to plausible alternatives and findings from alternative methods. Country, region, or policy experts are well-placed to vet the author's conclusions with regard to turnovers and subsequent economic outcomes in Madagascar.

1.4.2.3 Quantitative model

To test the generalizability, or external validity, of my claims regarding political turnover and subsequent economic investment, I employ matching techniques, linear regression models (LRM), difference-in-difference (DD) models, and data from a time-series, cross-national dataset in which each row represents a particular country-year (e.g. "Mali2003"). Matching techniques are used to

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[31] Readers and reviewers can judge the value of leaked information to research on a case-by-case basis. Regarding ethical concerns, Michael (2015: 179-182) covers the issue in greater depth, but I find no material difference with consuming and using information from newspaper articles that was initially leaked to journalists. The ethical issues of using leaked information currently in the public domain are serious but must be weighed against the scholarly value and the likelihood of preventing future harm. The ethics of using leaked information not in the public domain, similar to using information provided during anonymous interviews, are a separate subject. As Michael (2015: 180) notes, the federal law governing institutional review boards exempts "Research involving the collection or study of existing data, documents, records, pathological specimens, or diagnostic specimens, if these sources are publicly available."

analyze observational data "as if" it were generated by an experimental research design. The crucial difference between an observational study and an experimental research design is the method for assigning treatment: in an experiment, treatments and controls are assigned randomly, and this becomes the basis for inference. With observed data, treatments and controls cannot be assigned, and counterfactual outcomes can never be observed. The critical question *"What would the change of investment have been in a country that experienced turnover if that turnover had never taken place?"* is one whose answer cannot be observed, nor can turnover be assigned to country-years at random.[32]

Matching models preserve the inferential basis of randomized experiments by arranging observational data "as if" the treatment—turnover in this case—were randomly assigned. This requires pairing two observations, one of which is treated and one of which is not, that share the same likelihood of treatment prior to the assignment of treatment.[33] Thus, a critical preliminary step is determining the likelihood of treatment in order to pair observations with equal likelihoods of turnover. In observational studies which use a matching algorithm, a researcher must identify one or more observable covariates that are linked to the likelihood of treatment and the outcome. For comparative politics or international studies, country-years (or countries) are often matched if they have the same value for characteristics such as GDP per capita, geographic features, demographic attributes, or other more specific characteristics linked to the treatment (i.e. the independent variable). Rosenbaum labels this approach the "naïve model" because it assumes that country-years that look comparable are comparable (2010:70). If this assumption is correct, then

[32] Similarly, we cannot directly answer the question: *"What if the characteristics of a given turnover, such as the process or leader, were different)?"*

[33] This is the basic strategy of a pair match design. A full match design creates matches with a variable number of controls. For example, one treatment observation could be compared to four controls, while another is compared to ten. A full matching design creates "a stratification that makes treated subjects and controls as similar as possible" (by minimizing the average weighted distance) whereas the benefit of matching with a fixed ratio is that summary statistics and graphs can be computed without the need for "direct adjustment to give equal weights to observations (Rosenbaum 2010: 178, 182-83)." For an alternative approach to matching, see Abadie et al (2015).

observational studies with matching can be evaluated exactly like experimental designs.[34] However, the naïve approach to matching ignores unobserved covariates. For example, studies matching on the covariates above may be missing a key variable which determines which country-years are "treated" or the value of the outcome. Experimental designs can safely ignore unobserved covariates by relying on randomized selection to assume balance across the treatment and control groups. In contrast, failing to account for unobserved covariates in an observational study design can lead to substantial problems if the "true" likelihood of treatment is not equal for the two observations in a matched pair (Rosenbaum 2010: 72).

The combination of matching similar cases which differ according to treatment and using sensitivity analysis to check if the results are robust to relaxing assumptions provides a solid inferential basis for making claims based on observational data in which counterfactual outcomes are impossible to observe. Kelley (2012) and Gilligan and Sergenti (2008) illustrate the use of matching in comparative politics, and Nielson and Sheffield (2009) document the increasing use of matching methods in International Relations and Comparative Politics and offer suggestions on matching with time-series cross sectional data.

[34] The difficulty of matching on observed characteristics becomes exponentially more difficult as more covariates are added. Employing a propensity score for each observation, defined as the likelihood of treatment conditional on the observed covariates, helps to resolve this problem. The "balancing property" of propensity scores is based on the proof that countries within a matched set with the same propensity score may have different values for a given observed covariate, but that difference will be unrelated to the assignment of treatment or control (Rosenbaum 2010: 73). Hence, matching techniques are justified even when a research design uses just the propensity score, though in practice many models, including mine, also match on observed covariates.

1.4.2.4 Quantitative data

To test the large-N models in my dissertation, I have created a dataset of turnovers, leaders, and corresponding variables in independent sub-Saharan Africa (see Codebook in Appendix B). This dataset is organized in rows of country-years that include each country in sub-Saharan country after it became independent.[35] Hence, Ghana enters the dataset in 1957, Mozambique in 1975, and so on. Each of these country-year rows in the dataset is followed by columns that capture (a) the independent variable, turnover, (b) the dependent variable, change in investment, (c) variables that measure the four components of instability (security, regime, administrative, and network), and (d) control variables used for matching countries with similar likelihoods of turnover.

The data come from a variety of sources, including widely used datasets such as Penn World Tables 9.0, the World Development Indicators, Archigos, and others, and data from individual papers and books such as Besley and Reynal-Querol (2011), Straus and Taylor (2012), and others. In some cases, such as leaders' political parties and military ranks, I have collected the data from biographies and news sources. Where possible, I have extended and revised data from existing datasets. For example, the data on educational attainment among all leaders included numerous entries in sub-Saharan Africa that were missing or contained inconsistencies between the coding schemes and biographical data. In such cases, I use the original author's coding scheme and re-code for individual leaders and country-years; the codebook and dataset include the original and revised (or extended data) in separate columns. I used an earlier version of this dataset to conduct the original large-N analysis described above; for the large-N analysis in my dissertation, I am using updated versions of datasets and additional data.

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[35] I have excluded countries with populations smaller than 1m. Veenendaal and Corbett (2015) give the standard reasons why micro-states are excluded from comparative analysis as well as the potential costs of doing so.

There are significant data quality concerns for many of the macroeconomic, regime type, and violence variables which are central to the matching model in chapter six. A cautionary note at the beginning of a World Bank Economic Update is widely applicable across Africa:

> *Caveat lector*—Malagasy statistical data suffer from numerous shortcomings in availability and frequency, geographical or sectoral coverage, consistency between data from various sources, or the need for methodological updates (as is the case with INSTAT's current efforts in updating the National Accounts[36]). The analysis included in this note uses existing and published data, with their qualities and defects (World Bank 2012: 3).

Jerven (2013 and 2016) outlines the prevalence of data collection problems within national statistical agencies and the IMF, particularly among low-income countries, as well as how poor data lead to inaccurate conclusions and misdiagnoses. As examples, Jerven (2016: 2) cites Ghana's upward revision of its GDP by 60 percent in 2010; not to be outdone, Nigeria revised its GDP upward by 89 percent in 2014. Other social scientists have critiques datasets on regime type (Wilson 2014) and conflict (Weidmann 2015) on grounds of poor measurement validity and conceptual stretching. To illustrate the results of poor data, Johnson et al. (2013) and Easterly (2016) show that key findings from Jones and Olken (2005) change depending on which version of the Penn World Tables is used.

In this dissertation, I take the position that dataset shortcomings and conceptual stretching highlight the role of field research and case studies rather than suggest that data should not be brought to bear on political economy questions in sub-Saharan Africa. Nonetheless, the limitations do suggest humility regarding dataset-driven conclusions, as well as validity checks, and the cautionary note above holds here as well.

[36] INSTAT is Madagascar's national statistical agency (http://www.instat.mg/).

1.4.3 Research sites

1.4.3.1 Why sub-Saharan Africa?

By situating my research in Madagascar in relation to sub-Saharan Africa, this dissertation speaks to an existing body of research and evidence on economic development. Sub-Saharan Africa's economic performance following independence has been poor. Overall, few countries achieved per capita income gains between 1960 and 2000 (Collier and Gunning 1999; Ndulu, et al. 2008).[37] However, their economic trajectories were not steady: more than half of countries in sub-Saharan Africa attained average yearly economic growth rates over five percent for a decade or longer. Angola, for example, saw its per capita GDP fall from $2616 in 1976 to $2335 in 2000, a decrease of 10.7 percent, despite growing by 17.5 percent between 1982 and 1987 (Penn World Tables 7.0).

The role of politics has become increasingly central to the literature on economic development (Olsen, et al. 2000), but the role of turnovers—and political disjunctures more broadly—is not well understood. One strand of the political economy of development literature explains growth trajectories in sub-Saharan Africa by pointing to factors that are difficult to change in the short term, including unfavorable geographic conditions (Sachs 2003), structural distortions caused by over-reliance on natural resources (Ross 2006; Leonard and Straus 2003), and cultural traits (Ekeh 1975; Nunn and Wantchekon 2008; Roubaud 2000; Easterly and Levine 1997). Much of the literature linking patterns of elite behavior and governance to poor economic development is also consistent with this framing (Daloz 2003); influential works by Lemarchand (1972), Bayart (1993), and Englebert (2000) trace the deep roots of elite authority and governance in Africa. Though its arguments are not necessarily inconsistent with this literature, a second strand of the literature puts more emphasis on how policy choices and institutions have affected economic trajectories

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[37] In general, the post -2000 period is characterized by growth in Africa. (For a sense of the foundations underlying this growth, see Roxburgh, et al. 2010.)

(Ndulu, et al. 2008; Bates 1981).[38] This research is often motivated by normative beliefs regarding good governance (Burnside and Dollar 2000) or the economic benefits of certain regime types (Przeworski and Limongi 1993; Easterly 2011).[39]

Neither approach to the political economy of development outlined above—focusing on long-term structural factors or the specific policies and institutions—offers straightforward explanations for the pattern of impressive growth and sharp reversals that characterizes sub-Saharan Africa's standard economic trajectory. Africa's structural characteristics, including cultural ideas and practices, provide essential context but not an explanation for this pattern. Conversely, theories that link economic trajectories to policy choices and institutions are better suited for explaining variation. However, both policy practitioners and academics warn against research in which narrowly defined, exogenously determined institutions explain economic growth (Khan 1995; Engerman and Sokoloff 2008). What is needed is research that takes structural features into account, yet seeks to explain why and when states employ governing strategies that improve economic trajectories. Writing about regime transitions in Africa, Bratton and Van de Walle (1997:47) label their analytical approach "structured contingency"; this approach

> allows, on the one hand that structural precedents impart shape to current events and, on the other, that today's private decisions change even durable public institutions. To paraphrase a classic statement, it allows that people can make their own history, even if not under conditions of their own choosing. We think that such a

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[38] Authors that focus on institutions differ regarding their malleability in the short run. Acemoglu, Johnson, and Robinson (2000), for example, discuss the long-term origins of institutions.

[39] The studies that address these questions within the political economy literature also employ varying approaches to evidence. Case study research of countries with significant natural resources has identified important mechanisms and made claims regarding the importance of leaders and corresponding coalitions (Kohli 2004; Lewis 2007; Waldner 1999). Similarly, case studies of collapsed states analyze the links between conflict and economic trajectories (Zartman (ed.) 1995), Reno 1995 and 1998, Weinstein 2005). Research seeking broader generalizations often uses formal models or arguments based on generalized patterns to tease out the logic of coalition-building and its effects (Bueno de Mesquita, et al. 2003; Bates 2008; Haber 2006; Wintrobe 2007). Alternatively, political economy research also employs statistical models to find the empirical patterns, such as those between leadership changes and growth (Jones and Olken 2005), violent conflict and growth (Ndulu, et al. 2008; Fosu 2002), or turnover and economic reforms (Bunce 1981). By linking two methods—statistical analysis and case studies—in a logical research approach, my dissertation will speak to methods in use by a wide variety of political economists.

> mixed perspective is well-suited for viewing the panoramic drama of political actors who are both the agents and objects of history.

My research adopts this approach to a question of economic development. Without ignoring enduring patterns such as over-reliance on natural resource, weak institutions, or, most importantly, a deep-seated logic of patron-client legitimacy, I seek to explain why economic outcomes nevertheless differ, often sharply, over time.[40] Rather, by breaking instability into components, I seek to show how these factors structure turnover processes even when different outcomes result.

My research will contribute to the literature within African politics on neopatrimonialism, a theory claiming that legitimacy within African states is built on a series of unequal, patron-client, relationships which take precedence over the legal-rational institutions that typically exist side-by-side. Anchored by Lemarchand's (1972) description of "political clientelism," the intersection of personal relationships and governance in Africa has generated a large comparative literature within political science (Joseph 1987; Bayart 1993; Van de Walle 2001; Hyden 2006; Medard 1992).[41] Many strands of research are now captured under the heading of "neopatrimonialism," though the analytic utility of this term has faded because of its over-application to separate phenomena (Pitcher, et al. 2009).[42] Building off Pitcher, et al.'s classification of its uses, I will employ the term "neopatrimonialism" to cover (a) "the rent-seeking behavior and personalist

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[40] An alternative criticism of this approach might be that economic outcomes vary at random, similar to the "random walk" theory of stock market prices (Cootner 1964), and therefore are not predictable. While I do not doubt that some variation is fundamentally inexplicable and non-predictable, I do find patterns among expectations following turnovers in Madagascar.

[41] The original theory of patrimonialism, as described by Weber (1958), explains the traditional logic of domination and legitimacy. The new, or "neo," extension added by Africanists studying post-colonial states explain how this logic persists despite the creation legal-rational institutions meant to underpin domination and legitimacy.

[42] Pitcher, et al. (2009) highlight four interrelated uses of neopatrimonialism: "(1) a set of social relations…mediated by bonds of dependence and subordination; (2) the rent-seeking behavior and personalist patterns of authority practiced by African leaders…; (3) an economic logic distinguished by the continual blurring of public service and private gain, with serious implications for economic development; and (4) a characteristic regime type associated with most African countries not only during the period of one-party rule, but also in the present period of democratization."

patterns of authority practiced by African leaders…" and (b) "an economic logic distinguished by the continual blurring of public service and private gain (ibid. 131)." These elements of neopatrimonialism focus on observable behaviors, such as rent-seeking. Following Krueger (1974) and the large literature on "rent-seeking," I will use the term to mean strategies for enrichment that rely on preferential government actions to generate or safeguard profits. Though such strategies exist in both legal-rational and patrimonial states, we can make distinctions: obtaining a government post as a personal favor is straightforwardly patrimonial, but obtaining favorable business protection laws, tax shields, or government contracts through personal ties or bribes to elite politicians is quintessentially neopatrimonial.

The theory of neopatrimonialism explains equilibria and stability. The literature describes how political systems resist fundamental changes through institutions and cultural frames that allow a single leader to concentrate power and serve as the linchpin of hierarchical political networks (van de Walle 2003; Schatzberg 2001). This is important because the potential for turnover to cause significant changes to political systems or economic trajectories increases when individual incumbent leaders are especially central to the political system. The literature on changes to neopatrimonial systems has generally focused on regimes, not leaders (Bratton and van de Walle 1994; Posner and Young 2007). However, changes to the legal-rational veneer do not necessarily change the underlying system. In contrast, turnovers in neopatrimonial regimes can have systemic consequences whether or not the state becomes more outwardly democratic or authoritarian.

Turnovers have uncertain effects on neopatrimonial behavior. Marked by long terms for leaders like Felix Houphouet-Boigny (1960-1993), Mobutu Sese Seko (1965-1997), and Kenneth Kaunda (1964-1991), the period between 1961 and 1990 was marked by relatively few turnovers, most of which took place by military coup. From that point forward, turnovers became more common and five times more likely to result from elections. Despite some optimism, many political scientists have warned that elections are not likely to curb neopatrimonialism. Bayart (1993: xxiv, lxxviii) cautioned that leaders would turn democratic discourse into an economic rent, and Lindberg (2003) found that elections in Ghana exacerbated neopatrimonialism. However, other political scientists are more sanguine regarding the extent to which formal rules have displaced personal relationships and decisions by leaders as the key to explaining political behavior in Africa (Posner and Young 2007; Bratton 2007).

By studying turnover episodes and their effect on economic trajectories, my research will provide insight into how neopatrimonial behaviors are affected by changes at the peak of hierarchical relationships and show how these changes are intertwined with subsequent economic outcomes. Mkandawire (2015: 563) argues that the neopatrimonial literature, while descriptively accurate in African societies, has "little analytical content and no predictive value" when used to explain such economic outcomes as "hyperinflation, economic stagnation, low investment in infrastructure, urban bias, and ultimately, the lack of economic development in Africa." By grounding my research on potential disjunctures to equilibria and the individual expectations and behavior that result, I seek to build on the descriptively accurate component of the neopatrimonial literature but avoid claiming a mechanistic, one-way link from neopatrimonial systems to underdevelopment.

1.4.3.2 Why Madagascar?

In many ways, Madagascar provides an ideal setting for studying the effect of turnover in sub-Saharan Africa. Its structural characteristics, including political institutions, demographics, and identity divisions, are similar to those of many other African countries, but its geographic isolation reduces the role played by external actors in its political turnovers and economic trends. Predatory neighbors and direct spillovers from civil wars have been absent, in part because Madagascar's trade relationships have not been driven by common borders. Moreover, Madagascar is under-studied in political science, particularly Anglophone political science, because of its remote location and medium size. Veenendaal and Corbett (2015) argue that small states offer "important answer to large questions," in part because they have been overlooked for so long; with more than 20 million people spread out over 226,000 square miles—larger than California—Madagascar is not "small," but its potential relevance to questions in comparative politics have been overlooked. The island's dynamics of violence, identity, party systems, among other aspects, merit comparison with the prevailing theories and more common subjects of case studies (e.g. Kenya, Ghana) in comparative politics.

Madagascar's formal political institutions have never successfully constrained its leaders. With no exceptions, Malagasy presidents have either entered or exited office, sometimes both, through extra-constitutional means. Moreover, four presidents have put forward new constitutions upon taking office; one result is that the National Assembly is seen as a "majority of circumstance" that accompanies new presidents rather than restraining them (Rakotoarisoa 2002: 22). The judiciary, a possible institutional counter-weight to the president, has been successfully instrumentalized during each of Madagascar's major crises (Rambolamanana 2012: 194-95). Madagascar's political geography makes its provincial governments a potential source of institutional constraint, but in practice, the center continues to collect more than 97 percent of total revenues and executes 88 percent of expenditures despite repeated attempts to decentralize (World Bank 2004b: 2).[43] Instead, Madagascar's presidents have faced more significant constraints stemming from the military, churches, rival businessmen, students, and unions. These actors have proven capable of carrying out coups, organizing mass demonstrations and rival parties, and uniting behind a political challenger. Overall, Madagascar's elites have never been able or willing to establish a government built on the rule of law and stable institutions.

[43] The center's financial dominance is not mirrored by a monopoly on violence in the periphery. Despite a major roadbuilding effort under Ravalomanana (2002-2009), access to the periphery remains limited and security issues outside the central plateau are a long-term feature.

Madagascar's political economy is largely the product of its entrenched elite networks and their shifting coalitions, but the cultural terrain upon which events and political realignments take place is vital to understanding the overall pattern. Though they should not be mistaken for causal explanations, two elements of the cultural terrain are particularly important. *First*, political appeals to ethnic solidarity are "thinkable" but relatively ineffective: neither the plateau nor the *côtier* identities have generated a political coalition that is cohesive, coherent, or electorally dominant (Ramamonjisoa 2002). Ethnic appeals are undercut by the caste systems which intersect large ethnic groupings such as the Merina, Sakalava, and others.[44] In addition, the sense of shared fate gained strength in the 20th century, aided by the mutually intelligible language dialects, increasing internal migration, the anti-colonial struggle, and the post-independence Malagasy state.[45] *Second*, the Malagasy have consistently demonstrated a deep aversion to political violence. Levels of repression that might be considered "normal" or "justified" in other sub-Saharan African countries have regularly generated severe reactions in Madagascar. Even political acts that aren't violent, such as voting against an incumbent, are often considered too direct, with abstention preferred to communicate opposition. The youth of Madagascar's population and its rapid growth opens cultural elements up to reinterpretation and reformation. The population's median age, 19.5, is not an outlier in sub-Saharan Africa, but American and French observers, where the median ages are 37.9 and 41.2, respectively, often discount the effects of rapid population growth and the limited historical memory of a large share of the Malagasy electorate.[46] As the "structured contingency" approach implies, culture in Madagascar is neither determinative nor fixed, but the country's

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[44] See Gwyn Campbell (2005) regarding the origins of Madagascar's caste dynamics; to my knowledge, there is no scholarly treatment of the caste system in modern Madagascar, though it remains an important influence on daily life in both villages and cities across the island.

[45] Ellis (1985) and Randriamaro (1997) give historical accounts of key battles and organizational campaigns at the beginning and end of colonialism, respectively. The anti-colonial uprising from 1947-48, which led to the deaths of 10,000-100,000 Malagasy, was particularly important, and remains a source of anti-French sentiment.

[46] The medians are 2016 estimates from the CIA's World Factbook.

political dramas and its leaders strategic decisions are difficult to understand without a grasp of its cultural terrain. In the case studies of turnover, I will show point out where the cultural elements above influenced political elites and shaped investor expectations.

Madagascar's political economy and economic geography have been influenced by relationships with external actors. Unlike other colonies, France never made significant investments in mechanized agriculture in Madagascar. To this day, the agricultural sector is overwhelmingly characterized by subsistence farming (Fraslin 2002). The export-driven vanilla estates along the northeast coast are an important exception. Though the price of labor is relatively cheap, Madagascar's low levels of human capital and distance from major trade routes exacerbate the impact of political instability when it comes to the potential for foreign investment in factory-based production. In contrast, Madagascar's mineral endowments and tourism potential are natural strengths that have gone largely untapped (World Bank 2010b). Despite Madagascar's socialist turn and political rupture with France in 1972, the two countries have maintained a strong trading relationship. Nonetheless, incoming presidents have regularly courted major new investments and aid streams from a diverse array of trading partners, including the Soviet Union, the USA, and China. Madagascar's leaders have often sought policy flexibility with respect to bilateral partners by playing rival partners against each other. Nevertheless, Madagascar's relationships with the IMF and the World Bank shaped new policies and economic reforms: the businesses of Ravalomanana and numerous elites were fueled by liberalization and World Bank assistance in the 1980s; the special economic zones became a key driver of Madagascar's economy during the 1990s and a source of upheaval for its political networks thereafter (Razafindrakoto and Roubaud 2002); and major mining concessions in Madagascar were made possible by initial World Bank projects in the mid-1980s (Sarrasin 2003).

Political turnovers in Madagascar and subsequent economic outcomes are important and theoretically interesting in their own right; as cases, they are capable of speaking to general theories of instability, economic development, and neopatrimonialism in sub-Saharan Africa and beyond.

1.5 Dissertation outline

How do political turnovers affect subsequent economic outcomes? What is the process, and what are the mechanisms, that shape this relationship? Which characteristics of turnovers and new leaders are critical to the process linking political turnovers to economic trajectories in post-turnover periods? This dissertation seeks to answer these questions over five chapters, bookended by the introduction and conclusion. In chapter two, I describe my thesis: turnovers create four distinct forms of instability—security, regime, administrative, and network—with separate effects on investor expectations. I explain these effects and detail four mechanisms which connect instability to expectations. This thesis is the product of three case studies of turnover and subsequent economic outcomes in Madagascar: the turnover from Didier Ratsiraka to Marc Ravalomanana in 2002, from Ravalomanana to Andry Rajoelina in 2009, and from Rajoelina to Hery Rajaonarimampianina in 2013. I cover these cases in detail in chapters three, four, and five, beginning with a narrative account that covers the pre-turnover environment, the turnover process, and the post-turnover economic outcomes. Following the narrative, I explore the components of instability in each case and the mechanisms that link them to expectations and investments.

Chapters two through five focus on turnover and subsequent economic outcomes in Madagascar and primarily utilize the qualitative, process tracing method. In chapter six, I operationalize the thesis from chapter two and use a matching model to test if the claims generalize to sub-Saharan Africa as a whole. This requires measurements for each of the four components of instability, as well as investment, on a national level. This approach, using case studies to develop a more precise theory, then testing the theory using a large-N sample, is the key to the "nested analysis" approach (Lieberman 2005). Done correctly, nested analysis allows mixed methods to inform each other and cumulate knowledge over multiple iterations. As such, this dissertation seeks to increase knowledge and open new avenues of analysis, not settle the debate, concerning turnover and subsequent economic outcomes in sub-Saharan Africa. The model results in chapter six do not provide conclusive results which show that the relationship between turnover, instability, and investment in Madagascar apply to sub-Saharan Africa as a whole. In a brief concluding chapter, I will assess promising next steps for future research and practical applications. The economic significance of political turnover is not only a matter of academic interest, and this research has implications for policymakers, investors, practitioners of risk analysis, and the press.

Chapter 2:

A theory of political turnover and investment

2.1 Introduction

Political turnovers generate and shift the expectations of individual investors. These new expectations are driven by instability associated with the turnover, which can be decomposed into security, regime, administrative, and network instability.[47] The effects of these components are not uniform: instability of one kind can decrease the propensity to invest while another kind increases the propensity to invest. Mechanisms that link turnovers to individual investor beliefs illustrate the causal logic which lead to disparate outcomes. These beliefs center on investments' expected rate of return, their risk, and the space and tools to invest. Furthermore, investors hold these beliefs with varying degrees of certainty.

Turnovers receive attention from investors, and this attention is warranted. Due to centralized political systems and intense efforts to force or avoid leadership changes, turnover processes are able to generate sudden shifts in political economic systems that otherwise evolve slowly within well-understood parameters. The decisions of individual investors, both current and potential, domestic and foreign, are leading indicators of the economic consequences of these sudden shifts. Even in cases where economic trends make turnovers, even particular forms of turnover, more likely, political events are fundamentally difficult to predict, and their contingent dynamics drive subsequent economic trajectories. The theoretical framework in this chapter will decompose the destabilizing effects of turnover into four sources—security, regime, administrative, and network—and detail mechanisms tied to each that drive investor expectations. Like most large social

[47] Not all turnovers are accompanied by all forms of instability, and some are not associated with instability at all. Similarly, instability does not require turnover. Regime changes, for example, can take place in states without a corresponding leadership change. Nevertheless, turnovers are frequently a locus of instability. In chapter 6, we will see that instability unrelated to turnover is one source of "noise" in the data, making a comparison between economic outcomes between "normal" and post-turnover periods more difficult.

phenomena, these effects and mechanisms of turnover are interconnected in many ways. Still, disaggregating and analyzing the types of instability that are generated provides a useful, if imperfect, framework to explain why the economic effects of turnover vary widely.

Because the expectations of individual investors are central to this theoretical framework, it is necessary to understand how investments are identified, their rates of return, risks, and the options for exit. I will describe each in the first section of this chapter. How expectations are formed concerning these characteristics of investment determines future decisions. Each of these investment characteristics of investments are subject to uncertainty, albeit to varying degrees. In this, I follow the standard distinction between risk, which is measurable, and uncertainty, which is not (Knight 1921).[48] In addition to the plan for generating future income, the rate of return and risk are definitional characteristics of investment opportunities. The identification of investments and the exit plan are critical phases of investment characterized by beliefs about what investments are feasible, or even thinkable, in a given setting, and how investment profits will ultimately be realized. Instability can alter beliefs regarding rate of return and risk and affect the ability to identify investments and plan exit strategies.

Taken together, the hypotheses in this chapter that link components of instability to subsequent investment decisions constitute a theoretical framework which answers the questions posed at the outset: *How do political turnovers affect economic trajectories? What is the process, and what are the mechanisms, that shape this relationship? Which characteristics of new leaders are critical to the process linking political turnovers to economic trajectories?* The components of instability are central to this theoretical framework. All turnovers generate instability, but it differs both by kind and by magnitude. I define four kinds of instability: (1) security instability, which refers to changes

[48] Casino games are the archetypal examples of decisions with risk; the range of outcomes is strictly defined and measurable as is the probability distribution of those outcomes. The range of outcomes and associated probability distribution created by political turnovers, actual or potential, is neither strictly defined nor measurable. Nearly all investment decisions require expectations, explicit or implicit, of risk and uncertainty. Knight (1921) argues that opportunities for profit require uncertainty.

to the type and role of violence within the political system's process for selecting leaders; (2) regime instability, which refers to changes to the set of institutions that determine who governs the country and the authority he[49] exercises; (3) administrative instability, which refers to changes to the leader's stock of experience that facilitate reaching his stated objectives; and (4) network instability, which refers to changes to the leader's ascriptive markers. The first two are components of process instability; the latter two are leader instability. Building on these definitions, I find evidence from case studies in Madagascar to support four hypotheses:

H1: Security instability during the turnover process reduces the propensity to invest (and vice versa)

H2: Regime instability resulting from turnover reduces the propensity to invest (and vice versa)

H3: Administrative instability resulting from leadership change either increases leader capacity and increases the propensity to invest OR reduces leader capacity and reduces the propensity to invest

H4: Network instability resulting from leadership change increases the propensity to invest (and vice versa)

The hypotheses above could also be written in terms of stability (e.g. "network stability resulting from leadership change reduces the propensity to invest" and so forth).

The theoretical framework in this chapter also details three mechanisms by which the components of instability affect individual investment decisions.[50] These are:

[49] And it is almost always "he." According to Ludwig (2002: 22), "Over the entire twentieth century, only 27 of the 1,941 rulers from all the independent countries all over the world have been women. That is only 1.4 percent!"

[50] I follow Falleti and Lynch's definition (2009: 1145) of mechanisms as "relatively abstract concepts or patterns of action that can travel from one specific instance, or 'episode,' of causation to another and that explain how a hypothesized cause creates a particular outcome in a given context." In addition, I subscribe to their claim that "mechanisms alone cannot cause outcomes. Rather, causation resides in the interaction between the mechanism and the context within which it operates."

(a) *Narrative creation*: When complex investment decisions are appraised, investors' subjective narratives, implicit or explicit, influence the outcomes. Components of instability are key building blocks of these narratives, which in turn shape expectations regarding feasible exit strategies, reasonable time horizons, and comparisons of upside versus downside risk. Investors rarely have adequate information to objectively weight different scenarios and substitute plausible narratives, positive or negative, instead.

(b) *Uncertainty minimization*: Instability raises the level of unpredictability surrounding evaluations of risk, rate of return, identification, and exit. Overall, this reduces investment because (a) investors are more likely to be risk averse than risk seeking and (b) risk aversion increases as the size of the investment increases (relative to the individual investor), limiting both large external investments and smaller investments by residents.[51] Uncertainty is often tied to specific policies or their application; in response, investors seek greater certainty by costly strategies to gather information or gain direct influence over policy. Alternatively, investors respond to politics-driven uncertainty with political diversification (i.e. moving investments to a broader set of polities and corresponding investment regimes).

(c) *Boundary aversion*: Investment decisions are influenced by perceived limitations on who will have the opportunity to invest, who will be allowed to make profits (and how large), and what types of businesses are permitted. Boundaries are a function of institutions, policies, administrative decisions, and networks, all of which can be changed by turnovers. For example, fractures within elite networks can open space whereas violence can create new restrictions leading to premature exits and deformalization. Investors typically avoid boundaries (and investments which approach boundaries).

The theoretical framework outlined in this chapter is built from field evidence in Madagascar detailed in three case studies which form the basis for the second section of my dissertation (chapters 3-5). Following the nested analysis approach, an initial large-N study on turnover and subsequent economic trajectories in sub-Saharan Africa did not show clear, significant results. This theory chapter will provide the basis for a second large-N model which seeks to operationalize the theory in this chapter using an original dataset; the model and results are presented in the third

[51] Investors who seek high-risk opportunities either balance their portfolio with a large proportion of safe investments, a so-called "barbell strategy," or suffer high attrition as a result of volatility. In countries where the middle class is small and the financial markets are not well-developed, there are fewer occupants of the middle ground between large external investments and small investments by residents.

section of my dissertation (chapter 6). Thus, this chapter outlines a theoretical framework connecting components of instability triggered by turnover to investment outcomes, the second section will show how evidence from Madagascar supports this theory, and the third section seeks to determine if quantitative evidence from across sub-Saharan Africa bears out these hypotheses.

2.2 Investments

Before detailing the logic of mechanisms that connect turnover to investments, it is critical to understand four fundamental components—two stages, two features—of each investment: *identification*, *exit, rate of return,* and *risk*. The first, and most fundamental, stage of each investment takes place when it is identified. Both successful and unsuccessful investments have this moment in stage, when an investor believes that the purchase of specific goods will generate income in the future. While this may seem rudimentary or obvious in retrospect, many factors can prevent an investment from being "thinkable" in a given context: institutions, traditions, and the character of attachments, domestic and foreign, all structure which investments are even considered within a society.[52] Many potential investments require a high degree of originality, which can take numerous forms. Examples include large infrastructure projects such as the development of Chad's oil fields via 300 wells and a 640-mile pipeline, innovative supply chains such as the specialized air freighters which carry cut flowers from Kenya directly to Europe, and the numerous small businesses made possible by the rapid spread of mobile money technology in sub-Saharan Africa. Other potential investments are much more straightforward, such as building inventory and the warehouses to store it, buying a new tool, or opening a restaurant, but still intersect with context-specific factors that prevent their identification or implementation.

[52] Societies also occupy different points with respect to the technology frontier. Unlike institutions, traditions, and attachments, however, technology levels are only partly the result of social construction. In this chapter, I will focus on socially constructed elements that influence the identification of investments.

Banks can play an important role within the identification process, allowing investors to provide capital to and ultimately profit from, the ideas identified by others. Absent loans, investment must be funded through savings, typically at the individual or family level, or from previous years' profits. In low-income African countries, more than 70 percent of loans in 2013 were made outside the financial sector, a number which increased from 80 percent in 1995.[53] In sum, the set of investments that are thinkable is neither fixed, nor disconnected from political institutions and relationship, nor centered within the banking sector.

Investors use *rate of return* and *risk* to assess and compare the merit of potential investments. As with instability, investors must form expectations regarding the rate of return and risk of an investment, and these beliefs are based on a combination of analysis, experience, and intuition. The relationship between rate of return and risk is straightforward—the expectation of higher rates of return justifies investments with perceived higher levels of risk—but this statement fails to capture the volatility with which both characteristics fluctuate. The role of government interventions, in a wide variety of forms, is crucial.[54] With regard to rate of return, government interventions can range from direct effects such as setting price controls or acceptable profit margin on goods to indirect effects such as opening new markets through infrastructure projects or restricting the number of competitors through tariffs or free trade agreements. In short, governments are a key source of risk, defined as "the probability that an investment's actual return will be different than

[53] IMF Finance Statistics, specifically "Domestic credit provided by financial sector (% of GDP)," as reported by Bending (2015). This topline number obscures differences in the sophistication and importance of the banking system across countries in sub-Saharan Africa, but overall the financial systems in the region are shallower than in other low-income countries (Bending 2015: 12). In Madagascar, the IMF (2016) claims, "The levels of deposit taking and lending remain far below those of comparable countries."
[54] The channels of government intervention differ by country, by sector, and by size of investment. Many leaders in Africa, including those in Madagascar, are directly engaged in major investments no matter which sector. The roles of various ministries (Energy, Mines, Commerce & Industry, Labor, among others), agencies (immigration, customs, among others), advisors, legislatures, courts, and sub-national government entities are also crucial, particularly for mid-size investments.

expected (Kungwani 2014: 83)."[55] Because government beliefs and actions influence the rate of return, investors engage in a variety of efforts to influence their interventions. Moreover, the distinction between government and investors is frequently blurred or altogether absent; beginning in government, obtaining a political position, our seeking politicians as business partners are among the strategies for reducing the risk of investing. Because the rate of return and risk are never fixed, and new administrations inherently consider reorganizing economic rules and relationships, turnovers become potential critical junctures during which the rate of return and perceived risk of investments are reset on a broad scale.

Exit, the process through which an investor sells his stake in the business or asset, is the final stage of an investment, but considering a strategy for exit can take place much earlier, sometimes before money is put at risk. Many exit paths require liquidity, which requires an active market in which investment stakes can be sold. In countries which lack stock markets and the potential for an initial public offering, which includes much of sub-Saharan Africa, liquidity is limited, and the range of exit strategies narrows. Some companies, including small and mid-level extractive industry companies, plan to be bought out by larger rivals. Other companies plan to transfer ownership to a younger family member. The role of the legal system is critical to many exit strategies, making success hard to guarantee, even when exit strategies can be determined in advance. In some cases, investors plan to retain their stake in a company for long enough that the steady stream of profits becomes more important than a payout at the end. This exit strategy—or lack thereof—requires an exceptionally high rate of return or a long period of steady profits.

This is a rudimentary treatment of investment characteristics and stages, providing enough structure to show how components of instability affect the expectations and ultimate decisions of

[55] This is a definition of "financial risk." There are numerous definitions of risk but they all connect probabilities and consequences: if there are no consequences to unexpected outcomes, there is no risk; if there is uncertainty about the outcome, there is no risk.

investors through the mechanisms listed above. In individual sectors or countries, one could go into much greater depth on the characteristics or decompose the stages further.

2.3 Hypotheses

2.3.1 Security instability

Security instability, meaning *changes to the type and role of violence within the political system's process for selecting leaders,* negatively affects assessments of business plans, purchases of inventory, workforce training, and expansion programs, among other kinds of investment decisions. The role of violence[56] in the political system affects investor perceptions of the physical security of both individuals and goods. The increased expectations of civil war, riots, and coups, among related features of security instability such as demonstrations, general strikes, or the incarceration of political opponents, reduce the propensity to invest by shortening timelines, reducing paths for exit, and increasing the uncertainty of risk and rate of return. Investment hurdles stemming from the security conditions of a given country are heavily weighted by investors and often considered prior to instability stemming from regime type or the characteristics of incoming leaders. Turnover processes are a primary locus of investors' security concerns: some forms of violence (e.g. coups, civil wars) lead to turnover, other forms of contentious politics (e.g. strikes, incarceration) are used as levers to trigger or prevent turnover, and the absence of violence during is a strong signal to investors regarding stability.

[56] Political violence takes many forms, and it is debatable whether these forms are part of a coherent phenomenon which is comparable across cases. I approach this debate in two ways: first, in the Madagascar case studies, I carefully consider which forms of violence were present (or threatened) as part of the turnover process and how that influenced investment decisions; second, in the quantitative section, I operationalize the major forms of political violence (civil war, coup, etc.) and adopt a binary variable which registers whether political violence took place as part of the turnover or not.

Narrative creation

Worst-case scenarios that package negative expectations into plausible, sharable narratives and reduce the propensity to invest proliferate in the wake of violent turnovers. These expectations regarding security conditions need not be based on an accurate assessment of the security climate to result in reduced investments. In the wake of relatively limited political violence that accompanied turnovers in Madagascar in 2002 and 2009, numerous interviewees described themselves and the population as “terrified” and “pessimistic (Interview R3).” One interviewee, an experienced investor, said, “It’s scary. You never know how it can turn. If you really assess the risk, you will not do anything here in Madagascar (Interview B50).” Numerous potential investors came to believe that civil war and assassination were likely, with ruinous consequences for the country.

Political violence associated with the 2009 turnover in Madagascar led to a multiplier effect in which “worst-case” expectations became more severe and were projected to potential investors. During the post-turnover period, it was common to hear from investors and international observers that: (1) Rajoelina’s power was tenuous and he would be removed from power within six months (Interview B10; WL 142); (2) major instability was “certain” within a few years (Interview B21); and (3) the very idea of assessing return on investment and risk was discredited. A major long-term investor in Madagascar lamented, “The coup came out of the blue, showing that it’s not possible to make plans (Interview B35).” For some investors, the pessimism seemed to preclude potential solutions; one stated, “An election will be the start, not the end, of a new crisis (Interview B36).”

The content of worst-case scenarios varies. In Madagascar, where turnover violence has included major demonstrations and targeted violence, investors have been subject to looting, expropriation, and tax harassment during the turnover processes and shortly thereafter. Instances of all three became touchstones of the post-turnover economic climate: tax harassment was a feature of the 2002 turnover process and remained a concern afterward; the mangled beams of burned, looted buildings went unrepaired in the middle of business districts following protests in

2009; prominent businessmen and politicians went into exile; and the President and his close advisors made high-profile business acquisitions under suspicious circumstances. Two high-profile international companies in Madagascar, Ambatovy and Madagascar Oil, were able to fend off expropriation attempts shortly after the 2009 turnover, but the efforts paralyzed investment programs and drew foreign governments into business disputes with the Malagasy government. These expropriation attempts resonated across the business community in part because of previous nationalizations in Madagacar (Interview B21).[57]

The effects of these worst-case scenarios were not limited to current investors. Prospective investors sought information regarding security risk through chambers of commerce, international financial institutions (e.g. World Bank, International Monetary Fund), and trade missions organized to showcase business opportunities. These channels transmitted and multiplied the effect of poor security conditions and expropriation attempts. In one case, potential investors who were part of a visiting delegation by the Corporate Council on Africa listened to speeches made by the US Ambassador and the Malagasy Foreign Secretary while the current investors standing among them made bitter, point-by-point refutations of the speakers' optimistic statements.[58]

Narratives which spur new investment do not result as clearly from the lack of violence during turnovers. Minimal violence is more likely to be the default condition built into investment expectations. Moreover, there is less material to form plausible, sharable narratives from the absence of violence. Instead, recovery narratives which benefit from a multiplier effect are more likely to result from characteristics of the incoming leader that generate confidence among investors. In some cases, however, there are recovery narratives which follow violent turnovers and depend on characteristics of the violence in addition to the incoming leader. These narratives contend that violence is a tool or a necessary step, akin to a fever, to break the political system out

[57] A wave of nationalizations in Madagascar took place in the 1970s.
[58] Personal experience.

of a dynamic that inhibited investment and economic growth. While these narratives were present following violence in both 2002 and 2009, they were rarely convincing to investors in the short term, absent evidence over time that violence was only a short-term phenomenon, whereas the worst-case scenarios had immediate effects.

Uncertainty minimization

Increased security instability heightens the level of risk associated with many investments in sub-Saharan Africa. Investors have disaggregated risk into more than a dozen categories, often by source: exchange rate risk, default risk, inflation risk, political risk, among many others. Overall, the term simply refers to the likelihood of a return on investment that is lower than expected.[59] Thus, expectations matter in two related senses: first, the expected rate of return, and second, the expected likelihood of achieving that return. As the various modifiers above make clear, unexpectedly low returns can take place for multiple reasons. As the perceived risk increases, investors demand a higher expected rate of return and eschew investments with rates that would be acceptable given greater certainty.

The perceived probability of high negative impact events for investors which are driven by government actions (and related consequences) that are, like violence, extra-institutional increases: these actions include expropriation, but also the forced re-negotiation of contracts, targeted tax audits or increases, and legal charges, civil or criminal. The consequences of extra-institutional government actions, including violence, have the potential to shrink the market for consumable goods. Manufacturers of small packaged goods are not the first victims who come to mind following political violence, but the destruction of infrastructure and reduced purchasing power as a result of turnovers in Madagascar eliminated their profit margins in some cases (Interview B4). Violence and government antagonism toward businesses highlight the narrow range of investors' exit strategies,

[59] Expectations can also be wrong in the sense that returns are higher than expected. However, this is not risk.

already reduced in countries with illiquid financial markets, and the fear that they will not be allowed to choose the timing or method of exit. An investor summarized the hurdle concisely following the 2009 coup: "In Madagascar we have exile strategies, not exit strategies."

A common exit paths in developing countries and elsewhere, acquisition by outside investors, becomes less attractive following violent turnovers. Acquisition, in part or in total, by well-capitalized outside investors is a typical path for many high growth businesses. In Madagascar, examples have included companies in the extractive sector and agri-business. The exit strategy is straightforward: use an initial investment and local knowledge to demonstrate the profitability, real or potential, of a business venture and then sell to a larger investor who provides access to capital in exchange for part or all of the business with a proven concept. Violence during turnovers short-circuits this exit path by over-valuing local knowledge: outside investors lose confidence that they will be able to grow the business in a high-risk context without the initial founder. This leads to not just to a reduction in investments through acquisition, a crucial stage to the growth trajectory of many businesses, but also to a reduction in business start-ups.

Security instability leads to timing effects that reduce overall investment: ongoing projects that can be paused are often paused, investments that can be deferred are deferred, and the acceptable time horizon for prospective investments to generate returns is reduced, meaning that return on investment must be higher or projects are cancelled. Paused projects can be obvious, such as suspended operations for extractive industry projects which require permits and international investors, or hidden, such as reduced training budgets within existing companies. The effects of shortened time horizons can also be difficult to tease out, but a key sign is prioritization of short-term liquidity (i.e. low fixed costs and early profits) over opportunities for re-investment and "lock-in" effects. This means wholesaling imported goods gains an advantage over local production, and investors forego potentially lucrative sectors such as agri-business, which require significant up-front payments for fixed assets (e.g. vanilla plans) that are difficult to protect and cannot be monetized immediately.

The time horizons of government actors also effect the investment climate and individual investor decisions. Security instability tends to make the time horizons for government actors short and less certain. Even years after the coup that brought Andry Rajoelina to power in 2009, investors still asserted that the government officials at the highest level made decisions that were explicable only under radically shortened time horizons. When it was suggested that certain government decisions made sense if one considered only the next month, one long-term investor in Madagascar responded sincerely that one week was more accurate (Interview B10). In addition to pausing, deferring, and cancelling projects, investors sought to structured assets to minimize political exposure. In one representative case, an investor in Madagascar described the decision to shift investment funds to a Mauritius subsidiary as a means of "diversifying the company's political portfolio (Interview B3)." (This dynamic has tax implications for the government as well, often leading to a cycle of tax audits and tax shelter strategies.) The effects of shortened time horizons can be distinguished from the characteristics of individual government actors; following the 2009 coup, one investor claimed, "Even if we had the same players in government, just with a longer view, they would be easier to work with (Interview B14)."

Boundary aversion

The primary mechanisms linking security instability to reduced investment are narrative creation and uncertainty minimization, but there are two important consequences of political violence during turnovers that result in perceptions of redrawn boundaries for investors. First, the attraction of family transfer as an exit strategy declines. The concept of family transfer is straightforward: rather than rely on an outside investor or the public markets to compensate the initial business owner for tangible assets and intangible, but potentially invaluable, assets such as supply-chain relationships or reputation, these are transferred to family members as part of pension or inheritance arrangements. This approach to exit reduces the risks from illiquid markets and non-transferable relationships, but it requires a multi-generational commitment to implement. Numerous firms in Madagascar and other developing countries utilize this approach, and it is critical to preventing the loss of human capital, especially among those with dual citizenship.[60] Violence reduces the benefits of family transfer, as subsequent generations become less willing to remain in the country, and business owners, rather than reinvesting profits, seek to generate greater liquidity. This is particularly true when violence targets (or can be turned toward) a minority group with members who are prominent businessmen. Speaking of the potential for violence associated with an upcoming election, one long-term investor and resident with Malagasy-French dual-citizenship lamented, "I've told my children there is no future for them here anymore (Interview B4)."

The second consequence of violence during turnover that limits space for investment centers on infrastructure. Civil conflicts such as the Ravalomanana-Ratsiraka standoff in 2002 often lead to damaged infrastructure (e.g. bridges, warehouses). The Rajoelina coup, meanwhile, led to the cancellation of at least two road projects critical to linking economically orphaned regions, the SAVA region in northeast Madagascar and the Anosy region in the South, to the country's supply chain. The damage and cancelled project represented boundaries which businesses and investors could cross only at great cost. The lack of violence does not necessarily lead to infrastructure improvements, nor to family transfers that will appeal to talented members of younger generations, but overall the presence of violence is likely to create expectations that the space for investors has diminished and the cost for overstepping boundaries has risen.

[60] Those with dual citizenship, especially French/Malagasy, make up a disproportionate share of the business community and potential investors in Madagascar. This does not make the country unique.

2.3.2 Regime instability

Regime instability, meaning changes to the set of institutions that determine who governs the country and the authority he or she exercises, reduces certainty regarding the "rules of the game" in the short term and negatively affects investment decisions. This is true whether the regime changes are formal or informal, and whether the instability signals a move toward democracy or autocracy.[61] The institutions of selection and authority are critical to the vectors of accountability within the political system, and changes to them shape investor expectations regarding the content and fluidity of future policies. Regimes are not synonymous with individual leaders or administrations, though it is common for regimes to become identified with longstanding leaders and, relatedly, for political turnovers to be seen as a precondition for regime change. The identification of regimes with leaders and the popular, if empirically questionable, link between turnovers and regime changes intensifies the effects of regime instability. Investors face a continuous, complex, and sometimes disorienting array of government interactions during every phase of investment. Hence, few investors make significant decisions without considering government institutions and policies, as well as the individuals who occupy key offices. While I discuss the importance of individual leaders in the section on network instability below, changes to regimes can have independent and important effects on investor expectations. New rules of the game take investors time to implement, time to understand, time to evaluate, and, frequently, time to influence. During this time, new investments are often paused by risk-averse individuals and firms. In contrast, turnovers that are not accompanied by regime change do not provide the signal to pause and may signify that the system is likely to remain stable for longer, unlocking investments.

[61] The long-term effects of democracy vs. autocracy on investments is a subject of considerable debate. Easterly (2011) is a recent entrant. These archetypal regime types are not defined by specific policies toward the economy or investment, despite recognition of a historical tendency toward state-managed economies in autocracies. There have been and continue to be economically liberal autocracies as well as democracies which vary along the spectrum of state involvement in the economy.

Narrative creation

Regimes do not become the "stuff" of narrative as readily as major events (e.g. violence) or main characters (e.g. presidents, dictators). Even when changes to the rules of the game lead to intense fighting, much of investors' attention goes to the combatants and the cut-and-thrust of politics.[62] There are three main exceptions to this dynamic. First, some democratization processes have gained attention beyond a focus on the incoming leader or his struggle with the outgoing administration.[63] Most, however, do not. Hence, to many observers, South Africa's regime change in 1994 became a story about the steps of Nelson Mandela's "Long Walk to Freedom" and how he and F.W. de Klerk avoided significant violence rather than a story about how institutional change could be leveraged to reduce economic inequality or systemic discrimination. In Madagascar, the 2009 regime change was overshadowed by characteristics of the young new leader who made his name as a disc jockey and whether or not the turnover constituted a *coup d'état*. Second, simple stories about institutional confusion can become an important part of a narrative of national malaise. The inability of dramatic institutional changes in 2013 and 2014 in Madagascar to generate public enthusiasm or economic dynamism became part of a narrative of learned helplessness among long-term residents that was broader than critiques of the new president or the 2013 election. Third, and perhaps most importantly, regime stability generates narratives that explicitly diminish the role of individual leaders and major events. Ghana's successful series of elections (1992-2016), for example, or Madagascar's cycle of crises (1972-2009) generate expectations which are distinct, to

[62] It has become cliché, though still accurate, to note that electoral campaigns in the US generate more interest in character questions (e.g. "Would you have a beer with this man/woman?" and the "horse race" aspect than interest in the supposedly more important issues. One of the most successful narratives about institutions, HBO's "The Wire," illustrated how "various institutions work together to limit opportunities for the urban poor," according to Harvard sociologists who taught the series in class (Chaddha and Wilson 2010). Despite this theme, the actual institutions were rarely described explicitly whereas the series' events and characters became famous.

[63] This is also true for processes that have moved states toward autocracy, sometimes sharply, but few people argue that this will result in greater investment, as some do when democratization takes place.

some degree, from the individual leaders and events. For investors, narrative creation stemming from regime instability (or stability) is almost always secondary to other mechanisms, namely uncertainty minimization and boundary aversion, to which I turn.

Uncertainty minimization

Regime instability during political turnovers leads to a period of de-institutionalization, during which channels of authority and accountability are re-allocated and must be re-discovered by investors. This process has a cascading effect within government and the re-discovery often takes place on a granular level. The reduction in mining investment following President Rajaonarimampianina's "regime-change" election in 2013 illustrates this process. Though the election followed a legible, if fluctuating, set of institutions in comparison to the coup and transitional government that preceded it, the short-term outcome was institutional chaos. The President and the leaders of MAPAR, the largest party in the National Assembly, sparred for months over who had the authority to name the Prime Minister and the new cabinet. After a High Constitutional Court decision ultiamately resolved this question in favor of Rajaonarimampina, significantly enhancing his authority, he created an entirely new Ministry of Strategic Resources which reported directly to him. Within the new Ministry, however, it remained unclear who had authority to grant mining licenses and extensions. Investors met with numerous members of the administration, ministry, and diplomatic community, among others, seeking to overcome obstacles, but to little avail. Almost two years after Rajaonarimampianina's elections, more than 4,000 permits waited for decisions that could unlock investment (Jorgic and Rabary 2015). Lacking clear answers for the permit delays, investors were left to speculate.

Regime changes frequently lead to institutional confusion and experimentation, sometimes in ways that ultimately benefit investors, but nearly always in ways that increase uncertainty over a significant time period. During these periods, investors are more hesitant or find it more difficult to develop and implement projects. In contrast, the lack of regime change may be negative for investors in the long term, but provides clarity in the short term as investors are more able to rely on past experience for future performance. In the first few years following turnover, short transitions with no regime change create more certainty for investors than long transitions accompanied by regime change.

Investors and businesses' most common methods for resolving uncertainty do not encourage further investment. Seeking legal remedies through the court system or international arbitration may be the least common method because it is time-consuming, expensive, and generates antagonism among people who will be expected to continue interacting should future investments take place. In short, the legal system nearly always creates negative-sum outcomes, or at best zero-sum outcomes, for investors and governments. Even when claimants are successful, the increased expectation of legal fees is a risk factor which leads investors to forego projects with rates of return that would otherwise be acceptable. Unsuccessful legal claims decrease the propensity to invest even further. Hence, despite their frustration at delays, very few of the mining companies or permit holders went to court. One large investor said succinctly, "Legal issues inevitably become government relations issues (Interview B14)."

"Government relations" is a broad description for methods of uncertainty minimization ranging from common and responsible to unique and illegal. Common and responsible government relations, similar to due diligence[64], is a process of identifying key relationships, appraising risks, and ascertaining how vague regulations or overlapping authority is resolved in practice.[65] In many situations, government relations also extends to community investments (e.g. corporate social responsibility) and attempts to influence government policy and/or implementation (e.g. lobbying). These are imperfect, and often expensive, methods which do not resolve uncertainty in the long

[64] For an accessible but comprehensive overview of the due diligence process, see: http://www.investopedia.com/terms/d/duediligence.asp.
[65] These are standard services offered by the political risk firms discussed in chapter one.

term. Lobbying, in particular, can have pernicious effects for investment when it leads to long-term government indecision or becomes rent-seeking. Regime instability increases the need for—and potential return on—government relations, usually without contributing to an overall reduction of uncertainty in the short term. Moreover, government relations often require substantial investments in local knowledge that are difficult to acquire rapidly, making existing firms more likely to be effective than new entrants. This decreases foreign investment without necessarily creating conditions to increase domestic investment. Instead regime instability, similar to security instability, often allows larger domestic firms to reduce domestic competitors through acquisition or attrition, leading to greater market concentration without necessarily increasing overall investment (Interview B3).

Not all businesses have the resources or inclination to engage in government relations. Regime instability and corresponding uncertainty lead to a proliferation of informal businesses, which both make and receive fewer investments (Rand and Torm 2011).[66] Another type of informal firm, loosely termed "smugglers," thrives during periods of regime instability. In the period following the 2009 coup, rosewood exports which were either illegal or based on special exemptions rose dramatically. These circumstances ensured that the individuals engaged in rosewood cutting and exporting did so with minimal investment and made it far less likely that windfall profits would be reinvested, paid in taxes, or even kept in the country.

Boundary aversion

Formal institutions, policies, and regulations create boundaries, as do their application. An investor in Madagascar's SAVA region, where the rosewood trade was heaviest, and the effects of government institutions most uncertain, said, "You never know how it can turn. If people want to

[66] Note that the increase in informal businesses can result from formal firms becoming informal or because new firms are increasingly likely to be informal.

put us out of business, they will. If you really assess the risk, you will not do anything (Interview B50)." This statement captures the uncertainty created by regime instability, how it inhibits investment, as well as the fear and consequences of trespassing newly uncertain boundaries. It also captures how institutions and people can be difficult to separate. The role of the latter is discussed in the network instability section below, but regime instability during turnover negatively effects investment even when political networks are powerful. Though the turnover process in 2002 led to an entirely new network, the Ravalomanana's presidency did not significantly alter the level of executive constraints, which were low, or create entirely new channels of authority. This stability was one important factor which allowed major projects such as the Ambatovy and Rio Tinto mining projects to accelerate. Investors expected the new president to wield similar power to the previous president. Major projects were in the pipeline in 2009 after Rajoelina seized power, but institutional instability and uncertain authority led to their cancellation. Of 27 major projects at various stages with the Economic Development Board of Madagascar (EDBM) at the time of the coup, not a single one reached fruition (Interview P2). Almost overnight, the EDBM lost its status as a channel of authority, and there was no evident replacement.

Instead, the new president and his network in 2009 resisted the re-institutionalization of the Malagasy state, if not actively dismantling it further, creating concerns that new investments or successful businesses would be targeted without recourse. The judiciary, in particular, provided no meaningful check on the Rajoelina administration in the eyes of investors. Regime instability in 2014, which was toward democracy rather than autocracy, created boundaries of a different kind. First, the new administration was unable to choose a Prime Minister and Cabinet until April, and the new government included a new ministry, Strategic Resources, whose minister promised sweeping new policies, specifically a mining code and petroleum code, which had yet to be passed at the end of 2016. Other institutional changes, including communal elections and the re-constitution of the high constitutional court, were more positive but took significant time to carry out during which investors were uncertain how authority would be exercised and how the institutional arrangement would affect investments.

2.3.3 Administrative instability

Administrative instability, meaning changes to the leader's stock of experiences that facilitate reaching his stated objectives, positively affects investment decisions through greater investor confidence and expectations of more predictable policy application. Decreased capability has the opposite effect. The role of leader capacity is an important, but under-theorized, driver of economic outcomes. Leaders administer, and turnover processes are an important setting for generating expectations regarding how the incoming leader will deploy his experiences to manage the state in comparison to the outgoing leader. Without question, investors pay attention to the characteristics of incoming leaders; nevertheless, academic theories focus more on ascribed status—particularly ethnicity—rather than achieved status, creating a scholarly lacuna.[67] Easterly (2015: 21) outlines the challenge faced by incoming leaders: "Even if there were a benevolent autocrat determined to raise growth, he or she has to solve difficult principal-agent problems to get his growth-promoting orders carried out all the way down the government bureaucracy." Investors and decision-makers within businesses are particularly attuned to this challenge, as many are themselves in charge of large organizations whose success is dependent on operational capability.[68] When turnover processes reveal that incoming leaders have improved organizational capabilities or result in

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[67] The comparison with leader capacity and state capacity is striking. There is a large scholarly literature on the latter (citation), but it has been difficult to incorporate leader capacity or explain individual decisions. Fukuyama (2013: 348) writes, , "Frankly, it would be very hard to develop a rational choice theory of state capacity, as capacity in any organization is so heavily influenced by norms, organizational culture, leadership, and other factors that do not easily fit into a model based on economic incentives." Existing measures of state capacity, including levels of tax extraction, focus very little, if at all, on elements of leader capacity.

[68] The extent to which businesses are dependent on CEO leadership is a subject of longstanding academic debate. Similar to Jones and Olken (2005), Bennedsen et al (2006) use outcomes following CEO deaths to establish their importance. Others are much more skeptical. Collingwood (2009) provides an accessible overview of the debate which distinguishes important questions, such as "*when* do CEOs matter?". Whether or not CEOs matter, CEOs themselves are likely to *believe* that their own actions matter, which affects their beliefs concerning the importance of political leaders.

leaders with important management skills, in comparison to previous leaders, the propensity to invest increases.

Narrative Creation

In addition to questions about policies and main advisors following turnovers, investors often spend more time trying to gauge the incoming leader's more opaque abilities. Components of achieved attributes such as education, military experience, and business success, among others, are indicators of capacity, and their presence or absence shapes an an initial narrative that is central to investor confidence or lack thereof. The narratives that surrounded Ravalomanana and Rajoelina during the turnover process and its aftermath illustrate the dynamic outlined above. Ravalomanana was considered a shrewd businessman and capitalist whose most significant flaws were impatience and a lack of politesse.[69] This narrative distinguished him from Ratsiraka, whose commitment to market competition was questioned and whose administration appeared slow and indecisive in comparison. In retrospect, the investors who were convinced by the Ravalomanana narrative overestimated his commitment to free markets and underestimated the costs of alienating rival centers of power, but these revisions only became evident well after an actual recovery in Madagascar was well underway. By contrast, the narrative surrounding Rajoelina, despite a entrepreneurial background which superficially paralleled Ravalomanana, was quite different: referred to as "the DJ" or the "young man" by many of Madagascar's elite, he was considered an unprepared political naïf unable to control his own inner circle and "forced to dance" by corrupt businessmen and the French (Interview B19). The differing narratives surrounding the two presidents were cemented during the turnover processes and shaped subsequent views of investment risk and likely returns, making investors in after 2009 less likely to commit funds.

[69] It should go without saying that these are considered flaws by many businessmen.

Unlike his better-known predecessors, Rajaonarimampianina had finished his undergraduate degree and graduate studies. He was not an inspiring orator, military officer, or successful businessman, but his intelligence and, to a lesser degree, professional competence was a source of initial confidence following the 2013 election. This view has a basis in academic literature. Besley, et al. (2011: 5, 16) show that high levels of leader education are correlated with increased levels of economic growth; the authors suggest that better educated leaders may be better citizens and more likely to act in the broader public interest but ultimately concede that "the exact mechanisms at work in explaining how leadership matters remain opaque." While there is no rigorous evidence that military experience or business success lead to increased levels of economic growth, these backgrounds, like educational achievement, also contribute to recovery narratives in which the new leaders will effectively exercise authority according to a comprehensible, typically pro-development, logic.[70] Such narratives must be populated by actual decisions and events, or they will erode, but the initial confidence driven by perceptions of leader capacity become self-reinforcing when early investments increase confidence, lead to early investment "wins," and drive subsequent investment decisions. The opposite is also true. An economist at an international financial institution reported a pessimistic investor lamenting after the 2009 coup, "Sometimes you shuffle the deck and get an idiot in charge." The personal characteristics which make a leader successful are the subject of academic debate, and may be unknowable, but this does not stop investors from mining new leader's experiences and achievements for signs of recovery or decline.

Uncertainty minimization

Administrative instability, when it is characterized by greater capacity, leads to lower perceptions of uncertainty. When leaders have greater capacity, businesses expect policymaking to

[70] Outside of fringe movements, there are few examples of leaders who do not promise economic development, though approaches differ as do the extent to which they prioritize growth.

be realistic, implementation to be more consistent, and feedback to be considered. In some cases, this may be the result of pro-business ideology or political will, but administrative skill is more likely to change investor expectations, as pro-business rhetoric is too easily mimicked. The importance of administrative skill is likely to be recognizable to anyone who has operated within large, complex organizations, as many potential investors and current businessmen have: experience, intelligence, and demonstrable skills among leadership help government administration exercise authority, whether *de jure* or *de facto*. This is particularly true in periods of rapid change following turnover, where the most important cause of uncertainty is the inability to exercise authority, notwithstanding the range of formal powers.

To illustrate this dynamic, it is useful to consider a common criticism of Rajaonarimampianina from government veterans during his first two years, namely that he and his administration did not understand how to use the bureaucratic and constitutional means at this disposal to advance the pro-development agenda he espoused. Investors clearly believed that Rajaonarimampianina as able to understand their concerns, but grew frustrated by the new administration's deliberate style of addressing issues. Rajaonarimampianina had even less experience than his predecessor running a large organization, and this gap led to expectations among investors that he wouldn't be able to turn personal commitments into concrete actions. This contrasted with Ravalomanana, who experience running a large business conglomerate and had been mayor, though his education was far more limited.

Boundary aversion

Investors expect high-capacity leaders to create a more open, "legal-rational" system which is conducive to new investment. A surface-level reading of Besley et al's research (2011a and 2011b) supports this expectation, as it finds that democracies select more educated leaders and more educated leadership is correlated with higher growth. However, it is likely that investors are relying on a simpler heuristic, believing that competent leaders are more likely to hire competent staff, or alternatively, that confident, secure leaders are more likely to hire competent staff. Zakharov (2016:457) outlines an important trade-off faced by dictators: choosing subordinates based on loyalty rather than competence increases the likelihood of survival in office but reduces the likelihood of efficient, effective administration. As he notes, this challenge applies equally to democratically-elected leaders and, crucially, the owners of private firms. This last parallel may explain why investors and businessmen are particularly attuned to this dynamic among incoming administrations. By encouraging competition and removing boundaries, leaders encourage economic growth and limit their dependence on individual allies. Leaders who limit competition become generate co-dependent relationship with key allies based on resources that are likely to diminish. When this happens, such leaders often turn to expropriation or new methods to generate rents from the productive sector. Neither action increases investment; even well-connected investors in such regimes often look to move funds to more secure legal regimes.

Investors recognized this dynamic in Madagascar, whether or not they referred to it as the “loyalty-competence tradeoff.” One of the largest investors in Madagascar, an early Rajoelina supporter, lamented that the people around him were more focused on personal enrichment than establishing a legitimate regime which would correct the Ravalomanana persistent blurring of national and personal goals (Interview B1). However, Rajoelina could not dismiss his subordinates because they had brought him to power. More competent replacements would only join the administration if he agreed to hold elections, a risk Rajoelina he was unwilling to take despite the advantages of incumbency. As a result, the new administration not only failed to erase government-created boundaries, but also created many more, increasing the uncertainty for investors and drawing red lines around sectors. Rajoelina’s allies regularly threatened owners of important businesses, and others in the business community and military did the same, confident that the new regime would not be able or willing to confront them (Interview I11).

2.3.4 Network instability

Network instability, meaning changes to the leader's key ascriptive markers, opens new opportunities for investments by loosening or dissolving the ties at the center of neopatrimonial systems. Neopatrimonial systems are examples of what North et al (2009) call "limited access orders," in which stability is achieved by using the political system to allocate rents.[71] When they remove the key figure from systems largely defined by personal relationships, turnovers create instability, but this instability can move states toward "open access orders" which are defined by reduced state control of rents and greater economic competition. Bienen and Herbst (1996) coined the term "new brooms" to convey their observation that new leaders are more able to pass economic reforms—understood to be investment-friendly—because they are less beholden to longstanding, neopatrimonial networks.[72] Not all turnovers are equal, however. The network instability they generate varies. In many turnovers, the new leader comes from the same ethnic group, political party, religion—even the same family—as the previous leader.[73] Such turnovers are less likely to generate expectations that economic space will increase. In other cases, the new leader differs on some, or all, of the ascriptive markers listed above which serve to demarcate networks in most sub-Saharan African countries. While existing investors are highly attuned to vibrations in the web of elite relationships that are widely believed to determine economic rents and investment opportunities, prospective investors often seek clear signs, such as changes in ethnicity or political party, that turnovers will dismantle previous networks. Both groups expect greater instability to generate new investment opportunities.

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[71] Stability here is largely defined by control of violence.

[72] Hyden 2013: 39, 134 extends their analysis. Olson (1982) presents a similar theory of poor economic growth: narrow interests capture the state and inhibit economic growth. Who has agency in these accounts sometimes vary. In some, politicians constrain economic activity aside from special favors. In others, economic actors capture the state.

[73] Schatzberg (personal communication) points out that age cohort is yet another important ascriptive marker in some cases.

Narrative creation

Though networks are a persistent theme of Africanist social science, their importance “on the ground” is even more evident. Projecting investor interest in Madagascar after the 2013 election, one business owner said, “The weaker the rule of law, the more you must know people. It’s all about human networks. There are no numbers here that I’m paying attention to (Interview B17).” The combination of centralized authority and network driven analysis leads investors and businesses to focus on individual personalities and inter-personal drama at the highest levels. Personal rivalries between leaders and certain communities, including the French, the Indo-Pakistani business community, regions of the country, members of rival churches, and the countries “big families,” are regularly cited to explain decisions that shape investment conditions. These views are not simply idle political gossip; they influence the expectations of investors and their subsequent decisions on a granular level. Turnovers are potential critical points in this process, and beliefs about new leaders are critical fuel for decisions. Summarizing the views of fellow investors on two Malagasy presidents, one interviewee said, “No one trusted Ratsiraka to change, even after he saw the light; there would be no Ambatovy [an $8b investment] if not for Ravalomanana (Interview B23).” However, not all turnovers are equal. Looking ahead to the 2013 election, an investor with multiple paused projects asserted that he would not trust that the business climate would change if members of the same network were in charge (Interview B37).

The new broom narrative is initially defined by expectations but comes to affect concrete decisions and wanes in the absence of new reforms and investments. For example, Ravalomanana’s victory in 2002 seemed to mark a clean break from a long period of dominance by Ratsiraka and the politicians within his orbit, but a similar dynamic had taken place in 1993. Unlike the AREMA party platform and its apparatus under Ratsiraka, Ravalomanana’s TIM party was perceived to be pro-capitalist and based more on meritocracy than family ties. Members of the diaspora were “filled with hope," and returned to Madagascar, bringing human capital in addition to funds (Interview B29). In addition to the large international investments led by Ambatovy and Rio Tinto/QMM, the Ravalomanana administration promised reforms that would improve the overall business climate. These promises were believable in part because Ravalomanana had limited ties to the existing bureaucratic structure. Narratives have a multiplier effect, highlighting decisions and events that fit overarching beliefs and minimizing those that do not. Though many Malagasy were skeptical of Ravalomanana early on, investors, international organizations, and donors remained credulous for years despite signs that he was rebuilding a patronage network. Their investments and loan facilities became grist for the new broom narrative to grind onward despite contradictions.

The opposite narrative can take hold when the incoming leader is perceived to share the same network as the outgoing leader. Bayart (1993: 150-51) uses the turnover from Ahidjo to Biya in Cameroon to illustrate how dominant alliances, and their corresponding economic logic, reproduce themselves across administrations through a process he calls "reciprocal assimilation." In extreme cases, dominant alliances are able to reproduce themselves almost immediately: the new leader comes from the same political party, ethnic group, religious group, and generation, and he or she relies on the same winning coalition. Control of rents and economic opportunities change minimally, if at all. This was the situation that investors feared when Rajaonarimampianina won the 2013 presidential election. Rajaonarimamampianina, the Minister of Finance under Rajoelina, had a low public profile and won the election in large part due to support from Rajoelina and his funders. He won the presidential election under his new party's banner, but it had no seats in the new legislature. Members of Rajoelina's inner circle expected high-profile positions in the new government, and Rajoelina himself became a potential Prime Minister selection. Coastal politicians were suspect of the new president, the third consecutive Merina president after *cotier* politicians had held the presidency from 1960 to 2002. In short, perceptions of the new president's network, partly a function of pre-leadership ties, and partly determined by his ascribed characteristics, generated a headwind that gave new investors and potential donors reason to pause and led to skepticism concerning reform efforts.

Uncertainty minimization

In most cases, network instability does not reduce uncertainty; rather, uncertainty regarding political networks in highly neopatrimonial systems is considered better—or not much worse—than the alternative. There is an important exception: the contours of networks in neopatrimonial systems are often very difficult to outline, and turnovers often reveal, in addition to reshaping, the system's connections and powerful nodes. Bayart (1993: 157-160) locates the micro-dynamics that deeply influence political economy in arenas of ostensibly private life: funerals, marriage, mystic organizations (e.g. freemasonry), airport lounges, Parisian night-clubs, and more. One should add a wide range of ethnically-based events and organizations, as well as the organizations surrounding sports (Schatzberg 2010). These private events and organizations are supplemented by a range of organizations where membership is generally public knowledge but membership itself is not open to all: churches, universities, political parties, unions, and more. Out of these areas, largely outside of view, political relationships are formed, hierarchies are established and challenged, and appointments are determined.[74] These relationships are critical. A investors in Madagascar stated bluntly, "You have to work with the people in government here. When you don't know people, you're dead (Interview B35)."

Turnover processes become another arena where hierarchies are established, challenged, and revealed. The mechanisms vary depending on the turnover process. Madagascar's 2013 elections, for example, revealed the weakness of *cotier* candidates with impressive resumes but limited

[74] This is also true for international investors who utilize chambers of commerce, sports clubs (e.g. tennis, golf, and running), and cocktail events on the margins of international events such as the UN General Assembly or the Clinton Global Initiative to become a significant, if limited, part of the political networks of countries in sub-Saharan Africa.

organizations and led to concerns that key funders from the transition government would continue to play a key role in the new government. Similarly, the 2002 stand-off between Ratsiraka and Ravalomanana revealed the former's limited control over the armed forces as well as the limitations of French support. By itself, the information revealed during turnover processes, and corresponding uncertainty reductions, does not have a large effect on the propensity to invest. It does, however, make it easier for investors to identify boundaries and take advantage of open space in the political economic system.

Boundary aversion

Personal regimes make it necessary to become part of networks to identify and act on investment opportunities because these networks are the mechanism for controlling and distributing rents. Network instability resulting from turnover leads to changes in the micro-dynamics of personal rule systems and increased openness for investors in post-turnover states. The change takes two primary forms: first, new administrations may be unable to control economic space to the same degree as the previous administration; and second, new administrations may want to open space to new investors as part of a bid to broaden support or weaken the outgoing networks. Both changes lead to increased investment opportunities, the latter is more likely to be marked by formal policy changes, including economic reforms and new trade agreements.

Turnover processes in which someone who is not a part of the existing network becomes the new leader are more likely to involve efforts to broaden the winning coalition and corresponding economic opportunities. In contrast, new leaders who were part of the pre-turnover network are unlikely to have won an internal power contest without promising greater economic benefits to members of the existing coalition. A signal of Ravalomanana's intention to open economic space took place at the end of the turnover process, when the United States Ambassador, among others, attended the official Independence Day celebration on June 26th, and the French Ambassador did not, preferring to maintain its neutrality. This fracture was one of many that convinced investors that Madagascar's economic space would no longer be dominated by French companies and Madagascar's *grands familles.* New entrants to the market included a mining consortium comprised of Canadian, Japanese, and Korean companies, an Italian high-end resort, a South African super market chain, among a variety of others. French companies continued to win some government contracts and hold important positions in key sectors, but the expectation that these companies could not be challenged was significantly diminished. Similarly, high profile Malagasy families with long-term government-created monopolies faced new competition after losing protective tariffs.

In many cases, the line from network instability to policy reform to new investment is not straightforward, or the policy reforms are absent. The expectations that drive new investments are forward looking and linked to narratives of change. Turnovers are triggers that cause investors and businessmen to re-assess which opportunities are off-limits, particularly in systems that were previously closed. Expectations of greater openness are often misplaced, as many investors came to believe under Ravalomanana. Still, many investments are made during the period of optimism, and systems may become more open in the long-term despite the maintenance or emergence of boundaries. In contrast, boundaries are expected to remain in closed and semi-closed economic systems wherein the old networks manage to re-create themselves across turnovers.

2.4 Conclusions

How do political turnovers affect economic trajectories? What is the process, and what are the mechanisms, that shape this relationship? Which characteristics of new leaders are critical to the process linking political turnovers to economic trajectories? The answers provided in the chapter above do not give a single, mono-causal answer to these questions, but they do provide a systematic framework for analyzing and predicting the effects of turnovers by decomposing instability and analyzing the mechanisms, or patterns of action, that connect instability to expectations and investment decisions. The framework in this chapter is drawn from in-depth case studies of three turnovers in Madagascar, and the subsequent chapters will further flesh out the hypotheses, mechanisms, and underlying evidence, while also illustrating the inherent complexity of the questions motivating this study. In the sixth chapter, I will operationalize the hypotheses in this chapter and determine if they accurately "post-dict" the investment outcomes following turnovers in states across sub-Saharan Africa.

In the concluding chapter of this dissertation, I will consider the theoretical framework from this chapter with an eye toward evaluating the weaknesses and strengths of its claims, considering evidence from the case studies and quantitative models, as well as avenues for revising, buttressing, or extending the analysis through further case studies and models. There are three limitations to the framework in this chapter that are immediately evident. First, the components of instability are inter-related and frequently have cross-cutting effects during an individual turnover process, making it difficult to determine whether increased or decreased investment is likely. For example, a regime change which would otherwise reduce investment may have a more limited effect if the new administration is expected to be highly capable. Such interaction effects are not explicitly theorized above. Consider the investment effects of a hypothetical leadership change which is accompanied by violence (-), does not involve a regime change (+), does not lead to a change in leader competency, and is characterized by network instability (+): the framework in this chapter makes claims about the effect of each of these turnover features, but it does not provide a clear prediction for the overall effect on investment. This limitation makes it difficult to address questions and claims regarding specific turnover types in the literature. For example, is there a general "democratic dividend" (Kendhammer 2013)? Does autonomous recovery (Weinstein 2005), despite or perhaps because of associated violence, lead to more economic development than negotiated transitions? The case study chapters which follow will provide a first look at how the dynamics of instability interact but not a theory.

A second, related limitation of the framework for analyzing components of turnover instability and subsequent investment outcomes is the lack of theoretical basis for the timing of these effects. Empirically, impressive economic performances during an administration's early years sometimes fade or reverse; and in other cases, new investments linked to a turnover take place many years later.[75] The theory in this chapter outlines two investment moments, investment characteristics, and their connection to turnover, but the timing of these moments is not uniform across states or economic sectors. Case studies of individual investments, sectors, or countries which build on the framework above are capable of teasing out which investments are heavily dependent on turnover dynamics, even years later. The hypotheses above are too general, however, to make these distinctions on a comparative basis. In part, this is intentional, since to focus on contingent events and the attributes and networks of individual leaders is to argue, implicitly, for the efficacy of case studies vis-à-vis universalizing rules.

A more generalized theory which considers both the inter-related nature of instability components and the effects of timing would argue, like many accounts of economic development, that short-term expectations are heavily determined by contingent factors but that expectations cohere over time around stable institutions, which are the key determinants of economic performance. The effects of "positive" instability (e.g. increased leader capacity, fractures to existing networks, etc.) on investment outcomes are undermined when institutions remain—or become—not conducive to investment. Similarly, the "negative" effects of instability are reinforced and ultimately subsumed by institutional changes in the same direction.[76] Whether or not the effects of

[75] This is particularly true for investments in extractive industries which unfold over long time periods.
[76] I owe the concept of "self-reinforcing" and "self-undermining" institutions to Greif (2006).

turnover are undermined or reinforced over time is progressively more difficult to tie to turnover processes, though their influence can linger in investors' expectations.

A third limitation is the role of international actors, including donor countries and organizations, peace-keeping missions, and neighboring countries, which are not independently theorized, nor is the role of the world economy, including commodity prices. These actors often play a crucial role during turnovers and post-turnover processes. The international isolation Rajoelina faced following the 2009 coup, only partially predictable, had an important effect on subsequent investor expectations. A closer look, however, reveals that these international stances were often influenced by the decisions of domestic actors, as the subsequent case studies will make clear. Similarly, the role of the world economy is important, though often not determinative. Nevertheless, a complete theory would include effects driven by international actors.

The limitations above do not detract from the theory's fundamental purpose: to explain why turnovers become economic pivot points, their economic consequences, and how they shape investor expectations and decisions. "Investors are fundamentally backward looking (Interview B42)." This statement, made by an investor who arrived in Madagascar shortly after the 2002 turnover, does not square, at least initially, with the prospective nature of investments. And indeed, there is ample evidence that investors make decisions based on beliefs about the future. The explanation, of course, is that beliefs about the future are derived from past events and emerging trends, as there is no other source of information. Unlike English speakers, when Malagasy speakers use positional phrases like "ahead" or "in front" to make temporal statements, they are referring to the past, suggesting that people are metaphorically facing the past and backing, blindly, into the future.[77] Turnovers and the forms of instability they create have the ability to dramatically reshape interpretations of past events and emerging trends. Backward-looking investors focusing on recent

[77] *Aloha* in Malagasy, "loha" being the word for "head."

turnovers can become suddenly optimistic, pessimistic, or wary. What they see has the power to shape investment decisions and change economic trajectories.

Chapter 3:

New broom, old bristles?

Madagascar from Ratsiraka to Ravalomanana

"If it's good for me, it's good for Madagascar."

~quote attributed to Marc Ravalomanana, Interviews I10 and P10, WL[78] 100

3.1. Introduction

The turnover from Didier Ratsiraka to Marc Ravalomanana ushered in a new political and economic dynamic in Madagascar which re-shaped the country's economic trajectory. The turnover was neither peaceful nor stable, and the new administration's economic policies and implementation were controversial. The turnover from Ratsiraka to Ravalomanana led to significant and unambiguous network instability, unlike its effect on other components of instability. Nevertheless, Madagascar generated greater investment following the turnover from Ratsiraka to Ravalomanana than ever before. The turnover also led directly to the country's largest investment, the Ambatovy nickel mine and refinery, in addition to many others. How and why this took place is the subject of this chapter.

3.2. Turnover

3.2.1. Pre-turnover environment

Like many countries across sub-Saharan Africa, the political economy of Madagascar during the 1990s was dominated by its experience with the overarching trends of democratization and economic liberalization. The electoral victories of Marc Ravalomanana, first as mayor of Antananarivo in 1999 and then as president in 2001, were made possible by the inability of an

[78] Throughout the case studies, WL will refer to the US diplomatic cables released by Wikileaks.

older generation of Malagasy politicians to control the social and economic forces unleashed during the 1990s. Albert Zafy, an inexperienced leader with the support of large crowds brought Didier Ratsiraka's first term to an end in 1991, and Ravalomanana followed a similar script a decade later.

Ratsiraka I to Ratsiraka II

After seizing power through a military coup in 1975, Ratsiraka's efforts to create a socialist state were never able to meet the ambitious goals he outlined in his "Red Book."[79] The creation of a single-party apparatus under the control of Ratsiraka's own AREMA[80] organization and the wave of nationalizations between 1975 and 1978 were fatally undermined by the government's inability to service its debt and need to negotiate a structural adjustment agreement with the IMF and World Bank in 1980 (Randrianja and Ellis 2009: 199). By 1989, nearly all vestiges of the socialist state had been erased, and some economic progress was evident. Ratsiraka managed to win re-election and a seven-year mandate against a fractured opposition. This victory was short-lived. Emboldened by demands for multi-party democracy taking place across the continent, the Malagasy opposition, with support from the churches, joined to form the "*Forces Vives de la Nation*" (or 'living forces of the nation'). They organized a general strike and a series of rallies which culminated in the massacre of protesters near Iavaloha, the presidential palace outside Antananarivo built for Ratsiraka by North Korea. Criticism of the government's response was broad and intense. Shortly afterwards, Ratsiraka submitted the bulk of his powers to a transitional government, and he later lost power completely when Albert Zafy, the candidate supported by the *Forces Vives*, defeated him in a 1993 election. Zafy's triumph was also short-lived. Beset by a wave of scandals at high levels, international partners and domestic observers alike were aghast at the corruption and

[79] The Red Book, *boky mena* in Malagasy, was also known as the Charter of the Socialist Revolution. It was passed overwhelmingly (96 percent) by referendum in 1977 and prescribed the nationalization of "banks, insurance companies, and strategic industries (Ratsiraka and Ellis 2009: 193-195)."
[80] AREMA stood for "*Avant-garde de la Révolution Malgache"* or "the leading edge of the Malagasy revolution."

incompetence of the new administration (Interview I10). Zafy was impeached and replaced by the Prime Minister, Norbert Ratsirahonana, in 1996. Ratsiraka returned from exile in Paris to contest elections held the following year. Ratsiraka won a narrow victory against Zafy in the second round—50.7 percent to 49.3 percent—amid widespread abstentions, setting the stage for a second act which lacked a clear mandate, purpose, or break from the past.

The new administration's halting progress toward reshaping Madagascar's economy—this time toward capitalism—became one of its defining characteristics. Ratsiraka's public stance and initial agenda embraced liberalization of the economy and foreign investment; a month after the election he visited Belgium, France, and the United States to re-commit to structural adjustment, secure foreign aid commitments, and court foreign firms at the US-based Corporate Council on Africa and the Paris-based *Conseil des investisseurs en Afrique* (ION[81] 758). This was consistent with his campaign, during which he presented a list of 45 state-owned companies to be privatized, which was followed by a government decree on April 30, 1997 formalizing the list. Minimal progress followed. The Indian Ocean Newsletter wrote: "Everything is paralyzed and at this speed, there will be few of the forty-five companies which will have been privatized at the end of the mandate of President Ratsiraka in 2002 (ION 778)." This statement was prescient. Despite re-engagements and re-commitments, the same publication wrote five years later, in July 2002, "Only two firms of the 46 chosen to go through the process—Somadex and Solima—were actually privatized, and the earnings from those sales were meager for the state (ION 1005)." In short, an important element of a nascent recovery narrative was quickly, and publicly, undermined, and the resulting uncertainty and lack of confidence became important features of Ratsiraka's second term.

[81] Throughout the case studies, ION will refer to the bi-weekly Indian Ocean Newsletter.

Competence and corruption

The uncertainty was exacerbated by perceptions of Ratsiraka's incompetence and corruption. Following the constant, internecine conflicts of the Zafy administration, many saw Ratsiraka as a strongman who could restore a sense of order and predictability. The expectations that fueled the competence narrative faded under the weight of two competing dynamics. *First*, Ratsiraka's leadership style and experience, formed by a military career and authoritarian political system, was ill-suited to the program he sought to implement. Having first seized power through a military coup with a detailed socialist program, Ratsiraka's support for democracy and economic liberalization was always suspect (Interview B23). This meant that the Ratsiraka administration's initial successes in either domain redounded to the benefit of younger, more credible champions of the policies, such as Herizo Razafimahaleo, a liberal politician who became Ratsiraka's economic advisor (1988-1991) and Deputy Prime Minister (1997-1998). These allies then became rivals who Ratsiraka sought to remove and discredit rather than nurture. While this dynamic played to Ratsiraka's talent for bureaucratic infighting, honed in a military context which lacked external objectives and sheltered from the need to communicate with typical Malagasy voters, it eroded external perceptions of competence and predictability that were critical to investor confidence.

Second, Ratsiraka's return was marred by old associates and family member who seized the opportunity to secure financial gains after watching the ex-President forced to live in a modest Paris flat during his exile (Interview B38).[82] Press reports alleged that his children traded on their name to set up partnerships with foreign businessmen and win state concessions (ION 788). Anti-corruption efforts announced with great fanfare in June 1998 by Deputy Prime Minister Pierrot Rajaonarivelo fell apart spectacularly, days before a visit by the IMF and World Bank, reportedly

[82] Ratsiraka's reputation for modest living in Paris after losing the1993 election distinguished him from contemporary African leaders and, more importantly, his second term incarnation. Prior to the 2001 election, his asset declaration reportedly included an expensive apartment in the posh, Neuilly-sur-Seine neighborhood of Paris (LOI 970).

because Ratsiraka allies were awarded valuable customs exemptions (ION 830 and ION 854). Ratsiraka's children, Sarah and Xavier, were among the largest beneficiaries of state largesse, and the easy-to-understand dynamics of Ratsiraka's nepotism generated most popular anger even if, ultimately, other policies were more damaging (Interview I9). By 2001, military generals and church leaders were expressing deep concern about the country's direction, and Ratsiraka felt compelled to jail a prominent politician for criticizing the government over the purchase price and operation of a toll bridge tied to Ratsiraka's family members (ION 933). These incidents permeated the political culture. In mid-2001, with elections approaching, 88 percent of respondents to an opinion poll answered that politicians were primarily motivated by personal gain (Randrianja and Ellis 2009: 205).[83]

Eve of the elections

For investors, Ratsiraka's original incarnation as coup-leader, military autocrat, and socialist ideologue, together with the halting progress toward reform and perceptions of incompetence and corruption, often offset the promising trends and modest economic growth that took place during his second term. These included: admission of Madagascar to the final stage of the Heavily Indebted Poor Countries (HIPC) initiative in January 2001; successful negotiations to receive customs and trade advantages from the USA under the African Growth and Opportunity Act (AGOA) in March 2001; development of a draft law on major investments in May 2001. This law was developed in cooperation with the World Bank to encourage development of Madagascar's natural resources, which included nickel, ilmenite, and heavy oil deposits, all of which were discovered prior to Ratsiraka's election in 1996. The success of these pro-investment initiatives was mixed: AGOA benefits eventually spurred new investment in textiles under Ravalomanana, and similarly, some of

[83] Initially published in LE (July 19, 2001). Throughout the case studies, LE will refer to the *L'Express,* a daily newspaper.

the country's major resource deposits were developed, though not under Ratsiraka. The lone exception, sapphires, did not require major capital investments, and most of the substantial revenues—upwards of $100 million in 1999—bypassed the formal system (Duffy 2007). Commenting on the lack of major investment in the extractive sector during this period, a member of a major extractive company sad, "No one trusted Ratsiraka to change, even after he saw the light (Interview B23)."

The perception of widespread corruption under Ratsiraka led to strong criticism and a lack of overt support from Madagascar's major church organizations, in addition to criticism from prominent members of the military. Nevertheless, Ratsiraka's victory in the December 2001 elections appeared probable. His rivals from 1991-1996 were largely discredited by their own record while in power, and Ratsiraka's control (through AREMA) of the national assembly, the senate, and the provincial governors provided him with a national campaign apparatus. Marc Ravalomanana, the businessman-turned-mayor of Antananarivo elected in 1999, loomed as a potential challenger, but conventional wisdom suggested that he was more likely to try to succeed the physically frail Ratsiraka than unseat him (ION 957). These perceptions of Ratsiraka's strength were a mirage. On August 5, Ravalomanana declared his presidential candidacy, selling his image as a self-made man and promising to grant autonomy to the provinces, modernize agricultural production, and deliver free health care and education (Vivier 2007: 31). This decision forced Ratsiraka into a third consecutive competitive election.

3.2.2. Turnover process

Ratsiraka's illiberal style of campaigning shaped the course of the subsequent turnover. Beginning with threats to Ravalomanana's business conglomerate, Ratsiraka sought to use the advantages of incumbency to win the election, and then, when the outcome was in doubt, sought to use mediation and sabotage to ensure that Ravalomanana could not assume office. He was hindered in these efforts by his unpopularity in the capital, his fragile relationship with the military, and the unwillingness of France, the US, and African mediators to disregard violations of democratic norms. Just as importantly, Ravalomanana effective use of personal resources and aggressive tactics gained him advantages at key points of the process.

An economic campaign

The rivalry between Ravalomanana and Ratsiraka epitomized the fusion of economic and political spheres in Madagascar, which the latter tacitly acknowledged by using economic weapons to deter the former's political ambitions. Shortly after it launched, Ravalomanana's presidential campaign triggered a tax audit against his agribusiness conglomerate, Tiko, for an amount between 33.4 and 60.62 million euros, enough to shutter the company if applied (Vivier 2007: 27-28). One month later, on September 20, 2001, Tiko's administrative offices in Antananarivo were destroyed by a fire (Vivier 2007: 28). The pressure continued to build: on October 25, Vice-Prime Minister Pierrot Rajaonarivelo gave the general director of taxes, Mamisoa Rakotosalama, the power to temporarily close Tiko; on November 16, Rakotosalama did so for a period of three months (ION 973).

The tax audits aimed at Tiko were a targeted strike against a key source of Ravalomanana's electoral strength, meant to accomplish two objectives. First, much of the Mayor's legitimacy hinged on his ability to build a giant business conglomerate from meager beginnings, and he appealed to Malagasy by claiming he could do something similar for the country. Accusing Ravalomanana of ill-gotten gains hit at the foundations of these claims. Second, Tiko, and other components of Ravalomanana's business empire, effectively doubled as his campaign organization; this included 30 wholesale dealers and a network of Magro distribution centers across the country, private radio and TV stations, and four helicopters which he used to make, on average, five campaign visits per day during the heart of the campaign (Vivier 2007: 33; ION 963). Taking full advantage of these assets, Ravalomanana re-purposed one Magro store in the middle of Antananarivo into a campaign headquarters staffed by Tiko executives who would ultimately become senior advisors and ministers of the next government (Vivier 2007: 31-32; ION 988). Overall, the tax audit strategy was neither strong enough to starve Ravalomanana of resources during the four-month campaign nor did it dent his popularity. Instead, it seems to have reminded voters what they disliked about Ratsiraka and engendered sympathy for the challenger within the international community.[84]

Election and demonstrations

High turnout and calm conditions prevailed on December 16, 2001, and Ravalomanana won a victory in the first round of the presidential elections, though the exact scale of the victory quickly became the key question: if he received more than 50 percent of the vote, no run-off would be necessary. On election day, the Ravalomanana campaign sent its fleet of helicopters to polling stations to collect results and publish them on the internet within hours of polls closing (Randrianja and Ellis 2009: 207).[85] Newspapers picked up the prelinary figures and, in the absence of official results, Ravalomanana's team declared that they had won in the first round, with numbers that ranged from 53 to 54.95 percent (Rajoelina 2003: 20). The Ministry of the Interior's figures differed, first reporting that Ravalomanana had won 53 percent on December 18th, then dropping that figure to 47.42 percent as more votes were counted (ION 977).

Facing a strategic decision between disputing the results and preparing for a second round, Ravalomanana chose confrontation. The campaign organized protests in the middle of Antananarivo on Monday morning, January 7, 2002, during which 15,000 supporters squared off

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[84] Ravalomanana had started his business in 1982 with financial support (two million euros) from the World Bank and political support from Ratsiraka, which could have eroded his "self-made" image if not for the object reminder of the obstacles he faced (Vivier 2007: 18). Numerous interviewees speculated that Ratsiraka's person animosity toward Ravalomanana stemmed from a sense that he was ungrateful for the former's earlier support.
[85] ION 977 claims that the Transport Minister grounded Ravalomanana's helicopters before they could finish counting votes.

against a mix of 500 members of the police, gendarmerie, and army. The security forces used tear gas to scatter the crowd, leading to the death of a small child and 20 injured (Rajoelina 2003: 18). Two days later, an independent consortium of election observers announced that Ravalomanana had won 50.5 percent of the vote in the first round, though this was based on an incomplete analysis of polling stations, stating:

> We decided to stop our count having collected the results from 75% of polling stations, considering the rest of the results as misplaced or destroyed, and following the principle that these 75% reflect the national average (Rajoelina 2003: 20).[86]

The High Constitutional Court (HCC) heard from both the Ravalomanana and Ratsiraka camps and officially announced on January 25 that Ravalomanana had won 46.2 percent of the vote and Ratsiraka, 40.9 percent. In response, Ravalomanana's supporters launched a general strike and organized massive protests in Antananarivo; more than 500,000 people joined the protests, in a city of 2 million, forming a grand line of people a hundred meters wide and 2 kilometers long (Randrianja and Ellis 2009: 209; Rajoelina 2003; 25). Ravalomanana announced he would boycott the second round, saying that the people would not accept this result (Rajoelina 2003: 22, 24). By early February, violent confrontations were reported in the coastal provinces, and the number of protesters exceeded one million (Rajoelina 2003: 28). Despite international calls to respect the HCC decision, an electoral solution based on the established rules and institutions was no longer possible.

Mediation and war

The contest moved forward from February until mid-June on parallel tracks: ineffective international mediation and low-level civil war. The international mediation helped to determine

[86] Author's translation. Original: *Nous avons décidé d'arrêter nos comptes après avoir collecté les résultats de 75% des bureaux de vote, considérant le reste des procès-verbaux comme égarés ou détruits, et partants du principe que ces 75% reflètent la moyenne nationale*. Vivier (2007: 38) lists the consortium members : European Union, Great Britain, Germany, Switzerland, the National Committee for the Observation of Election (a Malagasy organization), and the FFKM.

the tempo of the unfolding crisis but ultimately had minimal effect, largely because Ravalomanana consistently refused to accept a second round, believing that Ratsiraka would fix a second round if given the opportunity, and that the protesters gave him a decisive advantage on the ground. Ratsiraka, for his part, refused to give up power on the basis of unofficial electoral counts and street demonstrations. Initial mediation efforts by France and the Organization of African Unity (OAU[87]) made no progress. The decision by Ravalomanana to organize an inauguration on February 22 at the main stadium in Antananarivo, presided over by the former caretaker president, President Norbert Ratsirahonana, and attested to by eight judges, only intensified the impasse (Rajoelina 2003: 41-43). Ravalomanana named a Prime Minister, Jacques Sylla, while Ratsiraka and five provincial governors decamped to Toamasina, Madagascar's second-largest city and only major port, on the east coast. After two months of appeals, the international community finally succeeded in bringing the conflict's two main actors together; they arrived separately in Dakar at the invitation of President Abdoulaye Wade on April 17, a day after three men were executed in a Fianarantsoa hospital by Ratsiraka supporters (Rajoelina 2003: 97). The summit appeared to be a success, with Ravalomanana agreeing to a recount by the HCC and a run-off election under a transitional government (Rajoelina 2003: 101-105). It is widely believed that Ravalomanana agreed to an unwritten clause that the recount would not give him an absolute majority (Interview B44). Nevertheless, on April 29, the HCC announced the results of the recount: Ravalomanana won 51.46 percent of the vote, and Ratsiraka, 35.90 percent (Rajoelina 2003: 112). Ravalomanana duly organized a second inauguration on May 6, this time attended by numerous diplomatic representatives. Eventually, Ravalomanana agreed to a second Dakar summit on June 8 and 9, saying "The only thing which remains to discuss is the departure of Mister Ratsiraka (Rajoelina 2003: 148)."[88] No agreement resulted.

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[87] The OAU was replaced by the African Union on July 9, 2002.
[88] Author's translation. Original: "La seule chose qui reste possible est de discuter le depart de M. Ratsiraka."

The low-level civil war which took place in parallel with the negotiations received less fanfare than the mediation but had more significance. The conflict never generated massive levels of violence—only 100 people died according to official counts—but the steady drumbeat of violence, its geographic dispersion, and threats of escalation by both parties led to a dangerous atmosphere across the country (Randrianja and Ellis 2009: 208). The sites of conflict have been compared to theater and a carnival, metaphors that help explain the symbolic logic of violence in Madagascar's low-level civil war, which was characterized more by indirect threats and allusions to violence than by organized violence and war-making (Rajoelina 2003: 93 and Raison-Jourde 2002: 47). In response to demonstrations and the general strike, Ratsiraka responded with a systematic campaign to blow the bridges to the capital and starve its inhabitants. In contested zones outside Antananarivo and Toamasina, the violence could become very real: in Nosy Be and Diego Suarez, small commando groups hunted Ravalomanana supporters and killed them; 37 protesters in Mahajanga were injured by tear gas grenades; in Fianarantsoa, the provincial governor loyal to Ratsiraka was killed (Rabenirainy, 2002: 94-95; ION 990; Rajoelina 2003: 97). Pressure continued to build: on June 2, twelve men died in a clash between militias in the northeast; on June 5, Ravalomanana loyalists surrounded the northern provincial capital, Diego Suarez, held by special forces loyal to Ratsiraka; and on June 9, Ravalomanana directed troops loyal to him, known as reservists (or *zanadambo*), to free the port and airport in Toliara, the provincial capital in the southwest (Rajoelina 2003: 140-49).

The Churches and the military

More than the international mediators, the logic and pace of the conflict was determined by two key domestic audiences and sources of legitimacy: the churches and the military. Ravalomanana was outspokenly religious, comparing himself to Antananarivo's 19th-century Christian martyrs when the government sought to stifle him. He was the elected vice-president of the FJKM, the largest Protestant denomination in Madagascar with a nationwide network of churches and schools (Gingembre 2012). In contrast, Ratsiraka, who is Catholic, had alienated Cardinal Razafindratandra, the Archbishop of Antananarivo, through the corruption that characterized his second term and by refusing to meet with him as the crisis worsened in early 2002. Ravalomanana's religious positioning during the campaign provided a natural based of support; during the crisis the religious communities worked to minimize open conflict. Asked in early March if he believed the violence in Madagascar would rise, the Episcopal Bishop Fulgence Rabeony responded:

> I do not believe so. The troubles have been the fact that the militias are paid by the ruling party. Thus in [Toliara], a Protestant pastor was assaulted by supporters of Ratsiraka. But the organizers of the demonstrations are trying not to respond to provocations. A coup could only come from the army, but they remain, for the moment, very neutral. The vast majority of the army and gendarmerie are on the side of the people (Rajoelina 2003: 58).[89]

The reticence of the army to choose sides is the primary reason that Madagascar's conflict led to so few casualties. There were current and historical reasons why the military stayed on the sidelines during the conflict, even though speculation persisted throughout that it would eventually provide the decisive blow. The Indian Ocean newsletter began counting up generals on each side in January 2002, but this turned out to be a misreading of the military dynamics, which did not split in binary terms or lead to consolidation (ION 980). Instead, following the first round of voting, the Malagasy military splintered into three main branches: loyalists, legitimists, and legalists (Rabenirainy, 2002: 94-98). The loyalists supported Ratsiraka, in part because their positions and hopes for future promotions were tied to the president, and they were responsible for the much of the conflict's violence in the provinces. The legitimists, many of whom were removed from active command by Ratsiraka in 1997, supported Ravalomanana and the principal of positive neutrality

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[89] Author's translation. Original: « Je ne crois pas. Les troubles n'ont été le fait que de milices payées par le parti au pouvoir. Ainsi à Tulear, un Pasteur protestant a été agressé par les partisans de Ratsiraka. Mais les organisateurs des manifestations essaient de ne pas répondre aux provocations. Un coup de force ne pourrait venir que de l'armée, or celle-ci reste pour l'instant très neutre. Dans leur grande majorité, armée et gendarmerie sont du côté de la population. »

for the military. The legalists, epitomized by the Minister of Armed Forces from 1996-2002, General Marcel Ranjeva, did not explicitly support either side, but called for neutrality and "avoided at all costs killing compatriots (Rabenirainy, 2002: 98)."[90] Ultimately, the legalists were the decisive faction. Motivated by fears of civil war and the "secession" of the five provinces surrounding Antananarivo, and actively opposed to the sabotage of bridges carried out by pro-Ratsiraka loyalists, the legalist position became increasingly anti-Ratsiraka. Backed into losing positions with the churches and military, Ratsiraka was left to count on the combination of international mediation and economic suffering in the capital. The economic pain, caused by cutting off the capital's access to Madagascar's only major port, Toamasina, sapped Ratsiraka's support within the military and failed to generate actions among the business elite or the broader population to force Ravalomanana to capitulate. With some exceptions, the business elite believed that opportunities would increase under Ravalomanana, and living conditions among the population decreased minimally, largely because the vast majority of Antananarivo residents relied more on rice grown nearby than imported goods.

Though the business community's influence on the crisis was limited, its effects on Madagascar's economy became progressively more severe. In early January, the main were effects were from acts of vandalism and production time lost due to employees joining the protests (ION 981). The beginning of a general strike on January 28 intensified these effects; the IMF estimated that the strike cost \$12m-14m per day as a result of cancelled flights, lost production, and shuttered factories (Rajoelina 2003: 24, 55; ION 983). Civil service salaries were paid through March via emergency measures, but the government was unable to repay debts beginning that month because Madagascar's assets abroad were frozen and the Central Bank was closed by protesters (ION 990).

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[90] The roots of military non-involvement stemmed from a failed coup in 1981. Marcus (2010:113) writes, "In Madagascar, the military was essentially marginalized by President Didier Ratsiraka in 1981, following a coup attempt. Since then, it has shown great restraint, not interceding with its own voice even during times of great instability (1991 and 2002)."

The Malagasy franc lost 30 percent of its value in February, the "Industrial Union of Madagascar (SIM[91])" suspended tax payments, and electricity was cut to minimum service (Rajoelina 2003: 40). The textile sector—Madagascar's largest by employment and revenue—and the tourism sector were particularly hard hit; only the fishing sector remained relatively unscathed (Rajoelina 2003: 128). By May, the economic situation was dire: foreign investment stopped, and nearly all textile factories closed. The government allegedly requested quasi-official loans (i.e. "revolutionary tax") from private firms, promising repayment after a budget was paid (ION 1000). A member of the World Bank summarized bluntly:

> It is a collective suicide—even if there are not many violent deaths due to the political crisis—in the long term. Many Malagasy will die because of the economic crisis that results. It is the silent death of Madagascar (Rajoelina 2003: 128).

Endgame

The end of the conflict arrived swiftly and decisively. In March, with only lukewarm support from a small faction of the military, Ravalomanana called for army reservists to support his cause in the field. Approximately 2600 "reservists" answered the call and "rapidly became legendary combat figures" known for peasant hats unlikely victories (Vivier 2007: 57, 93). Losing ground to the reservists in the north, forced to contend with new "fronts" in the south, and starved of resources because he had been forced from the capital, Ratsiraka's situation became desperate. On the afternoon of June 13, forces loyal to Ravalomanana approached the port of Mahajanga (on the northwest coast) intending to end the capital's blockade. That night, Ratsiraka made a surprise departure for France, claiming he would return (Rajoelina 2003: 151-2). His next move backfired. According to contemporary reports in the BBC and elsewhere, Ratsiraka secured the services of French and South African mercenaries for the purpose of assassinating Ravalomanana (BBC 2002b), but they were stopped intercepted in Dar-es-Salaam by French authorities on June 19 (BBC

[91] *Syndicat des industriels de Madagascar.*

2002a). Ratsiraka returned to Madagascar, but without the solution he had promised to find. During Madagascar's Independence Day celebrations on June 26, the American Ambassador presented Ravalomanana with a letter congratulating him and recognizing his legitimacy, making the USA the first major donor to do so and embarrassing France, who had no official representative at the Independence Day festivities for the first time in 40 years (Rajoelina 2003: 161). International recognition followed from other countries, culminating with France on July 3. On July 4, troops loyal to Ravalomanana entered Diego Suarez, Ratsiraka's penultimate bastion, to a hero's welcome and a celebratory atmosphere. The following day, July 5, Ratsiraka left Toamasina, destined for the Seychelles and a long exile. The turnover was complete.

3.2.3. Post-turnover economic trajectory

Ravalomanana's victory generated tremendous optimism among most members of the business and donor communities. A brief inventory of what he inherited reveals concrete reasons for their optimism, as well as reasons for concern. Major projects, including a world-class nickel mine and an expanded road network, were already well into the planning stages. Madagascar's tourism and agriculture potential were dramatically under-utilized, and the country could call on significant human capital in the diaspora to spur development. The reasons for concern were both immediate—damaged infrastructure, shuttered textile firms, and bitterly divided political climate—and longer term. Most importantly, the Malagasy state had limited capacity, in large part because the tools for advancement were personal relationships and loyalty. Key elements for developmental states—an educated population, objective methods for hiring and promoting staff, and powerful bureaucratic institutions—were missing. Deep-seated mistrust among influential communities in Madagascar was exacerbated by the turnover process. The new administration did not need to solve each of these challenges, but sustaining optimism and attracting investment required progress.

Building blocks

The economy in Madagascar grew under Ravalomanana. During the period from 2003 through 2007, the real economy grew by an average of 5.7 percent per year; this performance was unprecedented in Madagascar, where real GDP growth had never exceeded population growth for more than five consecutive years (Randrianja 2012: 243). Early growth took place in a challenging climate that was affected by the turnover. A major domestic businessman explained: “In 2002, Antananarivo was asphyxiated. From 2002 through 2005, we were still in survival mode (Interview B35).” Businesses still in operation were literally paying rowboats to transport their good across rivers to the port of Toamasina (Interview B4). Others simply gave up and played cards as the economy crumbled (Interview B6). Madagascar’s previously thriving textile sector located in its export processing zones was among the worst hit: of 100,000 employees, 60,000 were temporarily laid off and 30,000 were fired outright by the end of the political crisis. New orders, if they arrived, in August 2002 would not lead to production until January 2003, and the remaining companies were experiencing enormous cash flow problems, making new investment difficult (ION 998). This problem was exacerbated by a shallow banking system; well-capitalized banks first arrived in Madagascar from 1995-2000, and were immediately hit by successive political crises. They never became major vehicles for investment lending (Interview I6). Finally, the threat of residual violence stemming from the turnover remained, most notably a series of demonstrations in Antananarivo by the reservists and an attempted coup (Vivier 2007: 85-87).

Even prior to the conflict between Ravalomanana and Ratsiraka, investment opportunities in Madagascar’s were limited. First, the domestic market was small, poor, and badly connected by aging infrastructure. By 2002, Madagascar’s system of paved roads was limited and buses from major regional centers of economic activity such as Fort Dauphin and Diego Suarez required more than two days travel by road to reach the capital during the dry season, a journey of approximately

1000 kilometers, and they were often completely cut off during the rainy season. Other regional centers, including the Lac Alaotra region, Morondava, and Mananjary were nearly as isolated, and the SAVA region, critical to vanilla production and potentially important for timber and tourism, was even more isolated.[92] Port capacity was similarly limited. The Toamasina port badly needed an upgrade and no other port could handle international container traffic. Second, important formal institutions handicapped potential growth avenues. Manufacturing was hindered by strict labor regulations and onerous rules to start businesses; tourism infrastructure hindered by state-controlled airline routes; agri-business hindered by restrictions on foreign land ownership; and the energy sector hindered by the state-granted monopoly to JIRAMA. Third, Madagascar's political economy was designed to restrict competition to major sectors of the economy. Longstanding lines of neopatrimonial influence connected Madagascar's "big families," many of whom descended from Merina nobility and controlled strategic markets, to political patrons and military partners (World Bank 2010a: xii).[93] These markets ranged from agri-business sectors (e.g. vanilla) to basic commodities (e.g. soap) to the provision of government services (e.g. printing) and importation of basic products (e.g. anti-malarial drugs) (Lahiriniko 2012). Not all the big families were Merina nobility; the Indo-Pakistani community in Madagascar, or *karana,* had deep roots in the country and controlled many of the country's largest conglomerates. French businessmen, including dual Malagasy nationals, owned other important businesses. Overall, a large percentage of Madagascar's economy was in the hands of a very small number of businessmen, and in nearly all cases, lucrative markets were maintained, to varying degrees, through political connections and government dispensations (Marcus 2016: 53). Finally, the banking system failed to promote investment;

[92] The Madagascar Action Plan (2007: 39) shows the terrible condition of the National Road System in 2005, *after* more than 8,000 km of roads were rehabilitated in 2005.
[93] The case of the Andriantsitohaina family is instructive. Its political roots can be traced back to Queen Ranavalona I's decision in 1836 to make the [patronym] the head of a 7-person embassy charged with the security of the Merina state, which was next extended to control of 1500-network in 1844 which was in charge of the lucrative frontier posts (See Lahiriniko 2012.)

interest rates were too high, collateral requirements too high, and legal barriers too high for nearly all businessmen.[94]

Business government

Ravalomananana positioned himself outside Madagascar's economic system, and in opposition to Madagascar's economic elite, despite being one of Madagascar's most successful industrialists. One of his closest political supporters in 2001-2 would later describe him as a Malagasy national capitalist, meaning pro-business but opposed to foreigners seeking to control the country, which in Madagascar was generally understood to mean the French and Karana interests (Interview P13). Charismatic and successful, Ravalomanana was an ethnic Merina but not nobility. His calls for a united Malagasy people and rapid development, which his business history illustrated, gave his campaign and presidency a narrative and style that resonated across the country.

Rather than distancing himself from his business interests upon entering politics Ravalomanana derived his campaign slogan and the name of his party—Tiako iMadagasikara—from his agribusiness conglomerate, Tiko (Marcus 2004: 13). Ravalomanana's early support came from Denmark, the World Bank, the US, and Germany, rather than the more traditional paths to business success in Madagascar—connections to Merina nobility, karana, or the French business community—and his vision for the country's development fused national pride with support for global capitalist norms. Despite the American and German roots of his personal views, the developmental states of East Asia were a closer approximation of Ravalomanana's stated political agenda.[95] There are disagreements concerning the extent to which Ravalomanana was anti-French and anti-Karana. Marcus (2004: 13) notes that he "signed five financial conventions focusing on

[94] Interviews B2, B3, B4, B5, B21, B33 and others. Members of the banking sector blamed a lack of investable projects.

[95] Occasionally, Ravalomanana explicitly embraced these connections: The Economic Development Board of Madagascar (EDBM) was modelled on a similar organization in Singapore. Marcus (2010) argues persuasively that Sylvio Berlusconi is a better parallel.

increased trade relations and French aid" and simply sought "to link Madagascar more firmly into the global economic system." An early and important economic advisor, however, stated that Ravalomanana hated the French and deliberately disrupted the Karana community because he blamed them for Malagasy poverty (Interview B32). There is no doubt, however, that he made economic development the basis of his political legitimacy, nor that he faced corresponding high economic expectations from the population under conditions that remained enormously challenging.

Initial steps

The new administration adopted a two-fold strategy during its first four years: first, it sought international support to restore the economy's basic building blocks; second, it sought to stimulate manufacturing capacity in Madagascar by introducing competition to stagnant sectors and encouraging new sources of investment. The first step to international support was recognition; even after the Independence Day celebration on June 26, 2002, Ravalomanana was not recognized by the African Union, was viewed skeptically by France, and faced critical, but difficult, negotiations with the World Bank and IMF to build credibility and unlock funds. In a deft early maneuver, Ravalomanana convinced General Marcel Ranjeva, Minister of the Armed Forces under Ratsiraka and primary champion of the "legalist" wing of the military until his removal in March 2002, to be his Minister of Foreign Affairs. He gave Ranjeva three goals: "recognition, recognition, recognition (Interview I16)." Ranjeva had gone to a war school in Paris for 2 years with colonels and generals across Africa, and he was able to provide credibility to the new government which would be necessary to build relationships with France, member countries of the AU, and others (Interview I16).[96]Other maneuvers were less adroit. Ravalomanana was forced to dismiss his Vice-Prime

[96] The AU finally recognized Ravalomanana after legislative elections in December 2002 (Marcus, 2004: footnote 20.)

Minister who doubled as the Finance and Budget Minister, Narisoa Rajaonarivony, on October 7 under pressure from the Bretton Woods organizations for suspicions relating to the purchase of a presidential airplane and complaints from the karana community that he was unfairly applying the tax code (ION 1013). Ultimately, Madagascar received important emergency funds from the World Bank and IMF to support its $219.5 million economic recovery program drawn up by the new Finance and Budget Minister, Benjamin Radavidson, built around aid to poor areas, the recovery of the private sector, and the restoration of the public sector (ION 1016). The appointment of Ranjeva and dismissal of Rajaonarivony illustrate Ravalomanana's focus on international support and willingness to respond to criticism over poor results.

If international support and donor funding were essential signs of credibility and preconditions for economic recovery, private investment was a necessity for sustained economic growth. Madagascar's progress on this front during Ravalomanana's first term was impressive, though the role his administration played was mixed. As described earlier, Madagascar's political economy was not conducive to investors in many respects; nevertheless, there was potential. In a representative answer, one of Madagascar's most successful businessmen listed agribusiness, energy, and finance as sectors which could generate rapid growth (Interview B1). Based on additional interviews, we can add: tourism, telecoms, textiles, construction, and extractive industries to this list. Of these sectors, Ravalomanana, through Tiko, was heavily invested in agribusiness and construction at the beginning of his first term.

The new president did not intend to forego active management of Tiko, nor were his administration's actions unrelated to the company's interests. Many claimed that he used monthly trips to Antsirabe and regular trips to other areas of the country to visit factories and scout new opportunities for expansion (Interview J5; ION 1030). When the administration reduced taxes on certain products to spur domestic manufacturers to become more competitive, those for butter, cheese, and yogurt—Tiko specialities—were conspicuously not included (ION 1067). In general, Tiko expanded greatly during this period, and its activities became deeply intertwined with the state. Guy Rajemison Rakotomaharo, Tiko's primary advisor to CEO Ravalomanana from 1996 to 1999, became his deputy during the electoral conflict against Ratsiraka and later became the speaker of the Senate (ION 988; ION 1006). Ultimately, dozens of Tiko executives held important positions in the administration, and Tiko offices across the country doubled as the headquarters of Ravalomanana's political party, Tiako iMadagasikara (TIM). The Tiko group's strategy was defined by diversification; during the first two years of Ravalomanana's administration, the Tiko group launched a newspaper, cornered the market on printing product labels, partnered with Shoprite to buy several grocery stores, bought stakes of the two largest hotels in Antananarivo (Hilton and *Le Colbert*), entered the acquaculture sector, and announced plans to consider oil distribution and aviation projects (ION 1075; ION 1115). The strategies of state capture and diversification did increase investment in some stagnant sectors, but in other sectors it deterred or displaced competition. One major investor stated bluntly, "Before investing, you had to think: is Ravalomanana in this business if not. If he was, it was impossible (Interview B1)." Ravalomanana primary tactic was simple: send a message, and then send the tax department (Interviews B1, B10, B36, and B40). In extreme cases, rival businessmen went into exile.[97]

Still, for many investors, the post-2003 period represented a period of great opportunity. Consistent with his initial messages of support for development and a liberal economy, if not always his record as CEO of Tiko, the Ravalomanana administration did make numerous changes that encouraged investment. The World Bank's Doing Business Reports captured some of these changes, such as the reduction in procedures and days to start a business from 15 and 67 in 2003 to 10 and 21 in 2006 (World Bank 2004c: 119 and World Bank 2007: 81).[98] Even more impressive,

[97] Prominent CEOs Ylias Akbaraly and Edgard Razafindravahy, who later became supporters of Andry Rajoelina, were two of the most prominent examples.
[98] Despite making relatively minimal progress in the rankings, Madagascar was recognized as a top ten reformer in 2006. (Doing Business 2007: 15).

Madagascar paved 9000 km of roads during the first seven years of Ravalomanana's administration, more than the entire 40-year period from independence to 2002 (Randrianja 2012: 249). If Tiko benefitted from these developments, they were not alone. Large companies, in particular those with foreign backing, made significant investments in potentially high-growth sectors. Like those selling picks and buckets during a gold rush, law firms with international experience and local branches of major international accounting firms (e.g. Ernst & Young and PriceWaterhouseCoopers) were swamped with work. The first true large-scale investment fund dedicated to Madagascar arrived in 2003 with $10 million raised from interested investors in New York and London. The United States' newly-created Millennium Challenge Corporation (MCC) began negotiations, and Madagascar ultimately became the first grant recipient.[99] Numerous Malagasy businessmen and businesswomen with years—or even decades—of experience in France and the US began to return to Madagascar to open new businesses or work for businesses who were rapidly adapting to new opportunities (Interview B29; ION 1092). One of these returning businessmen, the graduate of a prominent American business school, decided to return to Madagascar after more than a decade in France because he "was full of hope for the country (Interview B4)." Much of this hope centered explicitly on Ravalomanana's election and his significance as the first president in Madagascar without strong ties to either France and socialism.

Economic progress

Madagascar's economic trajectory at the end of 2006, four years after the turnover from Ratsiraka to Ravalomanana and one month after the latter won re-election with 55 percent of the vote, was decidedly upbeat, despite pockets of inertia and domestic political resistance. There were two signs pointing to significant, sustained progress. First, the Large Mining Investment Act

[99] See https://www.mcc.gov/where-we-work/program/madagascar-compact for a summary of the compact, signed in 2005. The compact was divided into three strategies: (1) Agricultural Business Investment Project; (2) Financial Sector Reform Project; and (3) Land Tenure Project.

(LGIM[100]), drafted by the World Bank and first introduced in September 2002, facilitated a major new nickel mining and refining project led by a consortium of companies from Canada, Japan, South Korea, and France named Ambatovy.[101] Groundbreaking on the investment—which ultimately cost $8 billion—did not begin until early 2007, but the LGIM and the turnover to Ravalomanana made the investment possible after decades of minimal progress.[102] Moreover, tax incentives from the government convinced Ambatovy to locate the nickel refining plant near Toamasina; specifically, royalties were reduced from two percent to one percent.. Though the LGIM was not responsible for bringing in two other major extractive investors, Rio Tinto and ExxonMobil, their arrival in 2005, together with Ambatovy, reshaped Madagascar's extractive sector from one based on sapphires and ruby mining, lucrative but low value added, to one with world-class projects and investors. The major extractive investments were one important sign that Ravalomanana's stated desire to diversify Madagascar's economic ties away from dependence on France was working. The MCC compact and Madagascar accession to the Southern Africa Development Community (SADC) were additional visible signs.

Second, the creation of the Economic Development Board of Madagascar (EDBM) in 2006 provided an effective, comprehensive investment promotion agency by reducing paperwork and complexity and providing fiscal incentives (Interview B42; WL 5). The EDBM, explicitly modeled on Singapore's Economic Development Board, expanded an earlier attempt in 2003 to streamline investment through a "One Stop Shop" (GUIDE, *Guichet, Unique des Enterprises*). It was premised on the belief that Ravalomanana's early goal of 10 percent economic growth per year, later formalized in the Madagascar Action Plan, would require $500-800 million per year of foreign direct

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[100] In French, *Le Loi sur les Grands Investissements Miniers.*

[101] Ambatovy's partners are Dynatec (40%), Sumitomo (27.5%), Korea Resources (27.5%), and SNC-Lavalin (5%). Dynatech was later purchased by Sherritt International, and Sumitomo later purchased the shares of SNC Lavelin.

[102] See http://www.ambatovy.com/docs/?p=166 for a history of the nickel deposit near Moramanga, first confirmed in in 1960. The project that later became the Ambatovy company began in 1994 with the creation of Phelps Dodge Madagascar.

investment (Interview P2; WL 5.10). Ravalomanana made Prega Ramsamy, a Mauritian with 8 years of experience at the Southern African Development Community (SADC), the head of the EDBM. This appointment met with mixed reviews: some objected to the appointment of a foreigner to a critical post, but others saw it as a sign that Ravalomanana would demand results (Interview B26).[103] By March 2009, an internal document shows that the EDBM was stewarding 180 current projects and 32 prospects, most in the agribusiness, tourism, finance, energy, and extractive sectors.[104]

Though not all of these plans in the EDBM pipeline would have been finalized, they demonstrated significant and growing interest in projects that could bring in millions, or in cases like Daewoo's potential agribusiness plan, billions of dollars of investment. The EDBM was part of a larger trend toward formalization that signaled increased investment even as it infuriated many of Madagascar's traditional elite (Interview B29). The combination of new multi-national companies—including the telecom companies, Total, Galana, and ExxonMobil—who paid taxes and disclosed salaries, the international accounting firms, and the computerization of bank records, meant that the tax authorities had new tools to understand the scope of evasion. The director of a major accounting firm summarized the dynamic, Ravalomanana used tax accusations to eliminate political and business opponents, but "businessmen really were avoiding taxes (Interview B40)." Ravalomanana used this strategy to consolidate power while simultaneously garnering praise from international actors, such as the IMF, for greater transparency and raising expectations that his government would function more effectively and reduce the prevalence of business strategies which relied on gaming the tax system.

[103] This dynamic had parallels elsewhere. For example, in 2004 Ravalomanana appointed a woman, Cécile Marie Ange Dominique Manorohanta, to head the Ministry of Defense.
[104] Per EDBM investment spreadsheet viewed personally by author.

Pockets of inertia

The pockets of inertia evident in 2006 centered on resistance to formalization, major problems with state-run companies in strategic sectors, and the sense that Madagascar's recovery lacked institutional roots. Members of the traditional Malagasy elite complained bitterly that the newly aggressive tax authorities were violating longstanding social norms. In one memorable instance, a member of the Merina nobility, whose family wealth pre-dated colonialism, was audited and given a bill for 50 billion ariary (approximately $25 million) in 2006; furious, he pointed to the fact that both he and Ravalomanana attended the same church and said, "Where is God?" (Interview P10). Their anger stemmed, in part, from the belief that the two-year tax holiday on imports of investment and some consumer goods largely benefitted Ravalomanana's Tiko conglomerate, but that they were being demonized for tax avoidance, and more importantly, losing business (USAID 2004: 1; Interview P10). Ultimately, Madagascar's business elite fell into two camps: some, like *Henri Fraise et fils* and COLAS converted their privileged positions into major gains by investing and working in concert with the new mining companies and the state construction projects; others, such as *Savonnerie Tropicale*, lost enormous profits when their sectors were opened to competition (Interview B29). Some members of the former group scoffed at the latter group, saying they weren't "real businessmen" (Interviews B6 and B10). In short, the private sector under Ravalomanana became more transparent and open to greater competition and foreign investment, but political influence continued to have major effects. In this context, the expansion of Tiko was impossible to ignore. Largely tolerated by the international community and celebrated by his domestic supporters, it undermined the introduction of economic competition and infuriated the president's opponents in business.

Two state-run companies in strategic sectors, JIRAMA and Air Madagascar, remained major obstacles to growth and impediments to investment despite the positive economic trajectory. JIRAMA was the public utility company with a state-granted monopoly on the provision of water and electricity. In the midst of regular power cuts and with JIRAMA $25 million in debt to its providers, Ravalomanana brought in a German consulting firm, Lahmeyer, and in April 2015 they signed a two-year contract with the Government of Madagascar to manage the public company. Almost immediately, they became disenchanted: despite a monthly shortfall of at least $500,000 in revenues, JIRAMA was initially discouraged from raising the price of electricity, then allowed to raise rates by 25 percent (Shah et al 2005: 44; ION 1134). An emergency World Bank loan of $5.3 million allowed JIRAMA to continue functioning, albeit with continued rolling blackouts, until November. After a call for private sector investors drew no takers, JIRAMA was forced to raise rates by a further 30 percent in November (AEI[105] 404). In the long term, there was hope that investment projects in renewable energy, still in the planning stages with the EDBM, would alleviate energy shortages, but in the short term JIRAMA was a major obstacle to business in general. A World Bank survey of firms in 2005 found that firms suffered thirty power outages per year (median), lasting an average of five hours and reducing sales by an average of 11 percent (Shah et al 2005: 43)

The effects from dysfunction at Air Madagascar were less pervasive, but also negative. In 2002, another German consulting firm, Lufthansa, took over the management of Air Madagascar. The airline sector was beset by lack of competition, and the national carrier was hamstrung by the requirement that it maintain loss-making routes to coastal enclaves. Air Madagascar maintained high prices on routes that were critical to tourists and potential business travelers in order to fund the loss-making routes, with pernicious effects for the tourism sector and the overall investment climate (ION 1124). Nevertheless, the government of Madagascar scrapped plans to privatize the national airline, and the "Open Skies" law it passed failed to generate interest because internal flight slots were paired with "social destination" requirements (ION 1191). Madagascar's tourism sector did grow, from 170,000 international arrivals in 2001 to 277,000 in 2005 and 375,000 in 2008; however, its tourism operators and hotels were frustrated by its inability to gain ground on its

[105] Throughout the case studies, AEI will refer to the *Africa Energy Intelligence,* a bi-weekly newsletter.

nearby competitor, Mauritius, who grew from 680,000 to 930,000 over the same period (2001-2008) despite offering a smaller, less diverse range of destinations.[106]

The shallow institutional roots of Madagascar's development after 2002 created a persistent counter-narrative to the news of economic recovery. Tiko's aggressive expansion and diversification, which was difficult to separate into economic and political spheres, was a critical component of this counter-narrative. In one important case, the publicly-funded port of Toamasina and government of Madagascar created a monopoly in wheat milling for Tiko by forcing out Seaboard, an American company, and its Malagasy partner, a businessman who also owned politically outspoken media outlets (WL 24). In 2006, these issues were mostly confined to the domestic press.

Business plan

As the end of his first term neared in December 2006, the strengths and weaknesses of Ravalomanana's strategy were becoming clearer. A key Ravalomanana advisor explained Ravalomanana's approach in terms of a "business plan": first, support plans to bring obvious benefits (e.g. roads, schools) to the country; second, pay for the benefits through international grants and loans; third, expand Tiko's reach around the country through new distribution centers, creating new customers and markets. As designed, the inputs were minimal, the outputs—votes for Ravalomanana and money for Tiko—maintained power and increased profits, and both Ravalomanana and the country prospered (Interviews P10 and I10). The Madagascar Action Plan epitomized this approach. A Harvard Professor, Dean Williams, stewarded the "MAP" through an extensive consultative process around the country, and Ravalomanana formally unveiled it one

[106] World Development Indicators (WDI) graph of Madagascar tourist arrivals: http://data.worldbank.org/indicator/ST.INT.ARVL?locations=MG; comparable WDI graph of Mauritius tourist arrivals: http://data.worldbank.org/indicator/ST.INT.ARVL?locations=MU.

month before the 2006 election for maximum effect (WL 9).[107] The president could boast of real achievements, including a growing economy, major new investors, and dramatic improvements to infrastructure. The MAP promised much more, much faster.

His opponents made four main critiques: first, they claimed that merging state interests with Tiko's business objectives restricted economic competition (Interviews B1, B26, and B42); second, they claimed that Madagascar's growth was sharply unequal and did not improve the lives of the poor (Interviews B3 and B30); third, they claimed that Ravalomanana's approach centralized power (Marcus 2016; Vaillancourt 2008[108]); and fourth, they claimed that Ravalomanana's approach allowed corruption to flourish (Interviews B6, B19, B32, and I9). The failure of two reforms to check state power and, more importantly, distinguish state power from Ravalomanana's prerogatives illustrates the institutional weakness. First, a proposal to create 22 regions in 2004, aided by the World Bank and originally intended to reduce Madagascar's longstanding, extreme centralization of power was undercut when Ravalomanana arrogated the power to appoint the new regional chiefs and make them answerable to the President via the Ministry of Decentralization (Interview P13; Marcus 2010: 123).[109] Similarly, the Independent Anti-Corruption Office (BIANCO[110]), created in October 2004, was thwarted by reliance on the President, who personally called the director to halt early investigations into embezzlement of donor funds, leading to the resignation of the director of the government's Good Governance initiative (Interview P9).

These critiques, and the corresponding institutional weakness, were not enough weaken Ravalomanana's international support, nor did they dent his electoral support. On December 3, 2006, Ravalomanana won re-election with 55 percent of the vote, though not without drama,

[107] See Madagascar Action Plan (2007).
[108] Decentralization efforts in Madagascar, which Vaillancourt calls "a string of unfinished races," is a popular campaign promise, never fulfilled in practice. In 2006 only 1.5 percent of the public budget was spent by levels of government below the central state (i.e. regions, communes, and fokontany).
[109] Marcus, 2010: 123.
[110] *Bureau Independent Anticorruption.*

including an attempted coup and candidates barred from running. If the political environment maintained elements of the past, the economic changes pointed toward a fundamental break. An executive in one of Madagascar's most successful companies captured the new, vastly more positive, economic trajectory following the 2002 crisis and turnover: "Under Marc Ravalomanana, the country was talking about billions of dollars of investment for the first time. This sort of number can't even be translated in Malagasy (Interview B1)."

3.3. Instability and investment

A close examination of the turnover from Ratsiraka to Ravalomanana illustrates the benefits of decomposing instability. In terms of security and networks, the turnover generated significant instability. This created negative incentives for investment in the first sense and positive incentives in the second. In contrast, expectations that Ravalomanana's election represented a regime change were muted, first, by Madagascar's experience in 1991 when mass protests led Ratsiraka to step down, and second, by Ravalomanana's personalist approach to democratic politics, including the party he created and leadership style. Expectations concerning administrative instability varied widely: Madagascar never had a businessman president before, but Ravalomanana was a unique figure in the business community. In contrast to varying expectations regarding administrative instability, it was clear from the outset of Ravalomanana's campaign that his victory would cause extensive network instability. The two leaders did not share a common ethnicity, religion, political party, or age cohort. Unlike the security instability associated with the turnover, the network instability increased the propensity to invest among a wide range of actors, particularly those from communities and countries who had limited access to Malagasy markets under Ratsiraka and those who had built up a distrust of the ex-President and his inner circle. How these disparate elements contributed to an overall increase in investment from 2002 to 2006 is the subject of this section.

3.3.1. Security

Unresolved concerns

The security crisis in 2001-2002 reached a definitive conclusion in July 2002 when Ratsiraka fled the country and the incoming Ravalomanana administration could credibly claim to control the military and the entire territory of Madagascar. Nevertheless, echoes of the crisis continued to reverberate, with knock-on effects for subsequent investment decisions. Ravalomanana's victory in 2002 was secured not just by hundreds of thousands of protesters in the streets of Antananarivo, but also by the military success of a loosely organized group of Army reservists, numbering roughly 2,600, who fought for his cause in numerous locations outside the capital, particularly in the North. At the Independence Day celebration in Antananarivo on June 26, 2002, however, the reservists were excluded; in addition, only 500 were given permanent places in the military (Vivier 2007: 93-94). Various promises to fully integrate the reservists or pay them came to little, dashed by the opposition of career military officers whose support the new President prioritized once in office (ION 1021). A series of entreaties to Ravalomanana went unanswered. Finally, in June 2004, a large group of Army reservists marched into Antananarivo and blocked the entry to the National Assembly; they then marched toward the Presidential Palace of Ambohitsorohitra in the center of the city, easily bypassing police barricades (Vivier 2007: 95). In the following days, clashes between the reservists involving tear gas and rocks led to multiple arrests, and the police cleared the streets. General Andrianafidisoa, or "Fidy," a former commander of the reservists who had become the General Director of the Office of Mines and Strategic Resources (OMNIS), a powerful position with control over mining permits and corresponding patronage opportunities, offered to meet the reservists and press their case (Vivier 2007: 95). The reservists' protests fizzled out, but the sight of army reservists marching down the streets of Antananarivo toward the Presidential Palace with minimal obstruction was a reminder that elements of the 2002 crisis remained in place.

The presence of Didier Ratsiraka, even from exile in Paris, lent a frisson of tension to aspects of political competition in Madagascar which otherwise appeared calm. There was regular speculation that Ratsiraka's former Vice-Prime Minister, Pierrot Rajaonarivelo, also in exile in Paris, would direct a renewed opposition apparatus in Madagascar, or that Ratsiraka himself was "pulling the strings" of his old party (ION 1044 and ION 1084). The press was banned from mentioning Ratsiraka, even when he offered aid to cyclone victims, and his family's substantial business assets were systematically dismantled or impounded (ION 1077 and ION 1145). In addition to those politicians and businessmen who were forced or intimidated into exile, a number of former Ratsiraka supporters, including prominent generals, were jailed in Madagascar.

Preparations for the election in December 2006 showed that the competition between Ratsiraka and Ravalomanana continued. AREMA, the party formed by Ratsiraka and headed by Rajaonarivelo since 1997, requested amnesty for its exiled leadership to return from France to contest the elections (WL 3). Rajaonarivelo had been tried in absentia in 2003 and sentenced to 5 years imprisonment. Seeking to force the issue, Rajaonarivelo flew to Reunion, a French island a few hours east of Madagascar, with the intention of flying to Toamasina to attend AREMA's national conference in October. While the Ravalomanana administration made plans to divert the plan to Antananarivo and positioned 500 troops in Toamasina to arrest Rajaonarivelo there, if necessary, AREMA newspapers called on military forces to stand aside, warning, "The blood of the Malagasy people should not be shed with your weapon (WL 3)." Warnings of ethnic conflict and accusations of French involvement were common. The government closed the Toamasina airport. Rajaonarivelo called for a general strike. Ultimately, the High Constitutional Court rejected Rajaonarivelo's candidacy for not being in Madagascar to sign his registration forms in person. General Fidy'as candidacy was also rejected for failure to pay a 25 million ariary deposit (approximately $12,500 in 2006). Roland Ratsiraka, the mayor of Toamasina and nephew of Didier Ratsiraka, became the closest version of an unofficial standard-bearer for the ex-President. He finished in third place with

10.14 percent of the vote, centered in Toamasina and Diego Suarez, and immediately claimed that massive fraud had taken place (WL 26).

After Rajaonarivelo and Fidy's candidacies were rejected in October but before the election in December, the ex-General and 12 to 20 supporters, including members of the "reservists," led a coup attempt. On November 18, General Fidy succeeded in briefly taking control of the military base adjacent to Ivato, Antananarivo's international airport located 10 kilometers from the city center. One soldier was killed and other wounded when Fidy seized the base, and a plane carrying Ravalomanana back from France was forced to divert from Antananarivo to Mahajanga. Though the coup attempt ultimately failed, the local newspapers and radio covered the story extensively, highlighting the government's slow, if effective, response (WL 10 and 11). The government was aided by poor preparation among the coup's planners and the disorganized, fragmented character of opposition to Ravalomanana in 2006. If the reservist demonstrations, Rajaonarivelo candidacy, and Fidy coup demonstrated that there were active security concerns remaining from the unresolved 2002 conflict, they also showed that the Ravalomanana administration was not in imminent danger, either from the voters or the soldiers.

Security and investment

The security instability and ongoing uncertainty that accompanied the turnover in 2002 negatively affected investor expectations and reduced the propensity to invest. The most important effect was straightforward and immediate: the destruction of infrastructure during the conflict delayed investments that required effective transportation, particularly international shipping. One businessman labeled Ravalomanana's early years a "war economy" and another argued that businesses remained in "survival mode" until 2005 (Interviews B4 and B35). The conflict and infrastructure damage created tremendous uncertainty; the most common tactic to minimize corresponding risk was delayed entry. New investors, even those seduced by the emerging recovery narrative, waited for the new administration to get up to speed. One business made a small investment in 2003, then quintupled that investment in 2006 (Interview B42).

While a complete lack of violence during turnover is the most positive sign for investors, a decisive victory nevertheless creates more certainty and fewer surprising boundaries than an inconclusive outcome. In comparison to caretaker, transitional governments, Ravalomanana's electoral and military victory in 2001-02 was decisive. Still, the specter of military fragmentation and a renewed challenge by Ratsiraka's allies created doubts. In addition, Ratsiraka's exile became a new model for resolving conflicts that could be applied to his political and business allies. Elite members of the Karana and French communities were particularly concerned that they could be forced out or dispossessed next, and Ravalomanana "transformational" goals deliberately amplified their concerns (Interviews B31, B32, and I10). The military felt similarly threatened, first by the integration of a modest number of reservists, and second, by Ravalomanana's plans to reduce the army's role. At one point, he proposed folding the army into the gendarmerie and placing it under the Ministry of Interior (Interview I18). Time, the rehabilitation of infrastructure and the weakness of Ravalomanana's opponents improved Madagascar's security climate and attractiveness to investors. Investor expectations of the worst case scenarios—rebellion, coup, and violent elections—diminished during Ravalomanana's first term and fell sharply after his re-election.

3.3.2. Regime

Regime continuity

The transition from Ratsiraka to Ravalomanana did not generate a "regime change." The formal institutions determining who governs and the authority he exercised changed little, if at all. The scale of informal institutional change is more difficult to ascertain. Like his predecessors and their political opponents, Ravalomanana did not hesitate to use the range of constitutionally-granted powers at his disposal. During the 2001 campaign and the post-election conflict, both he and

Ratsiraka turned to formal institutions—the tax authorities and the High Constitutional Court—to achieve their objectives and cement their gains even as they used non-institutionalized tactics—mass demonstrations, sabotage, death squads, and militias—as key components of their overall strategies. The same dynamic continued after the turnover process was complete; Ravalomanana turned to formal institutions, when possible, to achieve his aims and cement gains, and resorted to non-institutionalized tactics when necessary.

The most significant institutional obstacle limiting the authority Ravalomanana exercised was the continued dominance of Ratsiraka's AREMA party in the Senate, the National Assembly, and the Provinces. Ravalomanana and the TIM party immediately began to reverse this situation. In July 2002, the TIM party gained de facto control of the Senate by appointing 30 new senators, out of 90 in total, per his constitutional right, to replace those directly appointed by Ratsiraka. Though AREMA still constituted a majority in the Senate, many of the remaining members were convinced to cooperate with the incoming administration, and Ravalomanana was able to install former Tiko executive, Guy Rajemison Rakotomaharo, as the speaker (ION 1006). Next, Ravalomanana dissolved the National Assembly, per the constitutional authority established by the 1998 referendum, and scheduled elections in December 2002. In an election characterized by higher turnout—67.9 percent—than the previous year's presidential contest, TIM routed the field, winning 102 of 160 seats while its allies won 22 more (Marcus 2004: 14). Finally, the Ravalomanana administration sidelined the six autonomous provinces by taking advantage of a plan mentioned, but not detailed, in the constitution to justify the creation of regions. In September 2004, Ravalomanana unilaterally appointed 22 regional chiefs and began transferring provincial powers to the regions (ION 1102). Problems emerged. The regions required enabling legislative texts to determine their functions and resources, and current civil administrators (i.e. prefects and sub-prefects) refused to report to their new superiors (ION 1105). While this disorder may have slowed implementation of Ravalomanana's programs, it also removed important sources of institutional opposition and further centralized power in the presidency. A similar dynamic took place within the administration: Ravalomanana reshuffled the cabinet 11 times in his first term alone, hindering the effectiveness of the cabinet but also disincentivizing internal challenges to his programs (Marcus 2010: 114).

The judiciary also functioned primarily as a tool of the administration. Even before the TIM party won control of the National Assembly in December 2002, the High Constitutional Court (HCC) permitted Ravalomanana to issue executive orders that provided tariff exemptions for a long list of items without submitting the plan to the legislature (Pigeaud 2005: 10). Furthermore, the HCC sanctioned trials against the former Prime Minister, Tantely Andrianarivo, and former President Ratsiraka, on procedural grounds that were highly questionable (Marcus 2004: 12). Overall, Marcus (2004:13) wrote, “There have been no significant court challenges to Ravalomanana’s efforts at any level. This includes challenges to Tiko’s benefitting from privatization and challenges to the process under which former Ratsiraka supporters have been tried.”

Regime and investment

Following the transition from Ratsiraka to Ravalomanana, regime stability meant that the legislature, the judiciary, and the sub-national administrative organs did not significantly restrict the President’s policy prerogatives following his election. Marcus (2016: 13-14) summary of Madagascar’s Third Republic, which began with Zafy’s inauguration in 1994 and ended in 2010, casts its failures in terms of too little change:

> Madagascar’s Third Republic did not live up to its promise. It did not create the space within institutions for real political competition nor did it allow the development of a sophisticated political culture to extend public expression into the political sphere. Instead, predatory politics fed the expansion of elite wealth.

The President enjoyed a wide latitude, both formal and informal, under this system, and there is little evidence that investors expected this to change under Ravalomanana. Whatever the long-term effects of a "presidentialist" system, and Van de Walle (2003) argues they are significant and negative, Madagascar remained "predictable" in an important sense. The Presidency mattered, and other institutions largely did not.

Investors therefore turned to personal networks, seeking to build ties to the incoming administration or avoid it altogether. For some companies, particularly in the extractive sector, restricting the range of institutions that mattered streamlined the process of investing. While there were few formal veto points to remove in the process, adding the legislature, empowering the ministries, or undertaking true decentralization would have raised the costs associated with uncertainty and identifying boundaries. As in previous administrations, the political calculus for investors centered on the governing style and competence of the President, as well as network surrounding him and potential channels of influence.

3.3.3. Administration

Business background

Ravalomanana's background was so different from Ratsiraka's and so unusual in Madagascar (and Africa more broadly) that it was difficult for investors to form expectations regarding the new administration's governing style and competence. Ravalomanana won the presidency with no military background, no legal training, and experience in government which consisted of two years as mayor of Antananarivo. His education was limited. He graduated from a Protestant elementary school and then spent less than two years in secondary school, after which he quit due to the widespread student strikes in 1972. He took additional classes at a technical school and attended short term trainings in agribusiness engineering in Germany and Sweden (Vivier 2007: 14-15).[111] While in secondary school, Ravalomanana began making yogurts and selling them to villagers. His

[111] Some of the details of Ravalomanana's education are unclear. Marcus (2004: 12) says he studied in Denmark, and the extent of his trainings in Europe is the subject of competing claims.

business grew, leading to a factory in 1977 and a significant World Bank Loan, approximately $3 million, in 1982 (Vivier 2007: 18). Multiple interviewees claim that Ratsiraka personally supported this loan, and one Malagasy academic characterized the incarnation of Tiko as a "front for reformist members of the Ratsiraka government (Interviewee P7)." By 1986, Ravalomanana was one of the country's most prominent businessman, despite his modest background and poor ability to speak French. From an early age, Ravalomanana displayed impressive sales instincts, and when he ran for president he promised to run the country like a business, offering "the same miracle for Madagascar from the man who performed miracles (Vivier 2007: 31)."

Ravalomanana's business background provided two important sources of political strength during the turnover process: first, a network of trusted advisors with management experience already accustomed to working together, and second, a procurement and distribution network across the island which included warehouses, helicopters, and trucks. In short, human resources and physical resources. Both were vital to Ravalomanana's election campaign and the ensuing conflict. In total, the Tiko conglomerate employed approximately 1,000 people at the onset of his election, Ravalomanana's results-based, direct leadership style was striking in a country where interactions are typically governed by elaborate outward signs of harmony and deference to social hierarchy, even when competition is fierce. Impatient and brusque, Ravalomanana was well-known for dismissing managers, and later, government ministers, who failed to reach objectives he had set out.[112] Hi approach as mayor and during the presidential campaign was similar: as Mayor of Antananarivo, Ravalomanana's administration rapidly cleared the city's streets of trash, informal traders, and markets; and during the conflict Ravalomanana's took aggressive steps such as organizing an inauguration without securing international support and calling for support from the

[112] Cabinet meetings sometimes became exercises in humiliation, as in one case where an under-performing minister was forced to stand, then sit, repeatedly, to illustrate the level of responsiveness Ravalomanana expected (Interview I16).

reservists. Because these early maneuvers were decisive and successful, many investors expected new openings and rapid improvements to the country's business climate.

Rapid results

With the support of the international community, Ravalomanana sought to create programs and institutions that would project his leadership approach and spur development. From 2003-2006, the World Bank's Leadership and Management Program (LAMP) emphasized "rapid results" obtained through a series of leadership interventions that led to tangible breakthroughs: development of the Madagascar Action Plan (MAP), reactivation of a $300m transportation loan portfolio, establishment of the Economic Development Board of Madagascar (EDBM), and mediation of a management crisis and difficulties with implementing reforms at JIRAMA (Heidenhof et al 2007: 12). Taking stock, a senior member of the International Finance Corporation applauded Ravalomanana for seeking transformational change instead of incremental progress (Interview I13). Other members of the international community were more skeptical. The IMF, for example, quarreled with the EDBM's first director, Prega Ramsamy, over the utility of fiscal incentives to promote investment (WL 1). On the eve of Ravalomanana's re-election, the US Ambassador assessed Ravalomanana's approach, acknowledging critics but generally validating his business-centered approach:

> The MAP predictably addresses the country's many development challenges and attacks Ravalomanana's top concern: the prevailing "Mora-Mora" (slowly, slowly) complacent attitude of most Malagasy…While sometimes met with skepticism, [Ravalomanana's] MAP does resonate with ordinary citizens, to the extent they have time to pay attention, as well as the elite. Post assesses the MAP is more than campaign promises, and embodies the impatient businessman's burning desire to lead "Madagascar Inc." into big profits in the coming years, just as Ravalomanana did with his Tiko empire (WL 9).

Administration and investment

On balance, the shift from Ratsiraka's administrative capacities to Ravalomanana's facilitated more investment than it hindered, though the reasons are contingent on historical factors. Notably, Ratsiraka's relative assets—experience in the military and a more extensive education—were largely counterproductive. The benefits of Ratsiraka's military experience were limited by his decision to sideline the army following the failed coup in 1981. The benefits of Ratsiraka's education were limited because it took place during a period when African socialism, in its many versions, was dominant. By the time he was re-elected in 1998, he had long since been forced to work with the IMF and turn away from core socialist doctrines. Nevertheless, international investors and organizations distrusted him due to his history of nationalization and broken promises to privatize key sectors of the economy.

In contrast, Ravalomanana's education was more limited, but he was in step with the donor-driven development agenda, having benefitted from World Bank loans in the 1980s and developed a private sector conglomerate. The extensive IMF loans, World Bank programs, and high-profile donor grants generated a growth narrative that was fed by Ravalomanana's penchant for lofty goals and quick decisions. According to one member of an international organization, Ravalomanana frequently governed, informally, via late-night phone calls (Interview I10). Formally, he governed by presidential decree and legislation written with World Bank Asistance, choosing partners in the extractive and telecoms sectors through direct negotiations and bypassing bureaucratic channels. Most notably, this included crucial investments in mining and oil exploration. Ambatovy, the largest investment in Madagascar ever, is just one example. The Law of Large Mining Investments (LGIM), written with the assistance of the World Bank in 2002 and revised in 2005, effectively facilitated early steps in the process through investor-friendly terms during Ravalomanana's first term. As part of this law, royalties were capped at 2 percent. In exchange for building its refinery in

Madagascar at a site just south of Toamasina, the royalty rate was reduced to 1 percent. Rio Tinto's ilmenite mining project followed a similar path. After an initial investment by Rio Tinto of $40 million, a $35 million World Bank Loan in 2005 to finance a deepwater port in Fort Dauphin cleared the final hurdle to a $775 million investment decision (AMI 114: 24/08/2005). Ravalomanana received criticism in both cases, but he could claim to have delivered on a major priority by attracting transformative investments to Madagascar. The administration's record in oil exploration was more mixed. In 2005 ExxonMobil bought into three offshore blocks, initially granted by presidential decree, with two well commitments in the Mozambique Channel, suggesting the possibility of a third transformative investment.

Benefits of the growth narrative generated by Ravalomanana's governing style were mitigated by increased uncertainty and new boundaries. While companies such as Ambatovy, Rio Tinto, ExxonMobil and others benefitted from the President's decisive governing style and World Bank-vetted legislation, other companies criticized Ravalomanana for delays and asserted that tax legislation was written to benefit Tiko at their expense. While many of these decisions were driven by network considerations (see next section), the role of Tiko is inseparable from Ravalomanana's governing style. Ravalomanana and his administration used multiple levers, typically tariff protections and tax audits, to assist TIko at the expense of its rivals. The perception that Tiko was interested in a certain sector was sometimes enough to deter investments (Interviews B1, B42, and P7). The threat of tax audits was particularly effective. Ravalomanana also used Tiko as a kind of parallel government agency: during a rice shortage in 2005, Ravalomanana directed Tiko to immediately import enough to cover gap (Interview P9). These ad hoc decisions, though sometimes well-intentioned, created uncertainty and deterred investments. In some cases, Tiko's entry into a sector threatened to create a new monopoly and in others, Tiko's potential entry created incentives for "political diversification," as one of the investors described his strategy of investing in Mauritius or elsewhere in Africa to avoid Ravalomanana (Interview B1).

3.3.4. Network

Social cleavages

The primary characters in Madagascar's 2002 turnover, Ratsiraka and Ravalomanana, were on the opposite side of nearly every fault line that defined the country's most prominent political and social cleavages. Most notably, these included the divide between those who lived on the plateau and those who lived on the coast (*côtiers*) and the divide between Protestants and Catholics. Ravalomanana's election also gave new weight to previously muted cleavages, including a rivalry between Francophone and Anglophone interests and a concern over Muslim economic influence in a predominantly Christian country.[113] Finally, Ravalomanana's election also exacerbated class-based tensions in Madagascar, including the caste distinctions within the Merina ethnic group. The post-turnover political and economic trajectory was dramatically affected by the fractures to existing networks built on these cleavages.

Ravalomanana epitomized the "new broom" logic almost perfectly. He was Madagascar's first leader from the plateau since independence; he was the vice-President of the country's largest protestant organization, the FJKM, whereas Ratsiraka was Catholic; and he was from a modest Merina background, economically and socially, in a capital where members of the Merina nobility held disproportionate political and economic sway.[114] Finally, he was from a younger generation than Ratsiraka, one in which the socialist ideology was never deeply ingrained but World Bank and IMF interventions and rhetoric were commonplace. In a political economy where relationships preceded economic opportunities, numerous investors sought to take advantage of fractures to the existing system and spaces created between exiting and entering networks.

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[113] Estimates for the number of Muslims in Madagascar range from five to fifteen percent of the population, predominantly in the northwest.

[114] Ratsiraka was not Merina, but he spent much of his early career in the capital after receiving a military scholarship to study in Brest, France. Some interviewees claim that Ratsiraka had important allies among the *andriana* (i.e. noble) families from an early age (Interviews B38 and B44).

Micro-fractures

The lack of network continuity from the Ratsiraka administration to the Ravalomanana administration had a direct effect on important systems outside of politics in Madagascar that produce elites and maintain Madagascar's socio-economic system: the military, the churches, and business (Interview B3[115]). Under Ratsiraka, the military's political power was limited, but it was an effective channel for patronage, particularly for officers from *côtier* regions. These officers allegedly benefitted from involvement, tacit or active, in illicit, highly profitable economic sectors outside the capital, including gold mining, hardwood trafficking, mining semi-precious stones, and cattle rustling. Under Ravalomanana, this system was threatened. Many members of the military believed that the new president wanted to reduce the influence of the army and that he was systematically favoring Merina officers (Interviews I9 and I18).

A similar dynamic took place in Madagascar's church structures. Ravalomanana came to power with support from many members of the Catholic power structure in addition to his base in the FJKM synod. During the election campaign and ensuing conflict, Ravalomanana explicitly sought to draw the churches into the political sphere. Predictably, this led to accusations of state favoritism in subsequent years, particularly with regard to state support for church-led development projects and plans to fund a new protestant university (Interviews P8 and U2). The economic value of church patronage was small relative to its social value, a fact which Ravalomanana sought to change. In 2005, the president addressed a nationwide conference of pastors, funded by the World Bank, saying they were "agents of development (Randrianja 2012: 268)." Ravalomanana's explicit political instrumentalization of churches was effective and controversial.[116]

[115] One interviewee explained that successful Malagasy parents sought to implant their children in diverse networks to ensure family success, the first son in church, the second son in the military, and the third son in business (Interview B3).

[116] One interviewee said, "Ravalomanana adopted the idea that politics and religion could go together. This is something we don't forgive (Interview U2)."

Micro-fractures in the business world, even more than the churches and the military, were difficult to disentangle from the political sphere. Under Ratsiraka, business in Madagascar was largely dominated by the longstanding "great families" of Madagascar and the French and *karana* businessmen who had survived the nationalizations in the 1970s. Their wealth was dependent on government rents which Ravalomanana proved willing to dismantle, though not with consistency and not when they benefitted his business interests or close allies. The Ramarason family is an excellent example of this dynamic (Lahiniriko 2012: 15). André Ramarason invested in a soap factory, *Savonnerie Tropicale,* in 1968. During Ratsiraka's first term, he fended off nationalization attempts and his brother, Alain, was a major figure in the protests that ousted Ratsiraka from 1991-93. Subsequently, *Savonnerie Tropicale* benefitted from tariffs that protected it from international competition. Though Alain also supported Ravalomanana in 2002, he allowed the removal of tariffs protecting soap and began importing soap from Mauritius to sell in Tiko's Magro stores. While the Ramarasons, among other business figures, were incensed by these tactics, many others asked how it benefitted Madagascar to prop up a company that hadn't become internationally competitive despite 30 years of tariff protections (Interviews B6 and B10).

There were many businesses, and businessmen, who thrived during Ravalomanana's first term, but Tiko stands out. A group of "Tiko boys," former employees at Ravalomanana's dairy conglomerate who moved into important political positions and roles at state-owned enterprises, were often young and nearly always Merina. While this was disconcerting, a separate group of businessmen not affiliated with Tiko believed that Ravalomanana would open the Malagasy economy and create investment opportunities that were not dependent on government rents. Many members of this new group of entrepreneurs and businessmen were educated abroad and had access to foreign capital. They were well-positioned to benefit from Ravalomanana's openness to foreign investment and the new infrastructure programs, partly funded by development partners.

In a country without a long culture of investment,[117] which had largely been ruled by one person for three decades, the swift, unexpected turnover and subsequent economic opening was invigorating.

Network and investment

The investment effects resulting from network instability were most obvious with respect to large investment projects based in the capital or those which required direct executive action. These included the large investment projects (e.g. Ambatovy, Rio Tinto) described earlier, as well as privatizations, presidential decrees, and tariff protections. Many of Madagascar's largest fortunes are the result of privatizations, and Ravalomanana appeared intent to shape Madagascar's trajectory by guiding privatizations toward preferred partners or toward Tiko.[118] In two cases—SINPA, the state agricultural corporation, and SOMACODIS, the Malagasy trading corporation—Tiko bought state companies with no invitation to tender (Marcus 2004: 15). In another case, the privatization of Telma, the state telecom company, became the subject of a multi-year legal dispute which reached the Supreme Court after Telma was granted to Distacom over France Telecom in 2002. Rumors surfaced at the time that Distacom, a company based in Hong Kong, was preferred to France Telecom because of opaque ties to the administration, a bias against French companies, or both (ION 1064). Whether these rumors were due to paranoia among French interests in Madagascar or legitimate concerns, the perception certainly existed that Madagascar was partial to investments outside the French, karana, and andriana networks (Interviewees B31, B32, I10, P2, and P10). Contracts to manage JIRAMA and Air Madagascar, both awarded to German companies, strengthened this perception.

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[117] Many interviewees, Malagasy and non-Malagasy, claimed that Madagascar's culture inhibited investment (Interviews B2, B3, and B12).

[118] See Forbes Afrique, May 2015. This includes Iqbal Rahim (est. 2015 wealth: $419 million), the Galana CEO who began selling fuel to the state-owned refinery, Solima, in 1991, and then bought into the petroleum distribution sector in 1999 when it was privatized. Similarly, the Hiridjee family (est. 2015 wealth: $705 million) bought into petroleum distribution sector in 1999 through the Jovenna company and later bought control of Telma, which was privatized in 2004.

Years after Ravalomanana left office, many investors said that early expectations of Ravalomanana had been too optimistic. The turnover did create significant network instability, and that did create openings for new investors. Investor disappointment, however, stemmed from investments that did not take place and policies that were not changed. Jirama and Air Madagascar, while put under foreign management, were not privatized, and other companies were forced out of business because the owners were Ratsiraka allies, too close to France, or competed with Tiko (Interviews B1, B21 and B32).

3.4. Conclusions

"You think like a Bill Gates, not a Bill Clinton."

~Interview P16, said to Marc Ravalomanana

The turnover from Ratsiraka to Ravalomanana created significant security and network instability in Madgascar. This instability created expectations among investors which were negative in the former case and positive in the latter. The turnover's effect on expected regime and administrative instability were less clear-cut. Most investors did not expect significant regime change; while this reduced uncertainty, it also increased focus on leader effects. If it seemed clear that the network instability would create economic openings, it was much less clear that the new president had the administrative capacity to lead the push for transformative progress he described. The overall effect on investment in the medium term was definitively positive. Major investors arrived and many new businesses expanded under Ravalomanana in spite of the desperate economic conditions that prevailed when he was inaugurated.

The micro-foundations of this change in trajectory can be located in discrete individuals, including Ravalomanana and Ratsiraka of course, but also including army reservists, investors, domestic and foreign, entrepreneurs, members of the Malagasy diaspora returning to the island, bureaucrats in new institutions, and members of international financial institutions. There are three lessons that emerge from tracing the expectations of these individuals through the turnover process and post-turnover period. First, a recovery narrative quickly took hold, buoyed by international support and based on the belief that Ravalomanana was committed to development and not beholden to existing socio-political networks. For most investors, this narrative was enough to overcome concerns about unresolved security problems, regime weaknesses, and corresponding uncertainty. Second, the logic of governing had not changed; existing levers were put to use in new patterns and new institutions created, but relationships remained crucial and power highly centralized. There were major boundaries for investors to avoid and costs for failing. Third, investor expectations about the political economy were sometimes predictive, sometimes self-fulfilling, and sometimes wrong. Contingency played a role, as did factors other than instability, but in many cases it is possible to explain investor behavior by understanding the bases for their expectations and how they were shaped by the turnover process.

Chapter 4:

Permanent transition:

Madagascar from Ravalomanana to Rajoelina

Power was consolidated, but not by Andry Rajoelina.

~Interview I4

4.1 Introduction

The turnover from Marc Ravalomanana to Andry Rajoelina undid the fragile institutional equilibrium that had held, barely, since Madagascar's first multi-party elections, ushered in an era of insecurity across the country, and brought to power an ad hoc coalition held together by antipathy toward the previous administration rather than a vision for the country's future. The political focus of the new administration was relentlessly short term. This created a parallel short-term among economic actors inside the country and a pervasive hesitation among prospective investors. Security instability and regime instability generated "worst case scenario" narratives and expectations of long-term uncertainty. The role of administrative instability and the introduction of Rajoelina's network was more nuanced: superficially, Rajoelina and Ravalomanana were quite similar, but the former's inability to assemble a talented, cohesive team created uncertainty regarding who had power and expectations that whoever did would appropriate resources and create boundaries to profitable business. Investment projects fell sharply. Describing this turnover, explaining the dynamics of the subsequent administration, and demonstrating the effects on investment are the subjects of this chapter.

4.2 Turnover

4.2.1 Pre-turnover environment

Following Ravalomanana's re-election in December 2006, the twin trends of political centralization and economic progress accelerated. The centralization of power by Ravalomanana took place, somewhat paradoxically, by means of a series of elections held in 2007. These included a constitutional referendum in April, elections to the National Assembly in September, and municipal elections in December. In a rare setback for Ravalomanana, Andry Rajoelina, a young businessman, was the surprise winner of the race for Mayor of Antananarivo in the municipal elections. Almost by default, Rajoelina became the leader of a weak opposition to the increasingly autocratic president. Economic growth and investment increased in 2007 and 2008 due to major mining projects, new interest from Chinese companies, and international support centered on the Madagascar Action Plan (MAP). Nevertheless, the slow pace of major reforms, persistent energy shortages, and the challenges to key sectors resulting from currency appreciation undermined the foundations of broad growth. During this period, tensions grew within Madagascar and among the international observers concerning the growing influence of Tiko in the economy and political system. The twin narratives of liberalization and swelling inequality created a sense of impending crisis. As one member of the administration recounted, "The thought in every cocktail party was 'it won't last long (Interview B32).'"

Political centralization

Ravalomanana used a series of three elections to centralize power in 2007. In two cases—the constitutional referendum in April and the National Assembly elections in September—he could control the timing of the elections, while the third, municipal elections in December, were previously scheduled. Announced just three months after his re-election victory in December 2006, the constitutional referendum epitomized Ravalomanana's instrumentalization of democratic processes to centralize power. The referendum was announced in early February with a date of April 4. After a short period for public comment which ended on February 14, the government, political parties, and civil society, a nine-member committee met behind closed doors to decide on the specific changes that would be presented to the public in an up-or-down vote. According to US Embassy cables, the government gave little explanation for the referendum, "except to say in general that Constitutional changes are needed to accelerate the pace of economic development and implement the Madagascar Action Plan (WL 38)." The committee's final proposals included a number of measures which, taken together, were meant to make the government more efficient, typically at the expense of checks against the power of the presidency (WL 40). The referendum passed easily with 73.29 percent of the vote, but only 42 percent turnout (Marcus 2010: 126).

Ravalomanana moved on quickly from the successful referendum, dissolving the National Assembly on July 24, 2007 and scheduling new elections for September 23, 2007. The TIM party dominated the elections, winning 105 of 127 seats, including the supposed opposition stronghold of Toamasina (Marcus 2010: 128: ION 1223). The official participation rate, 46.17 percent, was low, but many observers were convinced that that actual rate was even lower (Vivier 2010: 21). More importantly, Ravalomanana's victory checked a dissident wing of the TIM party which had emerged after the dismissal of Jean Lahiniriko as Speaker of the National Assembly in May 2006. The "Committee for the Redynamization of the TIM (CrTIM[119])" was led by a TIM Senator from Nosy Be, Yoland Joseph and supported by Rajemison Rakotomaharo, the President of the Senate and a former Tiko executive. They sought a national TIM conference to discuss a new platform and new leadership (Vivier 2010: 20; Marcus 2010: 128.). The short election schedule kept the CrTIM from forming a new party, but it was able to put forward 41 candidates as independents, 20 of whom won (WL 74; WL 82). Ultimately, the TIM's runaway success in the election ended the attempt at internal reform, and the consequences for the main individuals involved were severe: an arrest

[119] *Comité pour la Redynamisation du TIM.*

warrant was delivered against Joseph, who fled to Réunion; the President of TIM, Solofonatenaina Razoarimihaja, was removed on October 8, 2007 for allowing the movement to grow in the first place; and Rajemison, a quintessential "Tiko boy" was dismissed as President of the Senate in May 2008 (Vivier 2010: 21-22). In all, Ravalomanana removed the Prime Minister (January 2007), the President of the National Assembly (May 2006), and the President of the Senate (May 2008) in just two years.

The municipal elections held on December 12, 2007 were expected to be the year's third overwhelming victory for TIM's electoral machine until the race for mayor of Antananarivo, the launching pad for Ravalomanana's own political career in 1999, became competitive. The race pitted former Tiko executive and TIM member, Hery Rafalimanana, whose campaign was led by Ravalomanana's daughter, Sarah Radavidra, against Andry Rajoelina, the 33-year old CEO of Injet, an advertising company, and VIVA, a private radio and TV station he had recently bought from the Norbert Ratsirahonana, the interim president from 1996-97. A platform composed of three opposition parties, including AREMA, decided to boycott the elections, facilitating the emergence of the young businessman, popularly known as "Andry TGV" after the French high-speed train (Vivier 2010: 22). Like Ravalomanana before him, Rajoelina leaned on his business experience rather than specific policies; his primary campaign message was, "My success in the business world speaks for itself, and I can make Antananarivo successful too (WL 86)." On election day, Rajoelina won 63.32 percent of the vote against 32.40 percent for Rafalimanana (WL 87).[120] The participation rate in Antananarivo was only 43.33 percent, meaning that the new mayor won his victory with only 268,914 votes, and the prevailing perception was that many of those were votes against Ravalomanana rather than for the relatively unknown Rajoelina (Randrianja 2012: 13-14). Nevertheless, at the end of 2007 Rajoelina was the most visible and highest-placed non-TIM politician in Madagascar.

[120] In addition, many independent candidates, formerly of the TIM party, won in the municipal elections.

Growth and discontent

The Malagasy economy grew rapidly in 2007 and 2008, benefitting from the large mining projects and pro-investment reforms, but there was limited progress toward solving structural economic problems. Per the World Bank, the official growth rates in 2007 and 2008 were 6.2 percent and 7.1 percent, respectively, and there were good reasons to believe that Madagascar could achieve even faster growth. First, major Chinese investors were beginning new projects in multiple sectors during this period, including sugar, cement, banking, construction, and retail, all buoyed by Air Madagascar's new direct flight to Guangzhou in May 2008 (ION 1219).[121] Second, the new investment law adopted by the National Assembly in 2008 enhanced the role of the Economic Development Board of Madagascar (EDBM) and gave new incentives to investors. These incentives ranged from procedural, including faster registration and longer business visas, to structural, including allowing foreign land ownership and providing long-term tax exemptions (WL 90). Third, the Madagascar Action Plan provided a framework for combining increased international assistance with economic reforms. As one example, Madagascar received the first grant from the USA's recently-created Millennium Challenge Corporation; the grant provided $110m in 2005 to fund three economic reform programs, and Madagascar was poised to receive a second grant of $577m in 2009 (Interview B29).[122] In general, significant scope remained for economic reforms that would increase investment, and the members of the Ravalomanana administration appeared committed to further changes (ION 1251).

Major structural weaknesses remained in Madagascar's economy. The energy sector hindered investment and generated popular anger. Despite putting JIRAMA under the management of the German firm, Lahmeyer International, in April 2005, the company was unable to finance new

[121] See Schiller (2013).
[122] See https://www.mcc.gov/where-we-work/program/madagascar-compact.

investments or meet energy demand (ION 1174). In 2007 this led to recurrent power cuts in the capital, similar to the cuts in 2005 (AEI 452). Jirama's weakness created systemic economic and political problems. In March 2007, the IMF country director Brian Ames estimated that even a seven percent growth rate was out of the question without major energy sector reforms, let alone the ten percent growth rate called for in the MAP (WL 44). Later that year, protests and riots began in a number of coastal cities experiencing blackouts, including Toliara, Toamasina, Mahajanga, and Diego Suarez, leading to strikes and targeted attacks on Merina businessmen that required tear gas to disperse (WL 50; WL 51). The opening of new power stations in 2008 eased the problem, but did not represent a long-term solution. A similar dynamic played out in other important sectors, including banking, where the lack of deregulation hindered investment, and sugar, where the privatization process suffered numerous delays and eventually led to the closure of the state-owned refineries (ION 1251; Vivier 2010: 21; ION 1235).

The new mining investments—Rio Tinto and Ambatovy—were poised to become stable sources of jobs, tax revenue, and foreign exchange, but they also had structural effects for other sectors of the economy. As the major investments began to hit the economy in the second half of 2006 (Rio Tinto) and 2007 (Ambatovy), the ariary began to appreciate, falling from an average of 2200 Ariary to the USD over 2005-2006 to 1850 Ariary/USD in April 2007; this made certain export sectors, including textiles and shrimp which accounted for nearly ten times more jobs than the formal mining sector, less competitive (WL 44; WL 49; WL 77). IMF officials expected that this effect would be offset by (a) falling interest rates, another consequence of the ariary's appreciation; (b) lower inflation, a consequence of the government's improved macroeconomic management; and (c) improved productivity, which the government and World Bank sought to improve through training programs (WL 44). On balance, there is little evidence for systemic, negative economic consequences stemming from the major mining investments: the rate of inflation fell during 2006-2007, though there were pockets of higher prices in Toamasina and Ft. Dauphin, and the textile sector grew by 20 percent in 2007 (WL 77).[123] In the political sphere, there were complaints that the terms of Madagascar's agreements with Rio Tinto and Ambatovy were overly generous, but this critique did not gain widespread acceptance while the economy was growing, the experience of major foreign investments were still new, and expectations remained high for the effects of current and future investments.

Demonization and elites

If low participation rates in the 2007 elections suggested that enthusiasm for Ravalomanana had waned among the Malagasy people, his loss support among during his second term was even sharper and more significant. A study undertaken in 2012-2013 showed that Ravalomanana's "favorability rating[124]" during his first term was +61 among the population and +59 among elites; during his second term, his favorability rating fell among the population, but only to +39; among elites, it dropped to -19 (Razafindrakoto, Roubaud, Wachsberger 2015: 8). This decrease resulted, in part, from a deliberate campaign among opposition politicians, including Rajoelina through his Viva radio and TV stations, to "demonize Ravalomanana." Randrianja (2012: 15) writes:

With his allies, [Rajoelina] first tried to cut into the administration's internal legitimacy, surfing on the waves of discontent born of a difficult economic situation. He then moved to its external legitimacy, exploiting a recent repudiation of the administration by international

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[123] Growth and decline in the textile sector during this period was heavily dependent on the Third Country Fabric Provision (TCFP) of AGOA which allows duty-free importation to the US from 45 developing countries (primarily in sub-Saharan Africa). See https://ustr.gov/about-us/policy-offices/press-office/fact-sheets/2012/urgent-need-extend-agoas-third-country-fabric-provision-and-i.

[124] The favorability rating is taken by subtracting the percentage of poll respondents with negative views of the president from the number with positive views. It can be positive or negative. While the academic research from which these figures is drawn is of high quality and conducted by scholars with decades of experience conducting field research in Madagascar and elsewhere, the representative quality of polls in Madagascar should be treated with caution.

institutions against opaque characteristics of governance. The conditions for escalation were in place, fueled by the different media in the capital while the provinces remained calm.[125]

Before considering the dynamics of the rapidly escalating political conflict in the next section, it is useful to understand why Rajoelina's criticism of Ravalomanana's economic record was effective, particularly among Madagascar's narrow elite class. The critiques made two points: first, that Ravalomanana's policies were not fair, and second, that they were not effective. Ravalomanana's rivals had claimed since the beginning of his first term that the businessman-politician freely mixed the two spheres, but this had been more palatable when the President's business interests were relatively narrow and the perceived victims of the government's tax audits were limited to those seen as economic dinosaurs who had benefitted from government rents and stifled the creation of a dynamic, growing economy. In 2008, the opposition's critiques were picked up and amplified by the World Bank and IMF; their reports noted progress on development indicators but highlighted "persistent weaknesses in monitoring and controlling budget execution," "extremely slow" decentralization, and the "ineffective" judicial system (IMF 2009: 2-3). In December 2008, IMF and World Bank officials sent a letter directly to the Minister of Finance and Budget reacting to press reports of an expensive new official airplane, the re-creation of a state petroleum company, and a new VAT exemption that was disproportionately favorable to Tiko (WL 107). The EU, Germany, and France announced that they were suspending aid over these issues. The constant drumbeat of criticism in the press and official reports eroded support—particularly among elites—for the Ravalomanana administration's economic management, which the President explicitly had

[125] My translation : « *Avec ses alliés, il cherche d'abord à entamer la légitimité intérieure du régime en surfant sur les mécontentements nés d'une situation économique difficile. Il s'attaque ensuite à sa légitimité extérieure en exploitant un récent désaveu des institutions internationales à l'encontre des aspects opaques de la gouvernance du régime. Les conditions de l'escalade sont en place, attisées par les différents médias de la capitale alors que les provinces restent calmes.* » For a further discussion of the role played by the press in the demonization of Ravalomanana, see Andrianavalona 2012: 147-149.

positioned as the basis for his legitimacy. Following Rajoelina's mayoral election, Ravalomanana (WL 87) had told journalists:

> I could care less about the people's message. Whether the people are satisfied or not, it is not my problem. I am not looking to satisfy the people, I want what is good for them.

Ravalomanana also lost support among some members of the elite for decisions that inflamed ethnic and religious tensions. He named Charles Rabemananjara, a Merina Protestant, the Prime Minister in January 2007, disregarding the tradition that the President and Prime Minister come from separate backgrounds. Coastal elites were further frustrated by the perception that most the cabinet, especially key ministry positions, went to people from the high plateau (ION 1213).[126] The dynamic of deteriorating elite support for Ravalomanana also took place among the Catholic hierarchy, which had provided qualified support to him in 2002 out of frustration with Ratsiraka's perceived mismanagement. In sum, the events which ultimately led to the rapid unraveling of the Ravalomanana era took place in the context of growing elite frustration and dissension within the TIM party. Economic growth was strong, but the perception that Ravalomanana sought to monopolize the gains created powerful enemies concentrated among elites.

4.2.2 Turnover process

The turnover process which forced Marc Ravalomanana into exile and catapulted Andry Rajoelina from inexperienced mayor to president of the High Transitional Authority (HAT[127]) began with a year of political skirmishes, escalated through demonstrations and violence, and culminated in a *coup d'état* on March 17, 2009. At critical points during the process, Rajoelina and the strength of his evolving coalition was underestimated, both by the Malagasy administration and the international community. Only when Ravalomanana fled into exile in South Africa were the

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[126] See also the report on "Anglo-Saxon" recruitment led by Dean Williams (ION 1216).
[127] *Haute Autorité de la Transition.*

separate facets of Rajoelina's coalition and the scale of weaknesses underlying the TIM paper tiger thrown into sharp relief. At key points during the turnover process the young mayor capitalized on the anger with Ravalomanana among the traditional Merina elite, coastal politicians, military officers, karana businessmen, and the French government. Despite the theater of mass demonstrations, Rajoelina's claims to popular legitimacy rested more on these elite actors than the protesters in Antananarivo who had limited influence even within the capital. The turnover process and the composition of the network surrounding Rajoelina shaped countless investment decisions and had a dramatic effect on Madagascar's subsequent economic trajectory.

Political skirmishes

Shortly after the votes for mayor were counted in December 2007, the conflict between Ravalomanana and his younger rival intensified. Rajoelina commissioned an audit of the mayor's office before taking power and announced on Viva radio that the city's debts to its suppliers totaled 7.7 billion ariary, or approximately $4.32 million (WL 87). He kept details of the audit private so that the debts functioned as a justification for problems with city services, and the audit's potential release functioned as an implicit threat. Rather than appease Rajoelina, the Ravalomanana administration adopted aggressive tactics. In January 2008, the central government reduced the mayor's power to appoint the chief of police and the heads of *fokontany* (Madgascar's smallest administrative unit) in the capital; also in January, the Ministry of Finance demoted the Municipal Treasury of Antananarivo, meaning that funds and payments had to pass through the centralized Public Treasury, and the State could delay or block payments for the new mayor's projects (Vivier 2010: 52). These maneuvers paralleled a growing personal enmity between the two politicians that would later prevent diplomatic efforts to avoid a political crisis. On January 2, 2008, at his first audience with the President after becoming Mayor, live on television, Rajoelina crossed his legs. Taking this as a sign of disrespect, Ravalomanana demanded he uncross them. Years later, interviewees still referenced this moment to explain the dynamic that prevented each man from tolerating the other (Interview J5; WL 101).

The skirmishes over authority in Antananarivo spread to the energy, sanitation, and transportation sectors. In July 2008, citing unpaid bills totaling 2.5 million euros, Jirama cut off power and water to multiple neighborhoods in Antananarivo. The mayor's team was able to broker an accord in August that re-established services but not until *Le Quotidien,* a newspaper owned by Ravalomanana, and Madagascar Broadcasting System (MBS), a TV and Radio station owned by Marc Ravalomanana and managed by his daughter Sarah, leveled heavy criticisms at the mayor's management (Vivier 2010: 53-54). That same month, the Prime Minister signed a decree transferring management of Ampasampito, a major bus terminal, and SAMVA, the city's sanitation service which had just received a 20 million euro grant from France, from the mayor to the state's transportation agency and the Ministry of Water, respectively (WL 101). Amid public attention to the growing feud, Rajoelina's negotiating team regained authority over Ampasampito and SAMVA. Norbert Ratsirahonana, the interim President (1996-97) and Ravalomanana advisor in 2001, led Rajoelina's negotiating team in an about-face that epitomized the Merina elite's turn away from Ravalomanana. Loosely organized groups of "wise men" and "elders" formed to demand that the government "let the mayor do his job" and denounce abuses against him (WL 101). By August 2008, the press regularly echoed Rajoelina's claim that the administration was seeking to force him to resign, a charge that undermined Ravalomanana's international support and, indirectly, his development agenda (ION 1244; WL 102). In the final months of 2008, Ravalomanana received scathing criticism from the IMF representative in Antananarivo over his reform plans, skepticism from the European Union regarding his democratic image, and insistent warnings from the US that mixing business and politics were damaging his reputation (ION 1250; ION 1252). Thus, Rajoelina, an inexperienced politician whose victory in December 2007 was largely viewed as a protest vote, ended his first year as mayor poised to unite a fractured but angry opposition against Ravalomanana's alleged abuses.

This tinder lit on December 13. The Minister of Telecommunications and Posts Bruno Andriantavison closed *Viva TV* (owned by Rajoelina) for broadcasting an entire 45-minute speech by ex-President Ratsiraka, during which he denounced the Ravalomanana administration for Madagascar's continuing poverty, lack of democracy, and human rights abuses (Vivier 2010: 57; WL 105).[128] Other media outlets had only presented excerpts of Ratsiraka's speech, and the Ministry used this distinction to justify closing Viva. In response, Rajoelina called for a meeting of the opposition parties, dubbed the "Group of 20," on December 17. The timing of this meeting deliberately conflicted with a meeting on the same day organized by the administration to debate a proposed law on political parties that would make it almost impossible to run for office as an independent (ION 1252). Opposition parties overwhelmingly chose to participate in Rajoelina's meeting: attendees included the prominent coastal politicians (e.g. Roland Ratsiraka, Jean Lahiriniko, Monja Roindefo), leaders of major civil society organizations (e.g. KMF/CNOE and CONECS), and prominent Merina industrialists (e.g. Alain Ramarason)(Vivier 2010: 58). Thirty-eight opposition attendees signed a letter "strongly condemning the dictatorship currently perpetrated in the country," which Rajoelina released at a press conference that afternoon (Pellerin 2009: 163).[129] Rumors swirled that an arrest warrant had been issued for Rajoelina and four supporters for holding an unauthorized political meeting, and members of the press and supporters converged on the mayor's house (WL 105; Vivier 2010: 59). On the evening of December 21, Rajoelina gave an ultimatum to Ravalomanana, demanding that the President allow him to re-open Viva TV by January 13, 2009 "or else." Afterward, Rajoelina left with his family for France, reputedly

[128] Previously, the authorities closured media outlets owned by Pety Rakotoniaina, former governor of Fianarantsoa, and Roland Ratsiraka, the mayor of Toamasina (Vivier 2010: 57).
[129] Pellerin cites *La Vérite,* 17 December 2008 : "*Condamnant fermement la dictature perpétrée actuellement dans le pays* (author's translation)."

to meet with potential funders. Summarizing a meeting on January 8 of western ambassadors in Antananarivo, the UN head, and two Malagasy politicians, the US Ambassador wrote (WL 109):

> No one could foresee how the confrontation between mayor and president can be avoided or will end peacefully. All now see this action as related not to pre-2011 election maneuvering (which never quite made sense as TGV will not be old enough to run in 2011), but rather as leading to some sort of unplanned attempt at transition well before then (with no clarity whatsoever about who the alternative to Ravalomanana might be).

Demonstrations and violence

On January 13, the deadline given by Rajoelina to re-open Viva TV, the mayor participated in a well-attended, peaceful, ecumenical New Year service in the Mahamasina Gymnasium. The following day, he called for the population to come to a demonstration on January 17 at the *Place de la Démocratie,* situated at one end of *Avenue de l'Independence*, the capital's wide central boulevard which in 2002 had been filled with hundreds of thousands of Ravalomanana supporters. Members of the opposition, including Roland Ratsiraka, echoed the call (Vivier 2010: 60). In a sign that the near-term threat from Rajoelina's protests was still not taken seriously, the TIM majority in Parliament held an extraordinary session, and on January 15 it passed reforms which simultaneously banned independent political candidates and made it nearly impossible for non-TIM parties to survive (WL 117). The January 17 rally was a success for the opposition. Rajoelina, Roland Ratisraka, Jean Lahiriniko, Andre Ramarason, and numerous others spoke to more than 10,000 people (Vivier 2010: 60). Reflecting the conflict's political center of gravity, the January 17 rally did not emphasize the new law restricting political competition but rather focused on the closure of Viva TV, the purchase of a new Boeing presidential jet, and a proposed agreement with Daewoo, a giant South Korean company, to lease arable land in Madagascar.[130] These three issues

[130] An article published on November 19, 2008 in the Financial Times (Jung-a, et al) asserted that the giant South Korean company "expected to pay nothing to farm maize and palm oil in an area of Madagascar half the size of Belgium." In the article, a manager at Daewoo discussed its proposed 99-year lease of 1.3 million hectares of land—half of Madagascar's arable land—blithely asserting, "It is totally undeveloped land which

summarized the case against Ravalomanana: the closure of Viva TV epitomized his unwillingness to share political power; the purchase of a new presidential jet, leased to Tiko but purchased with state funds, epitomized the pervasive intermingling of Ravalomanana's state and business interests as well as his alleged indifference to the struggles of ordinary Malagasy; and the "Daewoo affair" illustrated the potential costs of major foreign investment. The opposition claims on these three issues contained varying degrees of substance, but together they formed a coherent critique of the Ravalomanana administration, if not an alternate agenda.

The opposition strategy put the Ravalomanana administration in a kind of Chinese finger trap; each attempt to suppress the protests—which were still small relative to protests in 1991 and 2002—fed a narrative of government oppression that broadened Rajoelina's appeal beyond the narrow band of elite opposition centered in the capital. Making concessions to Rajoelina risked fueling additional protests. No reconciliation between Ravalomanana and Rajoelina was conceivable. In meetings with diplomats, Rajoelina stated that his goal was "immediate regime change," and Ravalomanana's trusted Foreign Minister, Marcel Ranjeva, stated that multiple efforts to negotiate with the mayor had failed, which they attributed to complete manipulation of Rajoelina by ex-President Didier Ratsiraka (WL 113). On Saturday, January 24 Rajoelina announced to protesters at the *Place de la Démocratie* that he intended to form a transitional government and called for a general strike to begin on Monday, January 26 (Vivier 2010: 63). On the first day of the strike, approximately 30,000-50,000 protesters gathered at the *Place de la Démocratie*. In the afternoon they looted and set fire to the Malagasy Broadcasting System (MBS), owned by Ravalomanana, then looted and set fire to the buildings of Ravalomanana's Tiko empire, looted a major shopping complex next door, and finally, looted the personal residences of TIM politicians including Ravalomanana (Vivier 2010: 65; Randrianja 2012: 16). The security forces were

has been left untouched. And we will provide jobs for them by farming it, which is good for Madagascar." The administration immediately denied the report, explaining that Daewoo had only signed a Memorandum of Understanding to conduct land prospecting (see WL 106).

restrained—even neutral—in response, which was interpreted by some as a vote of no confidence in the President (ION 1255). Despite their restraint, one protester died on January 26, which Rajoelina used as a pretext to refuse to meet personally with Ravalomanana to calm the situation (ION 1254). On January 27 and 28, Magro warehouses, the key component of the Tiko distribution empire, were looted and pillaged in Anstirabe, Fianarantsoa, Toamasina, Majunga, Sambava, Ambanja, Ambilobe, Nosy Be, and Toliara (Vivier 2010: 65). In response, Ravalomanana replaced the head of the National Gendarmerie with a *côtier* and continued efforts to negotiate a way to hold onto power (WL 115). On January 31, Rajoelina proclaimed himself the head of a High Transitional Authority (HAT) and named Monja Roindefo, a coastal politician and failed presidential candidate in 2006, the new Prime Minister (Randrianja 2012: 16).

The protests culminated in a massacre which took place in front of the Ambohitsorohitra Presidential Palace in the center of Antananarivo on February 7.[131] Approximately 50 people were killed and 170 were injured when the Presidential Guard fired on protesters who, urged on by Roindefo and high-level Rajoelina supporters, marched directly on the Palace (Randrianja 2012: 17).[132] There are persistent claims and counter-claims, though no clear proof, that the first shots were fired by the protesters. It is undeniable that Ravalomanana's legitimacy was deeply damaged. For Malagasy people, the event recalled the massacre of protesters outside the Presidential Palace at Iavoloha 17 years earlier, which was the precursor to removing Ratsiraka. The US Ambassador wrote in a confidential cable (WL 120),

> Saturday's bloodbath makes it both urgent and more necessary to find a viable third path to resolve the Malagasy political crisis: one that neither perpetuates the discredited Ravalomanana in office, nor cedes power to the naïve, extra-constitutional, and irresponsible mob that provoked—quite possibly intentionally—the carnage.

[131] The President of Madagascar has typically used the Iavoloha palace, built by North Korea during Ratsiraka's first term and located 15 km south of Antananarivo, as the primary residence and office.
[132] See also Vivier (2010: 76) who reports 36 dead and US diplomatic cables (WL 122) which report 50 dead and 170 wounded.

The churches, the international community, and the military sought levers to guide the process. In the name of the FFKM, the Archbishop of Antananarivo delivered a eulogy calling for dialogue at an ecumenical service held in the Mahamasina gymnasium. The UN, the AU, the SADC, the Indian Ocean Commission, and France sent representatives to urge dialogue (Vivier 2010: 78). Two groups of generals reportedly sent messages to Ravalomanana outlining plans to take part in a transition (ION 1256). Many members of the military publicly committed to respect the constitution but privately seethed at claims that there were South Africans within the Presidential Guard who had fired on unarmed civilians (WL 121). On the ground, calls for dialogue had little effect: an arrest warrant issued for Rajoelina did not stop him from promising on radio to "fight to the end"; a protest in Toliara, Roindefo's home town, resulted in 10 deaths; and Ravalomanana and Rajoelina held competing rallies in Antananarivo on February 13, gathering 30,000 and 10,000 people, respectively, to locations just a few kilometers apart (Vivier 2010: 79; WL 120).

Coup d'état

The diametrically opposed objectives and the personal antipathy between Ravalomanana and Rajoelina sabotaged the dialogue called for by the churches and international community. The FFKM brokered a meeting on February 21 between the two, with little to show for the effort; subsequent meetings led to successive no-shows, first by Ravalomanana then by Rajoelina. On March 4 security forces used tear gas to prevent protesters from gathering, and on March 5 security forces assaulted Rajoelina's house but failed to arrest him (WL 133-134).

On March 8 members of the *Corps d'Administration du Personnel et des Services de l'Armée* (CAPSAT) mutinied. The Army's "Administrative Corps," assisted by select colonels, made for unlikely mutineers (Interview I17). Ramasy (2012: 85) writes,

> Of the 600 men who composed CAPSAT, only 100 took part in the mutiny. In addition, the call of the latter was not followed by the 25,000 others who made up the armed forces. However, the army, the national police, and the gendarmerie did not act in

> favor of Marc Ravalomanana. Colonel Noël Rakotonandrasana, at the head of this movement, indicated that the motivations for his decisions, among others, were the accusations of murders during the dispersal of protesters at the *Place du 13 Mai*; namely, by the military advisors seen as "mercenaries" among the elements of the presidential guard (EMMONAT).[133]

The CAPSAT base was located in a southern suburb of Antananarivo, and it contained a large cache of arms which became the focus of a reported conflict on March 8 with EMMONAT (WL 137). The mutineers turned back the presidential guard and quickly won additional victories. On March 12 they pushed Prime Minister Charles Rabemananjara into relinquishing his post in favor of Monja Roindefo, the Prime Minister of the Transition designated by Rajoelina. Other dominos fell. General Edmond Rasolomahandry, the Army Chief of Staff, was replaced by Colonel André Ndriarijaona, a CAPSAT officer who had been the Army's Director of Human Resources (ION 1257; ION 1258). The protesters took over the Ministry of Finance and the Budget next to the Ambohitsorohitra Palace (Vivier 2010: 86).

The end arrived quickly. On March 15 Ravalomanana offered to organize a referendum, though details were sparse; on March 16 the transitional Minister of Justice issued an arrest warrant against Ravalomanana; and on March 17 Ravalomanana signed an order transferring powers to a military directorate to be "headed by the oldest member of the highest rank of all the armed forces (Vivier 2010: 88)."[134] That same day, the new military directorate issued a second order in which "Full powers are given to Mr. Andry Rajoelina to manage the country, in place of the Military Directorate…He exercises the functions and attributions of President of the Republic, conforming to the dispositions of the constitution for a maximum period of 24 months."[135] At noon on March 18

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[133] « *Mais sur les 600 hommes que comprend le CAPSAT une centaine seulement participèrent à la mutinerie. De plus, l'appel de ces derniers ne fut pas suivi par les 25000 éléments que comptent les forces armées. Toutefois l'armée, la police nationale aussi bien que la gendarmerie n'agirent pas pour autant en faveur de Marc Ravalomanana. Le colonel Noël Rakotonandrasana, a la tête ce mouvement, motiva sa décision en indiquant entre autre les accusations d'assassinats de manifestants sur la Place du 13 mai lors des missions de dispersion ; la présence parmi les éléments de l'Emmonat de milices ainsi que celle de conseillers militaires voire de « mercenaires. »* (author's translation.)

[134] See Ordinance 2009-001 of March 17, 2009 (translation from WL 138).

[135] See Ordinance 2009-02 (translation from WL 139).

the High Constitutional Court confirmed the legality of both documents in a blatently political—and practical—decision. Almost immediately, Ravalomanana insisted that he hadn't resigned and had only signed the order under military coercion. This claim "does not hold up to even simple scrutiny," according to the US Ambassador who was present when Ravalomanana delivered the ordinance, though the Ambassador did write that "[Rajoelina] ordered the generals hauled off and detained while the opportunistic former Prime Minister Norbert Lala Ratsirahonana drafted a second unconstitutional ordinance for their signatures, transferring power to [Rajoelina] (WL 142; WL 199)." Ravalomanana fled the country, first to Swaziland, then to South Africa. The coup was complete. A transition awaited, but it was not clear to what.

4.2.3 Post-turnover economic trajectory

The primary short-term economic consequences of the coup centered on the removal of foreign aid, paused investment projects, and the withdrawal of favorable customs incentives for the textile industry. These consequences were exacerbated by the inability of the transitional government to re-establish stable expectations, whether through elections or an alternative mechanism. A World Bank (2012: 12) economic update in October 2012, written more than three years after the coup, summarized the costs of the crisis:

> GDP in 2012 is expected to be slightly above its 2008 level. That, however, is close to 18 percent below what it would have been if it had just remained on an average growth trend of 5 percent a year. For most of the period since 2008, GDP has been lower than it was in 2008. Therefore, if all GDP during 2009-2012 is compared to a plausible alternative scenario with 5 percent economic annual growth, the cumulative loss in incomes for the country has now reached around US$6.3 billion, or around 60 percent of annual GDP in just the last four years…Every year that the economy has failed to grow has been a year of loss. These incomes cannot be recouped. The costs of foregone growth will remain a legacy of the crisis for years to come.

The pervasive instability in Madagascar from 2009 through 2013 was directly linked to the turnover process. This section will highlight short-term reactions to the turnover, the character of the emerging administration, and the political economy of the "permanent" transition.

Short-term reactions

Immediate reactions to the 2009 coup—international rejection, economic crisis, and calls for negotiations and elections—were clearly foreshadowed in the months before it occurred. Nevertheless, the new HAT administration was unprepared for the international consequences and internally divided over key strategic decisions. Shortly after Rajoelina seized power from the stillborn military directorate, the European Union, the United States, the SADC, and the AU condemned the coup and called for the swift return to constitution order (Randrianja 2012: 18). French President Nicolas Sarkozy also labeled the turnover a "coup d'état" and called for "elections as soon as possible," but the overall French position was more favorable to the new government (BBC 2009). The new Ambassador, Jean Chataigner, made it clear to the other members of the diplomatic community that the French government had no intention of suspending aid and would oppose EU sanctions (WL 142). The US, in contrast, made immediate plans to suspend non-humanitarian aid and established a consistent hard-line pattern against recognition of the transition government.[136] The heads of state of the AU and SADC member countries followed suit, less out of support for Ravalomanana than from self-interested desire to discourage incentives for potential coup-leaders in their own countries.[137] The HAT leaders consistently underestimated these incentives and misunderstood the resulting dynamic. Shortly after the coup, new Prime Minister Monja Roindefo told the BBC, "We will explain to the whole world our cause. The people demanded liberty and the military rallied to the popular movement, but it did not seize power…We

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[136] Interviewees pointed out there were few American citizens or businesses in Madagascar, and therefore the country presented a convenient opportunity for the US to stand on democratic principles (Interview I1).
[137] See explanation from SADC (BBC 2009).

are confident the international community will understand (BBC 2009).” By and large, they did not. The threat of targeted sanctions hung over the new administration, and the drumbeat of deadlines announced before the cancellation of aid projects and budget support tranches grew louder throughout 2009, creating uncertainty a solidifying a narrative that only immediate election would resolve the crisis.

The economic consequences of the conflict between Ravalomanana and Rajoelina’s camps deteriorated from serious in January and February to dire in March. Weeks before the coup, the IMF and World Bank estimated that direct costs of the protests to businesses in Madagascar were $26 million per day and indirect costs added another $20 million per day; according to the *Groupement des Entreprises* (GEM), more than 10,000 people lost jobs due to the looting in January (WL 130; WL 158). By the end of March, as many as 50,000 workers had been laid off, and the tourism sector, Madagascar’s second-largest source of foreign currency, faced cancellation rates of 80 percent and lay-offs within that sector alone of 18,000. Inflation spiked in the capital and the ariary depreciated 7 percent against the dollar in March alone (WL 158). In addition, the government faced declining tax revenues resulting from the reduced economic activity, and the near-term prospect of cancelled budget support, which accounted for a quarter of the budget prior to the crisis.

In 2008 Madagascar was one of the world’s poorest countries, but its rate of economic growth was among the world’s ten fastest. The need for an urgent political solution and a return to growth was obvious to both domestic and international actors even if violence during the protests and coup were relatively limited. Attempts prior to the coup to organize a “National Consultative Conference” led by the FFKM failed because Ravalomanana was unwilling to negotiate his own exit and Rajoelina’s camp believed they would be able to force him out. The dynamics shifted after the coup and subsequent condemnations. Now in charge, Rajoelina and the HAT were expected to “do their jobs”—to paraphrase a frequent demand made by the mayor and his supporters during the protests—in the face of escalating international pressure and amid an economic crisis the political class had provoked. Two deadlines were particularly important: first, on May 19 the EU told the HAT that a "120-day clock" for article 96 consultations was about to begin, after which sanctions would be triggered unless there were substantial improvements in "respect for the rule of law, human rights, and democratic principles" (WL 179); second, Madagascar's eligibility for AGOA benefits would be up for an annual review in the fall, meaning that the jobs of approximately 100,000 Malagasy in the textile sector depended on the existence of meeting requirements for "the rule of law, democracy, and political pluralism (WL 152). A US Embassy internal cable (WL 152) outlined the long-term stakes:

> [US company] Jordache alone has invested USD 60 million in its Malagasy facilities. Meeting recently with the ambassador, the local Jordache representative stated clearly that they would shut their operations, relocate to either Egypt or Bangladesh, and never return to Madagascar if AGOA eligibility were jeopardized.

Other deadlines added pressure. The AU suspended Madagascar on March 19, and the prospects for Madagascar hosting the AU summit in July were minute. The SADC also refused to recognize the HAT government. Rajoelina and his allies within the French and Malagasy business communities had never supported Madagascar's entry into the SADC, but the two regional organizations were coordinating responses with the UN, and Rajoelina desperately wanted to speak at the UN General Assembly in late September (WL 241). The World Bank suspended programs following the coup, pending a review in Washington, while the IMF programs had already been suspended in December 2008 pending questions the organization had regarding decisions under Ravalomanana.

The international rejections and economic shocks took place amid a backdrop of continued insecurity in Antananarivo. CAPSAT officers reportedly took over the presidential guard and harassed local businessmen and political opponents (ION 1259; ION 1264). Rajoelina was concerned about the threat of mercenaries, which reports claimed had been hired to return Ravalomanana to power, and continued demonstrations by the opposition. After weeks of protesting peacefully, demonstrators clashed with security forces on April 20 and 23, leaving several dead and dozens wounded (WL 166; WL 168). In this context, the international community demanded elections "within six months" or faster according to the US, UN, SADC, and AU (WL 142; WL 146). Instead, the HAT insisted on elections to be held in 24 months, a timeline which would risk Madagascar's AGOA eligibility and funding support from the EU totaling €116 million (AC 51:11).[138] More importantly, the extended timeline would help the "transition" regime become entrenched and reduce incentives to seek a popular mandate. Even as the regime became more entrenched, each passing week also increased Rajoelina's responsibility for Madagascar's deteriorating economy.

Mafia governance

The dynamics of the transition emerged slowly throughout 2009. First, the prospects for early elections waned, and second, members of the transitional government who had been part of the political opposition under the previous administration were pushed aside by Rajoelina's personal allies and his sponsors from the business community. Prominent political figures during the protests in 2009, such as Roland Ratsiraka, Jean Lahiriniko, and Monja Roindefo, were sidelined despite their long roots in the opposition. Instead, the HAT's political inner circle was led by Norbert Ratsirahonana and a group with far more partisan loyalty than political experience, including André Haja Resampa (Secretary General of the Presidency), Mamy Ratovomalala (Minister of Mines), Rolly Mercia (Minister of Communications), and Annick Rajaona (Spokeswoman and Director of International Affairs at the Presidency). A trio of businessmen, Mamy Ravatomanga, Ylias Akbaraly, and Patrick Leloup held quasi-official roles in the transition, sometimes sitting with government members at events or meetings and allegedly benefitting from state decisions. One interviewee who regularly attended government meetings reported that

[138] See also ION 1324: €577 million was eventually blocked.

members of the SODIAT group (owned by Ravatomanga) regularly "ordered ministers around (Interview I1)." A fourth businessman and Rajoelina ally, Edgard Razafindravahy lost influence in the HAT after he was appointed the mayor of Antananarivo, giving him significant power but also making him a potential rival. Finally, the new president's wife, Mialy Rajoelina, was a key figure in the new administration; she came from a family of prominent entrepreneurs and was herself a successful businesswoman who helped to manage the couple's advertising empire and the Viva radio and TV stations (Insiders 2013a: 3). Of these advisors, only Ratsirahonana could claim even marginal name-recognition or popular support, particularly outside Antananarivo, and only Razafindravahy had political ambitions which weren't directly tied to Rajoelina.

The new administration lacked a coherent economic agenda. Businessmen who interacted with the HAT regularly labeled it a "mafia" more so than a government (Interviews B2, B3, B14, B36, and B 51). Rajoelina and the HAT did not try to recreate Ravalomanana's system, characterized by support for rapid investment and attempts to reserve high-growth sectors for himself via Tiko and a pliable tax authority; rather, they sought short-term pay-offs from any company or sector that appeared vulnerable (several interviewees[139]). Ambatovy quickly became a primary target. Using a threat to change the mining law as leverage,

> HAT President Rajoelina gave the company 15 days to respond to the HAT's request to give partial ownership of the project to the Malagasy government, increase Ambatovy's royalty payments, or give certain members of the HAT 'signing bonuses.' A fourth option of outright bribe payments was implied (WL 204).

Other companies were accused of hiding mercenaries and searched by CAPSAT members (e.g. Imperial Tobacco, Rio Tinto, Assist) or subjected to arbitrary administrative delays (e.g. Nouvelles Brasserie de Madagascar). On April 6, Tiko announced it was ceasing operations due to looting and harassment, including the seizure of its trucks and goods at the Toamasina port and a bill for back taxes which reportedly totaled $800 million. Facing shortages in the distribution of staple products,

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[139] Interviews B6, B9, B11, B14, B23 B27, B29, B32, and B44.

reductions in customs revenues, and an additional 3,500 job losses, the HAT Finance Minister Benja Razafimahaleo met with Tiko officials and offered to reduce the tax bill to $35 million, but to no avail (WL 159). Tiko remained shuttered during the entire HAT period.

The incidents recounted above took place during the new administration's first six months in power, and they began an HAT pattern of shaking down formal businesses for payments of questionable legality through a variety of methods. These efforts became more aggressive and effective after Razafimahaleo was replaced as Minister of Finance and the Budget by Hery Rajaonarimampianina, previously the head of an accounting and auditing firm which managed affairs for the SODIAT group, a conglomerate of 12 companies owned by the prominent Rajoelina supporter, Mamy Ravatomanga (Insiders 2013b). Ambatovy was a regular target of harassment and irregular audits. First, the French consulting firm Drake & Bart was enlisted in an unsuccessful attempt to renegotiate the Ambatovy and Rio Tinto's contracts while denying them recourse to arbitration. Next, the HAT hired the British consulting firm Alex Stewart International (ASI) to conduct an audit of Ambatovy that would provide the basis for taking a stake in the company. Ambatovy did not contest the government's right to conduct an audit, but refused to turn over documents to ASI, citing numerous complaints regarding the firm's business practices in Guinea, Gabon, and Tanzania (Interview B23).[140] Eventually, in September 2012, Ambatovy paid an additional $25 million to a fund for social programs (which it jointly controlled) in a controversial agreement that unlocked a crucial production permit (Interviews B20 and B23).[141] Other payment plans were more straightforward. In November 2010, the government announced a plan to upgrade the "Hydrocarbons Road" in Ankorondrano, Antananarivo's unofficial central business district; to cover the cost, 182 companies which bordered the new road were reportedly invited to make "voluntary contributions" ranging from 37,000 to 111,500 euros (ION 1297).

[140] See also ION 1348.
[141] See also ION 1340.

Potential Chinese investors were the impetus for still more payment plans. In 2010, Madagascar Oil was hit with a tax adjustment bill of $7 million (ION 1300).[142] The scheme was straightforward: either the oil company paid the tax bill, in whole or in part, or the government would seize the blocks and resell them. Following attempts by Mamy Ratovomalala and Mamy Ravatomanga to force them to sell their blocks, Madagascar Oil was forced to suspend trading of its shares on London's Alternative Investment Market (Interview B16).[143] In a particularly unsubtle move, representatives from China Sonangol were invited by the government to conduct an on-site audit of the Madagascar Oil project (Interview B16).[144] The threat of arbitration and concerns by China Sonangol regarding the project's viability scuttled the takeover attempt, but Madagascar Oil, Tullow Oil, and Sterling Energy all negotiated tax settlements with the HAT. In a more complicated scheme, Wuhan Iron and Steel Co. (WISCO) paid a $100 million signing bonus for a permit to explore the Soalala iron ore deposit in a deal allegedly arranged by the Minister of Mines, Mamy Ratovomalala without consulting the local population as required by the mining law.[145] The Central Bank would not confirm receiving the funds, however, and some of the money was eventually routed through a fund for presidential projects that was used to build a new rugby station and a new hospital in each of the six provincial capitals. The end result: a bonanza of politically-motivated construction contracts; six sub-standard hospitals that were used minimally, if at all, five years later; and a mining project which later stalled when the company could not secure an environmental permit.[146] In 2010, Wisco executives corrected a story in Africa Confidential regarding the $100 million signing bonus, saying that in fact the bonus total had been $140 million; no public confirmation of the total or accounting of its spending ever took place (AC 5: 9).

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[142] Other oil companies, including Tullow Oil and Sterling Energy, faced similar assessments.
[143] See also AEI 643. The estimated market cap was $200 million prior to the suspension.
[144] See also AEI 643.
[145] See Reuters (April 6, 2011) and ION 1289.
[146] Author's direct observation. Also see ION 1289.

A pair of government schemes in 2012 and 2013 illustrated the climate for formal investors. The first affected companies in Madagascar who benefitted from investment incentives via participation in the Special Export Zones, qualification for the Large Mining Investment Law, or other contracts with the state. Typically, these companies were entitled to VAT reimbursements, among other tax incentives (EDBM 2010: 16). In 2012, the government stopped making payments for VAT reimbursement, though they did not nullify the incentives. In effect, companies were forced to give no interest loans to the government in amounts up to hundreds of millions of dollars (Interviews B9 and B25). In effect, this scheme privatized part of the government revenue shortfall at the expense of liquidity shortfalls for dozens of companies. In the case of Ambatovy, the unpaid VAT reimbursements grew so large and the likelihood of eventual payment so uncertain that it was nearly forced to write down the full amount, which would have caused severe consequences to the project's balance sheet and overall viability. The Japanese government, on behalf of project partner Sumitomo, raised Ambatovy's problems with the HAT government at a G8 conference, and the IMF made VAT reimbursements a critical issue during negotiations with the government in 2013.[147] Finally, the cash-strapped Malagasy government formally committed to paying the VAT reimbursements, albeit over a long period (Interview B25). Companies with less influential international friends coped in other ways. Some directly lobbied members of the HAT government; others began submitting tax payments net of expected VAT reimbursements, which was technically illegal and created exposure to potential penalties (Interview B21). One accountant at a major international firm in Madagascar reported that under the transition, "There is no current strategy to eliminate tax risk (Interview B40)."

The second scheme involved fuel subsidies. Seeking to minimize the potential for social unrest, the HAT threatened to withdraw licenses to distribute gasoline from the country's four distributors—Galana, Jovenna, Shell/Vivo, and Total—if they raised prices (Interview B9). As the

[147] The Japanese government made similar entreaties on Sumitomo's behalf in 2009-10.

international price of oil rose and the ariary's value fell, the distributors were forced to sell at ever smaller profit margins and eventually, at a loss. In effect, the government was privatizing the responsibility for maintaining social peace onto private companies. Faced with increasingly credible threats from distributors to withdraw from Madagascar, the HAT bargained. It agreed to pay a set subsidy per liter sold to be determined according to a formula that would ensure a slim profit. The distributors agreed, but they were now caught in drawn-out cycle of determining the subsidy per liter, verifying the liters sold, and waiting for payment from the cash-strapped government, all while simultaneously negotiating the subsidy per liter for the next period. Stripped down, this scheme provided the HAT with short term insurance against one form of social unrest, transferred money to a relatively well-off proportion of the Malagasy population (e.g. car-owners), built up long-term debts, and disincentivized investment by some of the island's largest companies.[148]

Black market activity exploded during the transition, but this activity typically operated by reducing "inventory" and displacing formal investments. Rosewood and large-scale cattle rustling were the most prominent examples. Most of the illicit rosewood logging took place in the SAVA region, which consists of four cities, Sambava, Antalaha, Vohemar, and Andapa, in the northeast of Madagascar. Toamasina was also a center for shipping rosewood containers. Witnesses report that hundreds of rosewood logs seized by the Water and Forests Department of Antalaha were stolen on January 26, 2009, just hours after the local Tiko branch was looted and torched (Randriamalala 2011). A week later, Marojejy National Park, 75 kilometers from Antalaha, was closed to the public after timber traders allegedly threatened the Park Director with automatic weapons. Approximately 5,800 tons of illegally logged rosewood was shipped out of ports in the northeast before Ravalomanana was even ousted on March 17, after which illegal logging and the amount of

[148] Members of the international financial institutions, among others, pointed out that a better, more predictable scheme would have provided a market price for gasoline to car owners together with subsidies to taxi-bus companies to freeze prices for urban and peri-urban commuters.

exports increased (Randriamalala 2011: 1-2). Researchers from the Missouri Botanical Garden estimated that $130 million of rosewood was exported through the Vohemar port in 2009, and the US government estimated that $175 million and 26,642 cubic meters of precious woods were exported following two inter-ministerial orders in January and September 2009 granting temporary authorizations (AC 53: 18; WL 283). Senior government members, including President Rajoelina, Prime Minister Roindefo, members of the military, and businessmen close to the HAT, including Mamy Ravatomanga and Patrick Leloup, were accused of personally colluding with rosewood traders.[149] Unlike the rampant smuggling of gemstones and gold, rosewood logs are too big to simply hide, and the identity of the traders in SAVA were well known to the local population (Interview B50). Following a meeting of development partners, civil society, and diplomats, a US Embassy cable stated, “The businessmen involved in rosewood export are relatively few, and their identities have long been known. The de facto authorities could tackle the problem if they so desired, but high-level officials are benefitting from the trade. (WL 283)” Overall, minimal taxes were collected from the sale of lumber from trees that take over 50 years to reach maturity, and the tourism potential of popular national parks, Marojejy. Masoala, and others, was diminished.

The lawlessness in northeastern Madagascar was paralleled by illegal gemstone and gold mining, illegal fishing methods along the coasts, and cattle-rustling across the arid southern third of the country, all of which flourished during the transition with the alleged involvement of government members ranging from senior figures who arranged for export licenses to members of the gendarmerie who rented their weapons. Cattle rustlers, called *dahalo,* had long been endemic to the impoverished South where the practice sometimes figured into coming-of-age rituals, but the new scope of violence and the economic scale became major sources of insecurity in 2012. In one two month stretch of 2012, just the thefts which were reported totaled 3,000 cattle over 160

[149] They denied the accusations. For context, see AC 53: 18: Global Witness 2010; Randriamalala (2011); ION 1281.

attacks with a commercial value of more than $1 million. Groups of dahalo up to 400 strong attacked and killed 17 security forces in June 2012 as well as the gendarmerie commander in Belo-Tisiribihina and pair of soldiers in the Anosy region in September 2012. More than 100 people—mostly *dahalo*—were killed in clashes between the cattle rustlers and village self-protection volunteers that same month.[150] At least one General, Désire Ramakavelo, described the situation as a guerilla war, and Rajoelina ordered members of the Special Intervention Forces (FIS[151]) to the region (AC 53: 14). They failed to end the dahalo attacks and were themselves accused of "mass killings" Amnesty International (see ICG 2014: 19).

Permanent transition

The motivations and dynamics of the HAT government shifted over time. A member of an international financial institution argued that "grabbing the public purse" doesn't explain the coup or the character of the subsequent transition. Rather, he argued, the desire to get rid of Ravalomanana and the need to prevent him from returning were the primary motivations (Interview I6). Modifying this claim, a businessman and member of civil society claimed that a shift in motive from filling pockets to staying in power took place after failed negotiations in 2009 (Interview B29). In general, the transition government proved to be far more durable than either its international interlocutors or domestic opponents predicted. In the first half of 2009, the US and the European Union expected that the potential withdrawal of AGOA benefits and loss of €116 million in 2009 budget support would spur rapid progress on re-establishing constitutional order, especially when combined with the loss of $20 million from the IMF and most of the World Bank's funding. For the most part, Malagasy politicians, church leaders, and even members of the military also expected a rapid transition, in part because it seemed clear that the new administration would

[150] See IRIN (July 18, 2012) and IRIN (Sept. 24, 2012).
[151] Forces d'Intervention Spéciales (FIS).

have difficulty maintaining order and because delays in holding a vote were expected to hurt Rajoelina's popularity (WL 184). Nevertheless, the transitional government remained in power for nearly five years, delaying the first round of presidential elections until October 2013 (followed by a run-off in December). To survive in power for this long, Rajoelina and the HAT administration required external legitimacy, internal cohesion, and an economic approach that, at a minimum, avoided catastrophes.

When it seized power, the HAT government's core base of support was extremely narrow: a few hundred military officers, approximately 50,000 demonstrators of questionable loyalty, and a subset of the country's economic elite. To consolidate power, the HAT needed a basis of legitimacy that would make a counter-movement to remove him unlikely, if not impossible. The most obvious source of legitimacy, elections, carried the high risk of leading to a turnover in power. By substituting negotiations for elections, the HAT could use the rhetoric of liberal democracy to claim legitimacy. On its face, these claims were absurd, but the ubiquitous negotiation cycles and corresponding theater (e.g. deadlines, renegotiations, press statements) conferred a veneer of legitimacy on the HAT that the international community had sought to deny by refusing to recognize Rajoelina. In 2009 alone, members of the HAT participated in the following formal negotiations, which civil society organizations and members of three competing political movements in Madagascar—Ravalomanana/TIM, Ratsiraka/AREMA, and Zafy/CRN—sometimes attended and sometimes boycotted:

- April 2-3: National Meeting (Antananarivo)
- April 11-12: UN/AU negotiations (Antananarivo)
- May 2-June 16: Mediation efforts led by International Contact Group (GIC) composed of SADC, AU, UN, Francophonie (Antananarivo)
- May 19, July 6-7: EU Political dialogue (Antananarivo)
- July 9-12 : SADC Mediations (Antananarivo)
- July 21-22 : GIC Meeting (Addis Ababa I)
- August 5-9: GIC Meeting (Maputo I)
- August 24-27: GIC Meeting (Maputo II)
- October 6: GIC Meeting (Antananarivo)

- November 3-5: GIC Meeting (Addis Ababa II)
- December 3-8: GIC Meeting (Maputo III)

Each of these meetings received extensive local press coverage and focused, high-level diplomatic attention beforehand, during, and afterward. The various proposals and counter-proposals regarding the composition of the transition government and the timeline and order of elections were hotly contested.

The main outcome from nine months of negotiations was consolidation of power among hard-line elements of the HAT. An International Crisis Group (2010b: 4) report stated,

> Many of Andry Rajoelina's allies did not want him to soften his stance. The president's occasional initiatives in this direction were systematically rejected by the government and the HAT. They called on him to maintain a hard line and therefore contributed to the deadlock.[152]

After the Maputo III conference in December 2009, Rajoelina gave an address to the country in which he categorically rejected its resolutions, condemned the delegations who participated (including his own) as treasonous, and refused to allow the participants back in Madagascar. His Foreign Minister, Ny Hasina Andriamanjato, told the US Ambassador that the Maputo III resolutions "simply provided a pretext for derailing a process that [the HAT] no longer support anyway (WL 269). AGOA benefits were cancelled, and the EU, having already postponed the November 6 deadline to cancel foreign aid, now prepared actual cuts. On December 20, Rajoelina named an inexperienced ex-Colonel, Albert Camille Vital, who was running a security company in Toliara and claimed not have met Rajoelina previously, as Prime Minister (WL 277). The military, despite countless rumors during the previous 9 months that it was preparing a coup, did not intervene, and the French government lent tacit support to Rajoelina's unilateral plan to extend the transition by holding legislative elections first, then a constitutional referendum, and finally, a presidential election (WL 278). The threat of withdrawing AGOA benefits and EU budget aid ultimately proved

[152] The ICG report attributes this to the fear that Ravalomanana's return would lead to their imprisonment, and to the fear that new transitional institutions would cost them their jobs.

insufficient to dislodge Rajoelina and the HAT. A pattern of negotiate, prevaricate, renege, and repeat conferred an aura of legitimacy on the HAT through the perception that it and the international community were addressing the political crisis. Despite the worsening economic situation and lack of elections, Rajoelina was increasingly entrenched at the end of 2009. International mediation continued, but with significantly reduced expectations that they would lead to a return to constitutional rule in the short term.

Though international pressure and mass demonstrations were risks to the transition regime, these were not its only threat, nor even its most dangerous: internal rivals were a constant concern during the transition government.[153] Close observers regularly pointed out that Rajoelina had limited personal control over the HAT inner circle and that it was not held together by ideological or ethnic ties (Interviews B19, B44, P9, and J1). Instead, HAT cohesion was generated and deepened by criminalization.[154] Beginning with the pre-planned pillaging of the Magro warehouses in January 2009 and extending to alleged high-level participation in the rosewood trade, important HAT actions were lucrative, illegal, and impossible to reverse.[155] This gave HAT members few practical options but remaining loyal and opposing a new regime: first, everyone believed that Ravalomanana would seek vengeance if allowed to return from exile; a new, elected government would surely be pressured to investigate and prosecute rosewood traffickers; second, the immiseration of Madagascar under the HAT severely eroded the credibility and electoral viability of politicians who had attached themselves to the transition (e.g. Roland Ratsiraka, Pierrot Rajaonarivelo).

[153] This is consistent with research on semi-authoritarian regimes (see Gandhi and Przeworskil 2007).
[154] Fujii (2009) identified a similar "social" dynamic—cohesion through violence—among perpetrators of violence in Rwanda.
[155] The pillaging of Ravalomanana's Magro warehouses and Tiko network was lucrative for the HAT members and allies because it removed an important business rival. This had the opposite effect of the economic sabotage in 2002, which affected the economy indiscriminately.

Cohesion through criminalization also took place in the military, where the 2009 coup, subsequent promotions, and illicit gains produced a kind of loyalty and insurance against internal revolts.[156] This helps to explains why the military leadership suppressed mutinies in May 2010 and November 2010 rather than allowing them to overthrow the HAT (AC 51: 11 and ION 1297). A diplomatic cable (WL 289) outlines this dynamic:

> Special Intervention Force (FIS, military unit reporting to Rajoelina) leaders COL Charles Andrinasoavina and COL Rene Lylison told Fetison that they were willing to back the Maputo and Addis accords as long as they could be assured that Ravalomanana, from whom they fear retribution, would not run in the next presidential election, which they all presume he would win. As this sentiment is shared by many, particularly in the military, Fetison attempted to encourage Ravalomanana to remain out of politics for a few years, but to no avail.[157]

While there were multiple coup attempts during the transition, none gained a broad following. Interviewees identified two related problems. First, the generals could not support a coup because they "had their hands out" in 2009, and second, the military "lacked a charismatic leader (Interviews I10 and J2)."

Many of Rajoelina's business and diplomatic supporters slowly realized the drawbacks of their new position but were trapped by the lack of alternatives. While some businessmen who had supported Rajoelina took full advantage of new opportunities, those whose support was predicated on removing Ravalomanana had few options to pivot when the transition regime proved more predatory and permanent than they expected (Interview B37). Similarly, France provided support to Rajoelina during the protests in 2009 and diplomatic cover in the months after the coup. Unwilling to accept any outcome that could return Ravalomanana to power, the French position nevertheless grew more ambivalent toward the HAT. After he was in office, France sought to pair its diplomatic and economic support with conditions for Rajoelina, including holding elections and not

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[156] The illicit gains resulted from rosewood, illegal mining, and cattle rustling, among other activities.
[157] Colonel Charles and Colonel Lylison were the military leaders of the 2009 putsch, according to a well-placed observer (Interview I17).

participating in them, but there was no viable alternative when HAT hard-liners slowed down the transition. Even Rajoelina periodically considered exit options but found little that was appealing (WL 213, 222, 224, and 262).

The economic consequences of the permanent transition were grim. In the absence of large social movements, international sanctions, or a military alternative that could remove Rajoelina by power or force elections, a deceptively durable economic equilibrium followed the initial crisis precipitated by the coup. A World Bank Economic Update in October 2012 summarized the new dynamic as it happened (2012:14):

> In the face of a slowing economy, and losses of public revenues and aid, the authorities have managed to maintain stability on the fiscal and monetary front, avoiding yet more costs, but at a price of deep cuts in public investments and social services to secure the future for all Malagasy citizens.

Infrastructure visibly declined: major roads deteriorated, and nearly all new public spending projects were postponed indefinitely.[158] Social outcomes showed major declines: the number of out-of-school children increased by more than 500,000, and acute child malnutrition rose by approximately 50 percent. Hundreds of health centers closed across the country (World Bank 2012: 11-13). Investment collapsed during the HAT period: public investment fell from 7.7 percent of GDP in 2008 to 3.1 percent in 2013; private investment excluding FDI fell from 26.3 percent of GDP in 2008 to 7.0 percent in 2013; and FDI fell from 6.9 percent of GDP in 2008 to 5.2 percent of GDP in 2013 (IMF 2015a: 21). Of more than 100 projects under consideration at the EDBM at the onset of the crisis, each one was cancelled or postponed (Interviews P2 and P12). Overall donor flows fell by 50 percent in 2009 and did not increase until 2014 (IMF 2015a: 22). The tourism and construction sectors began to recover in 2010 and 2012, respectively, but in 2013 total visitors per year and total employment in the construction sector remained approximately 50 percent off pre-crisis

[158] A road to Morondava, Haja Resampa's home town on the southwest coast of Madagascar, was a notable exception.

levels (IMF 2015a: 21). Among non-black market sectors, only the telecoms and commercial real estate showed significant overall growth during the HAT period.

Given the economic context during the transition, the relative lack of political effects such as a coordinated general strike or the emergence of a populist political movement, like the dog that didn't bark, requires explanation. The trajectory of decline is the most likely explanation. The economic environment after the immediate crisis period in 2009 was characterized by steady deterioration, not punctuated by crises such as hyperinflation, civil service lay-offs or salary arrears, debt default, a sharp currency depreciation, or food shortages in major cities. The consequences of the political turnover were immediately and persistently negative, but the HAT coalition proved more durable than expected.

4.3 Instability and investment

Like the previous turnover in 2002, a close examination of instability linked to the turnover from Ravalomanana to Rajoelina illustrates the benefits of decomposition. The violence which generated the turnover lingered throughout the drawn-out transition, sometimes explicitly and other times in the form of negative expectations, reducing the propensity to invest. Similarly, the regime change created negative conditions for investment, particularly for foreign donors and investors for whom elections were important signals. The Rajoelina administration found it difficult to project capacity; the new president's youth and perceived inexperience generated uncertainty and facilitated narratives of a government which was out of control. His business acumen, in contrast, generated few dividends because it paled in comparison to his predecessor (whose own record as a businessman-president was mixed). In contrast, the 2009 turnover dismantled boundaries that Ravalomanana had erected based on his religion and party, leading to new economic opportunities for some Rajoelina supporters. For others, the election of a second consecutive Merina businessman led to minimal instability. In general, a close examination of the components of instability linked to the 2009 turnover yields greater insights when considered in relation to the previous turnover. The case study method and process tracing techniques make it possible to draw out these insights from two cases with an obvious difference in regime instability and superficial similarities elsewhere. How instability stemming from the Rajoelina turnover affected investment decisions from 2009 to 2013 is the subject of this section.

4.3.1 Security

Internal divisions

Security instability linked to the 2009 turnover peaked during the five weeks from the massacre outside the Ambohitsorohitra Palace on February 7 to the *coup d'état* on March 17. During subsequent years a narrative of violence became embedded in the political system, and a patina of uncertainty layered over expectations of how the transition would unfold. This took three forms: investors in the northeast and south of Madagascar faced regional violence tied to the informal economy (e.g. rosewood, cattle rustling); residents of the capital were faced with increasing crime, coup attempts, rumors of coup attempts, and speculation about the impact of Ravalomanana's potential return ranging from arrests to civil war; and finally, existing investors faced potential expropriation and thinly veiled threats. While some businessmen made calculated decisions to invest and drive out competitors after the initial wave of violence subsided, banking on the assumption that large scale violence was unlikely, others believed that a civil war was quite possible (Interview B3, B36). Different triggers were cited, including the return of Ravalomanana, escalating violence in the South moving toward Antananarivo, and the prospect of an HAT candidate winning a presidential election (Interviews U2, P6, and B44). According to the chief of mission for one of the international organizations leading the negotiations, Rajoelina himself saw the potential for increased violence; in a 2012 private meeting, he stated, "If Ravalomanana returns with 500 people, we'll have to shoot him, and then I'll have to leave (Interview I18)."[159] A senior manager at one of Madagascar's largest employers stated flatly, "We are certain there will be further instability in the next few years (Interview B21)."

Divisions within the security forces made the coup possible in 2009, and they became the primary driver of lingering insecurity. Allegations that South African mercenaries took part in the February massacre provided the immediate basis for Ravalomanana's lack of military support in early 2009 and the CAPSAT mutiny, but there were deeper foundations.[160] First, Ravalomanana was frequently accused of favoring Merina officers (Interview I9). Second, beginning in 2004, Ravalomanana openly sought to reform the security forces by depoliticizing the army and reducing its role, splitting the gendarmerie and putting it under the control of the Ministry of Interior (together with the national police), and generally reducing the size of the security sector (Interview I17).[161] This effort was supported by the World Bank and the IMF, but it generated tremendous resentment within the targeted organizations (Interview B23).

The 2009 coup exacerbated the internal divisions and increased the visibility of the military within the political system. It is impossible to discern a coherent role or strategy of the security forces under the transition, but it is straightforward to outline the various ways in which members of the military or specific organization became prominent actors within the political system, almost exclusively in ways that served to heighten insecurity. Most visibly, the first Prime Minister (and interim Minister of Defense) during the transition, Monja Roindefo, who played a critical role during the protest which led to the February 9 massacre, relied on close ties to the military—and CAPSAT in particular—for his position. The second Prime Minister, Camille Vital, was primarily

[159] Paraphrased by interviewee. A businessman said, "There are only three exit paths for TGB loyalists: exile, prison, or death (Interview B10)."
[160] Ravalomanana was also accused of plotting to retake power in June 2009 with the help of South African mercenaries (see Brümmer 2009).
[161] Also see Ramasy (2012): 83. The Madagascar Action Plan (MAP) addresses this (see Breakthrough Reform Initiative 4 and Challenge 1)

known as an ex-Colonel.[162] Given an ultimatum on April 12, 2010 by Armed Forces Chief General André Andrianarijaona and Gendarmerie Chief General Bruno Razafindrakoto to come up with a "specific road map" to restore national unity, Rajoelina reshuffled the government on May 24, attempting to co-opt the military by adding 3 generals and a lieutenant-colonel and retaining Vital (AC 51: 11; Vivier 2010: 179). This followed an armed attack on April 18 on the Prime Minister's premises—the "location of a large quantity of arms and munitions"—and a May 20 shoot-out between army and gendarmerie units and members of the elite Intervention Force of the National Gendarmerie (FIGN[163]) in which at least 4 people died during a confrontation over the distribution of money (AC 51: 11).

The cabinet reshuffle helped Rajoelina remain in power, but did little to restore security. The International Crisis Group Report (2010b:14) stated,

> The weakening of the state is also apparent from the situation of the armed forces, who no longer impose order on the country. Many military personnel have been allocated to ensuring the security of members of the regime, while some senior figures also use private militias that are regularly guilty of inflicting a disturbing level of violence. The military hierarchy hardly exerts its authority on its own troops, as shown by the fact that some military personnel have not obeyed orders to transfer to other regions, preferring to wait for a change in government, in the knowledge they will not be punished.

Ramasy and Vallée (2014:7) outline the principal logic and activities of the security system during the transition:

> The military—or entrepreneurs of the insecurity—having contributed to the establishment of the current regime, were rewarded in terms of advanced ranks… The favorable measures led to salary increases, lowering the retirement age (decided at the military bases in 2011), the acquisition of various equipment (overpriced Belgian Alouette helicopters), tax exemptions on sales, and finally, appointments to political positions or to the Board of Directors of state enterprises… They participate more or less directly in illegal activities (rosewood, lending arms, prison breaks,

[162] Vital became a "General" on April 9, 2010 despite never holding a position of command in the army (Vivier 2010: 177).
[163] Force d'Intervention de la Gendarmerie Nationale.

> murder of a judge, intrusions on a tribunal, trafficking of illicit merchandise, trafficking in turtles, etc.).

Daily life became more dangerous. Bush taxis on the country's main highways either cancelled longstanding night routes or travelled in long convoys to combat the threat of bandits. In public places where residents had gathered in Antananarivo to eat or drink after dark, crowds dwindled or dispersed much earlier.

Security and investment

Investors did not react uniformly to security instability during the turnover and subsequent transitional government. Some cancelled investments, others paused them, and some began them. Differences in the purpose and path to profitability explain the different decisions. Many of the paused projects were cancelled after it became clear by the end of 2009 that the transition was unlikely to be resolved quickly or cleanly. Sectors with the most projects in the pipeline at the EDBM—agribusiness, energy, and tourism—were among the most susceptible to expectations of uncertainty and the deteriorating security narrative.. These projects were pressed at both ends by insecurity: pushing the starting point out meant keeping capital idle and the threat of insecurity required earlier or larger returns to be viable.

The security instability affected investment timelines through three channels: the threat of expropriation created the perception of new boundaries, the threat of wider conflict was an important component of increasing uncertainty, and the breakdown of shared infrastructure fed a narrative of sharp decline. The threat of expropriation took multiple forms. Once in power, the Rajoelina administration proved willing to hold projects hostage using the explicit threat of withheld permits and the implicit threat of violence (Interview B25). Extractive companies that had already invested significant money (e.g. Ambatovy, Rio Tinto) were forced to negotiate with the government, but others suspended projects (e.g. ExxonMobil, Total) or deliberately did minimal work.[164] It is difficult to underestimate the effect on international investors of the HAT's demands for money from Ambatovy, particularly in the context of falling nickel prices and spiraling construction costs. During this period, Ambatovy management talked to prospective investors, business counterparts, diplomats, and members of the World Bank and IMF, and the message was clear if not always explicitly stated: despite the generous tax incentives, investing in Madagascar had been a mistake (Interview B27). Worse, they were now stuck. The Rajoelina administration, having failed to obtain bribes or direct payments to the treasury from Ambatovy, found that they could convince smaller companies to pay simply by claiming that they had paid (Interview B45).[165] A business executive from Mauritius whose own project was paused said, "You can 't put in money when you see the pressure Ambatovy is under (Interview B12)." Malagasy businesses were often under even greater pressure. Tax audits were a regular threat; a typical strategy relied on extreme penalties followed by case-by-case negotiations. Going through the court system was not a viable alternative. By one account, less than one percent of tax appeals led to successful reversals (Interview B29).

The threat of wider conflict and the breakdown of shared infrastructure had similar effects. Businesses that required a large domestic market or a complex supply chain were hindered by the overall security climate. Public works projects deep into the planning stages under Ravalomanana, like the road connecting the SAVA region to Diego Suarez or the road from Ft. Dauphin to Fianarantsoa, were abandoned, leaving both the regions and potential investors isolated. Other roads, previously in good condition, deteriorated or became more dangerous. Long-term businesses with modest margins (unlike many extractive projects) were most susceptible to these trends. One investor with roots in Madagascar had come back to expand a family business. After building a

[164] Partly by coincidence, Madagascar "sat out" an excellent period for investments in commodities (2009-2013). In 2014, when the transition finally ended, oil prices began a drawn-out decline, and other commodities (e.g. nickel) suffered from over-supply and China's slowing economy.

[165] Some interviewees remain convinced that Ambatovy did make illicit payments to the government, though without offering evidence (Interview I11).

profitable business over 10 years based on relationships with hundreds of suppliers across a wide geographical area, he made significant investments during the Ravalomanana administration. Two years into the transition, he remained bullish on the long-term prospects for Madagascar based on its demographics, but he predicted major infrastructure problems, particularly in Antananarivo. While he continued to partner in projects with banks, he limited his personal exposure. Overall, he said, he regretted making major investments and doubted there would be a future for his children in Madagascar (Interview B4). Another investor in a similar position deliberately downsized his company in 2009 to avoid becoming the target of blackmail (Interview B6).

Some investment projects thrived, albeit with limited effects and deleterious long-term effects. The illicit trade in rosewood, gold, and other commodities required minimal investment. Similarly, the group of traders—often Chinese and Indian—whose businesses expanded during the transition allegedly avoided taxes through agreements with the government, made few investments outside of inventory, and created few linkages with long-term, value-adding industries (Interview B6). The presence of these firms and forms of investment crowded out longer-term investment in eco-tourism and port services, for example, and arguably worsened the security climate. Only telecoms and commercial real estate in Antananarivo appeared relatively unaffected by the overall security instability.[166]

4.3.2 Regime

False starts

The overarching trajectory of Madagascar's political economy under the transition was toward de-formalization. The regime, or "set of institutions that determines who governs the country and

[166] Major commercial real estate projects, including La City, Orange Tower, and the Alarobia apartments were completed during the period, though few new projects broke ground. Some interviewees suspected that major developers relied on individual relationships with government officials or agencies to generate capital and protect their investments.

the authority he or she exercises," unraveled between January 26, 2009, at the peak of the riots in Antananarivo, and March 17, 2009, when Ravalomanana transferred power to the military directorate via an extra-constitutional decree who immediately passed power to Rajoelina via a second extra-constitutional decree. The formal transitional institutions which replaced the Ravalomanana administration were uniformly short lived, typically determined by an ad hoc, murky combination of negotiations and unilateral decisions, and generally disconnected from the actual exercise of authority in the country. Investors watched for signs that the country would return to a constitutional—or even simply predictable—pattern of governance. As "mafia governance" under the transition became entrenched, diplomats and businessmen began to worry that an election would only exacerbate the delicate balance keeping Madagascar from a deeper security and economic crisis. A Malagasy businessman familiar with the HAT inner circle stated, "An election will be the start, not the end, of a new crisis (Interview B36)."

The Maputo negotiations in 2009 failed to establish a consensus government and clear path to new elections, and its successors met similar obstacles. Under pressure from the military and international community, Rajoelina announced on May 12, 2010 that there would be a constitutional referendum in August, legislative elections in September, and presidential elections in November, in which Rajoelina promised not to run (ION 1285). Few believed this timeline could be met, and the constitutional referendum was indefinitely postponed on June 29. In mid-August, it was rescheduled for November 17. The drama surrounding each re-scheduling drama received extensive coverage. The proposed constitution allowed Rajoelina to remain interim president until new elections could take place, lowered the age of eligibility for president from 40 to 35 and required candidates for President to have lived in Madagascar for 6 months prior to the elections, now scheduled for May 2011 (Tendi 2010). Ravalomanana, who would have been excluded from the elections under the 6-month clause, urged the TIM party to boycott the referendum, as did Ratsiraka and Zafy. The referendum was characterized by irregularities and logistical problems, but it passed, officially, with 74 percent of the 3.7 million voters voting in favor; turnout was 52 percent. On the day of the referendum, 21 officers led by Colonel Charles Andrianasoavina, one of the leaders of the 2009 coup, declared that the government has been dissolved and a military council would govern in its place. The attempted coup found little backing and was finally put down 3 days later after a brief firefight at a base outside Antananarivo (Aljazeera 2010).

Further delays followed the referendum. The elections scheduled for May were postponed. Efforts to restore a version of constitutional governance and democratic legitimacy were unsuccessful, largely due to Rajoelina's insistence on participating in new elections and not allowing Ravalomanana to participate, and efforts install a military council or another autocratic system never gained traction. On September 16, 2011, more than two years after the coup, the Rajoelina and Ravalomanana delegations signed a "Road Map" developed by the SADC to create a consensus government and organize elections within 12 months. On the crucial question of Ravalomanana's right to return to Madagascar, the road map punted: Ravalomanana was allowed to return, but a clause inserted at the last moment recognized the right of Malagasy courts to maintain their own judgements and declared that the right of return did not involve immunity (AC 52: 19). Citing his conviction *in absentia* for the killing of demonstrators in February 2009, HAT Justice Minister Christine Razanamahasoa promised to arrest Ravalomanana if he returned (AC 52: 19). A consensus Prime Minister, the former history professor and diplomat Jean Omer Beriziky, took office on November 2, 2011, but he quickly became disenchanted, reportedly telling a small international delegation, "The SADC hasn't pushed back against the HAT. It's as if the Roadmap doesn't exist (Interview P5)." The installation of Beriziky added another element to the confusing question of who governed Madagascar and how much authority he could exercise. The new constitution and parallel Road Map made it unclear what document would govern new elections and what kind of authority the new President would exercise. In short, the transitional regime was characterized by attempts to re-formalize the political system which, in practice, often achieved the opposite.

Regime and investment

The regime change in 2009 and persistent regime instability thereafter had a profound impact on Madagascar's economic climate. The suspension of foreign aid, which composed approximately 40 percent of the government's budget prior to the coup, caused Madagascar to lose an estimated $825 million by July 2011, even before factoring in the loss of 50,000 jobs in the textile sector due to the loss of AGOA benefits (AC 52: 19). The questionable legal status of the transitional government made it difficult for formal businesses to invest. In the mining sector, no permits were transferred, issued, or sold after March 2009. Two permits were "transformed," under circumstances that generated suspicion (Interview B10). A mining contract was also granted to WISCO, a Chinese firm, following a $100 million fee directly negotiated with the Minister of Mines and Hydrocarbons Mamy Ratovomalala, but this project later ran into new regulatory hurdles (ION 1289). Austral Resources, one of the few mining companies to make a new investment in Madagascar following 2009, never received a permit extension despite investing $3.5 million during the exploration process (Reuters 2015b). In contrast, informal mining projects, much like the rosewood trade, moved forward rapidly. The United Arab Emirates declared that it imported 870 kilograms of gold worth $23 million from Madagascar from 2012-2013, but at least 600 kilograms were exported illegally (EITI 2015; Laperozy 2015). A similar dynamic—informal mining and minimal investment—took place in the sapphire and gemstone sectors.

The contrast between the receding formal economy and growing informal economy was evident across sectors. The number of street hawkers in Antananarivo appeared to grow in proportion to the job losses in the textile sector. According to participants in small business roundtables in Toamasina, the crisis starting in 2009 and the resulting government gave small businesses fewer incentives to become formal. The informal businesses continued to have numerous interactions with the state, all the way from the commune government to the Ministry, but corruption and the lack of regulatory enforcement meant that those who went through formal channels were subject to greater payments (Interview R7). A similar dynamic took place among larger businesses, wherein government relations and corresponding rent-seeking became critical. A mid-size agribusiness with an international investor explained that their strategy during this period centered on "avoidance." He expanded, "Keep a low profile. We are too small to deal with the government, so we try to keep the company's main players [e.g. international investors] out of Madagascar (Interview B13)." More than one investor drew a connection between a desire to avoid competition in the political system and a desire among vested interests—particularly the karana and French families—to avoid business competition. Other investors pointed out that corruption and the receding formal sector fed a vicious cycle: corruption led to avoidance strategies, including deformalization and tax fraud, which led to lower tax revenues, which led to increased tax harassment and corruption (Interview B18).

The suspension of foreign assistance monies and programs exacerbated the effect of regime instability on existing businesses in Madagascar and had a significant, negative effect on the expectations of potential investors. Existing businesses experienced the suspension of aid partly through as a loss of protective boundaries maintained by international actors. One business owner reported being threatened into a deal by a prominent figure close to Rajoelina: "The IMF and World Bank are gone. No one is here to tell us no (Interview B32)." Meanwhile, the suspension of foreign assistance sent a signal to potential investors: some projects explicitly required World Bank guarantees or infrastructure assistance while other projects' business plans built in implicit assumptions that foreign funds would improve the business climate, build the customer base, and protect investor private sector interests. Even large companies able to self-fund projects were negatively affected by the narratives and increased uncertainty generated by the suspension of funds (Interview B8). Pessimism grew among investors when it became clear that the administration was unwilling to bend. Facing pressure from the U.S. to commit to free elections or lose AGOA benefits, the Rajoelina team wrongly thought it had more room to negotiate; the loss of AGOA status accelerated the de-formalization of the economy, but did not threaten the survival of the administration (Interviews B21 and B39). Unlike security instability, which peaked in the months immediately before and after the coup, regime instability grew as the transition persisted. A sense of fatalism became pervasive. One businesswoman and HAT supporter explained the administration's lack of progress by saying, "Andry Rajoelina had no choice but to surround himself with robbers. Good people wouldn't support him because he wasn't elected (Interview B34).[167] Expectations for a return to "normal," less predatory politics in the short term dimmed as the transition continued, but the sense of uncertainty increased because Rajoelina's administration never convinced observers that it had established a stable order.

4.3.3 Administration

Young entrepreneur

From Rajoelina's surprising mayoral campaign in 2007 to the successful coup two years later, there were persistent concerns regarding his capacity and questions regarding the depth of his support and if he could control his allies. Rajoelina was not well known prior to his mayoral campaign particularly outside Antananarivo. The first mention of Rajoelina in a US diplomatic cable (WL 86) takes place on December 10, 2007, two days before the election, as the mayoral race began "unexpectedly heating up":

> An independently wealthy young man from a rich family, Rajoelina is the Director General of INJET, a communication company that owns most of the billboards in Antananarivo, and the owner of private radio and television stations called "VIVA." His youthful appearance and endless energy have earned him the nickname "Andry

[167] A more cynical businessman noted that Rajoelina stopped advocating democracy once he had become president (Interview B28).

> TGV," alluding to the fact he moves as quickly as a French high-speed train. While this endears him to younger voters, some older constituents consider him too "boyish" for serious business. Although he has presented no clear platform, his campaign message is, "My success in the business world speaks for itself, and I can make Antananarivo successful too." Post notes Rajoelina is strangely reminiscent of President Ravalomanana when he first entered the political scene in the late 1990s as a surprise candidate: a young, successful and dynamic businessman.

Many elements of this description—youthful, business background, and lack of clear platform—would be regularly repeated during subsequent years even as a much clearer outline of Rajoelina's overall capacity and his differences with Ravalomanana emerged.

Rajoelina was 33, the youngest head of state in Africa, when he took power in the 2009 coup. Like Ravalomanana, he was not well-educated, having elected not to attend university after finishing high school and passing the *baccalaureat* exam, nor did he have extensive experience in government, having been mayor of Antananarivo for 15 months before the coup. He had no military or legal background, and his family's socioeconomic status was comfortable but not notable. His father had been a colonel, first in the French army, and later he had become a prominent officer in the Malagasy army. His wife Mialy's parents owned a successful advertising company, Domapub (Insiders 2013a: 17). Like Ravalomanana, he got an early start as an entrepreneur, first working as a DJ and then an event organizer in Antananarivo in the 1990s. In 1993 he started a production company in 1993 and organized an annual *Live* concert which attracted a crowd of 50,000 people on its tenth anniversary (Galibert 2009: 141). In 1998, he founded Injet, the first digital printing company in Madagascar, and he and his wife bought out his in-laws' billboard company. He gained attention for his success in this sector, winning "best young entrepreneur" in a 2001 contest, though numerous observers and associates give significant credit to his wife's business acumen (Interview B44). During this period, he began to clash with the government. In 2003, the mayor appointed by Ravalomanana prevented Injet from setting up billboards at a prominent roundabout, and in 2006 President Ravalomanana opposed his plans to build a shopping center (Insiders 2013a: 17). In May 2007, Rajoelina bought the *Ravinala* radio and television stations from the veteran

Malagasy political figure and former Ravalomanana ally, Norbert Ratsirahonana, and renamed them Viva FM and Viva TV in preparation for his mayoral campaign. On the brink of power, Rajoelina was charismatic but inexperienced.

The surface similarities between Ravalomanana and Rajoelina's backgrounds hid differences that were important to their respective administrations. Ravalomanana was young compared to many of his political competitors, but he was 52, not 33, when he became president. More significantly, Ravalomanana's Tiko conglomerate was far more complex than Injet in terms of number of employees, geographical reach, and range of products. Instead of bringing with him a trusted cadre of managers into government, Rajoelina's inner circle was composed of inexperienced friends, wealthy sponsors, and political opportunists (Interviews B19 and P9). There was little trust or clear lines of authority within the HAT, and Rajoelina constantly appeared weak and indecisive (ION 1276). In 2009, US diplomatic cables described him as almost certainly "manipulated by savvy political forces unseen by the public" and "the leader of a movement he does not fully control, the cohesion of which is questionable at best (WL 109 and 111)." A year later, his chief of staff told the US Ambassador that a group from within the inner circle was trying to strip the President's powers and "went into a long monologue about Rajoelina's incompetence, lack of decision-making ability, immaturity, instability, and general unfitness for his position (WL 284)." One of the businessmen who provided crucial support to Rajoelina during the protests lamented the new president's lack of authority, stating that he "can't stand up to mafia elements because he doesn't have real power (Interview B1)." A member of the HAT seemed to confirm this statement in an ICG report (2014: 4), saying, "[Rajoelina] thinks that he brought us to power but it's the other way around!"

Administration and investment

It is clear that Rajoelina inspired greater anxiety among investors and businessmen in 2009 than Ravalomanana had seven years earlier. There were concrete reasons for this perception gap beyond increased security and regime instability. Rajoelina could not point to additional military or government experience vis-à-vis Ravalomanana, and his business experience was particularly ill-suited to generate confidence when the flaws of the previous businessman-president were so recently on display. These flaws were well known within Madagascar and had been captured in an IMF report and public scandals (e.g. Air Force One, Daewoo), preparing fertile ground for a potential recovery narrative for which Rajoelina made an implausible seed. Instead, the combination of postponed elections, increased rosewood trade, and threats to major businesses shaped the public narrative of the transition. A minister in the first HAT government found that inside the administration, members of the Rajoelina were "totally unprepared and inexperienced," unable to build a staff and prone to constant backbiting (Interview B28)." A civil servant in the Ministry of Finance described how many of his colleagues went abroad or joined the private sector during the first year after the coup, resulting in a less experienced and less professional Ministry during a critical period (Interview P8).

Nevertheless, Rajoelina's charisma was sometimes underestimated as a source of political strength. He understood the importance of public relations and broadening his support beyond the narrow base that propelled him to power. As mayor, Rajoelina was perceived to be the victim of Ravalomanana's domineering style of governance. As president, he positioned himself as the victim of the international community's unfair treatment, often noting that other post-coup governments (e.g. Mali, Niger) had been internationally recognized; at other points, he positioned himself as an idealist who was not connected to the actions of the men and women surrounding him. There was some truth to these projections. Multiple interviewees argued that the dynamic between the inexperienced Rajoelina and the members of his inner circle who benefitted from the permanent transition was not a coincidence, claiming that the new President, like Zafy in 1993, was deliberately chosen by shadowy kingmakers in order to manipulate the state (Interviews B19 and P9). In contrast, another senior official argued that the role of contingency should not be overlooked, saying "Imagine you shuffle the deck and get an idiot in charge (Interview I6)." Whether by design or by chance, the combination of charisma and incompetence was surprisingly durable and lucrative for Rajoelina and his inner circle, despite creating an atmosphere of pervasive uncertainty for existing businesses.

4.3.4 Network

New broom?

If the differences between Ratsiraka and Ravalomanana were considerable and immediately evident, the dispute between Ravalomanana and Rajoelina was frequently perceived by many in Madagascar, especially to *côtiers*, as an internal fight among the Merina bourgeoisie. The two businessmen-turned-mayors-turned-presidents were not only both Merina, they also shared the same caste distinction within the complex ethnic matrix. To simplify, both Rajoelina and Ravalomanana were members of the *hova* caste, which roughly translates within the Merina world to *bourgeoisie*; many of the capital's *grandes familles* are *andriana,* or "nobles," and many of the poorest are *mainty,* a word meaning black that indicates slave descent.[168] For many Merina, these distinctions are of supreme importance, governing who can be married and, perhaps even more importantly, who can be buried in the family tomb. Moreover, the political history in Madagascar is deeply intertwined with these distinctions; they were critical to who fought, and against whom, during the unification of Madagascar in the mid-nineteenth century, during the *mena-lamba* rebellion (1896-1998), and during the shockingly violent insurgency and counter-insurgency (1947-48) which followed the end of World II and led to the re-establishment of French colonialism

[168] Middleton (ed.) 1999: 272. Both Ravalomanana and Rajoelina's ancestry are contested. Vivier (2007), for example, claims that Ravalomanana was of *andriana* descent. At least one interviewee claimed to have firsthand knowledge of attempts to alter the records of family trees held by "clans" in Madagascar (Interview B26).

(Randrianja and Ellis 2009).[169] Ravalomanana and Rajoelina were well aware of this history, and it affected their actions in power and their public presentation. While both cases are nuanced, Ravalomanana typically positioned himself on the side of the *hova* and *mainty* against both the *grande familles* and the French whereas Rajoelina adopted traditional *andriana* dress and symbols for many important events and embraced French influence. Like violence during civil wars, the social fractures stemming from the 2009 conflict often had roots in highly localized disputes—individual business decisions, rotary club elections, military promotions—that led to severe consequences. Outside Antananarivo, however, these distinctions were much flatter, and they were essentially invisible to most international investors, especially at the prospective stage.

Rajoelina differed more obviously from his predecessor in terms of generation and religion. Rajoelina, born in 1974, was 25 years younger than Ravalomanana, born in 1949, and much closer in age to the latter's children. That Madagascar, a country almost religiously devoted to respect for tradition and age, would have the youngest president in Africa, was inexplicable to many. Two explanations are credible and not mutually exclusive. First, the population of Madagascar is heavily tilted toward its younger age cohorts, and its urban centers, particularly Antananarivo, have become progressively disconnected from the social norms that previously governed Madagascar. In this explanation, both Ravalomanana and Rajoelina are a part of the same trend compared to "dinosaurs" like Ratsiraka and Zafy, who themselves were not traditional rulers. Second, many observers claimed that Rajoelina's youth made him attractive not just to voters in the capital, but also to power brokers who wanted a president they could manipulate. In one interview, a senior government official and long-term power broker across multiple administrations made both arguments in short succession, first saying that claims that all Malagasy are connected through ancestral spiritual practices (i.e. *fivanana)* are "bullshit—people look out for themselves," and then

[169] Randrianja and Ellis 2009: 155-186. Estimates of the number of Malagasy killed by French troops during the 1947-48 uprising range from 10,000 to 100,000.

saying that Rajoelina was a figurehead, like Zafy, chosen by powerful politicians who preferred "stupid" leaders rather than fighting amongst themselves (Interview I12). In practical terms, Rajoelina's youth resulted in an inner circle from diverse age cohorts, though one more tilted toward his contemporaries. For example, Haja Resamapa, the Secretary General of the Presidency (2009-2014) and later Rajoelina's preferred stand-in during the 2013 elections, was only a year older than Rajoelina; prior to this position, he worked as a part-time political consultant, was a legal research fellow, and organized dance competitions. On the opposite end of the spectrum in terms of age and experience, Norbert Ratsirahonana entered politics in Madagascar before Rajoelina was born, briefly served as a transitional President for 2 months in 1996, lost two presidential elections, became a key ally of Ravalomanana during the conflict with Ratsiraka, and finally, abandoned Ravalomanana and became a key figure in the HAT. When observers detected an unseen hand guiding Rajoelina's hard-line negotiating strategy or constitutional reforms, they nearly always believed it was French or Ratsirahonana's (Interview B44).

Religion and political party infrastructure became less politically significant during the Rajoelina presidency. The FJKM President, Lala Rasendrahasina criticized the Catholic Church for trying to lead mediation efforts in 2009 at the expense of the umbrella religious organization in Madagascar (the FFKM) and then again for trying to convince other churches to recognize Rajoelina, but this illustrated the divided and discredited position of religious organization more than a strong Catholic influence on the new President (Gingembre 2009: 113-116). The FJKM had been heavily criticized for subordinating itself to Ravalomanana, and the Catholic Church had also been criticized for efforts to insert themselves into the political arena. Malagasy Cardinal Gaëten Razafindratandra supported Ravalomanana against Ratsiraka in 2002, only to inform Ravalomanana six years later that he was no longer welcome to take communion in Catholic churches (ION 1008 and ION 1242). The umbrella religious organization in Madagascar, the FFKM, regularly offered to lead negotiations during the transition but gained limited traction.

Like Ravalomanana and Ratsiraka before him, Rajoelina set up his own party in 2007. *Tanora MalaGasy Vonona* (TGV), or "Young, Ready Malagasies[170]" when he decided to enter politics. TGV's orange branding was quickly recognizable during the protests and conflict. However, there was almost no accompanying party infrastructure or ideological content, though the new President did seek to build personal support outside the capital after taking power. Overall, Rajoelina had very little time to build a trusted political network and limited resources to build a patronage network (Vivier 2007: 113). His prominent allies were either political neophytes (e.g. Haja Resampa), associated with other parties (e.g. Monja Roindefo, Roland Ratsiraka, and Pierrot Rajaonarivelo,), or known for regularly switching sides (e.g. Norbert Ratsirahonana). In short, when it came to network instability, Rajoelina effectively "swept out" members of the TIM party and many members of the FJKM, but the TGV/Orange Movement and Catholic Church could not claim their predecessors' influence in the new government, largely because the new president's administration proved less capable overall.

Network and investment

Elite frustration with boundaries to investment and political participation under Ravalomanana, particularly during his second term, and the protests that propelled Rajoelina to power created the conditions for fruitful network instability via the reduction of boundaries and a network of decreasing state influence in the economy. Instead, the political economy under the transition generated limited investment. While this is partly explained by the components of instability associated with the turnover discussed earlier, it is important to understand why the effects of a new leader and network, unlike the turnover in 2002, did not spur investment. A deeper analysis of the new network and its dynamics helps to explain differences between the two turnovers. The 2009 coup increased the influence of those who resented Ravalomanana's

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[170] Sometimes translated as "Young Malagasies determined."

instrumentalization of the state to protect and expand Tiko's business interests as well as the new foreign investors under Ravalomanana. The Merina old guard had been overwhelmed by external competition, and sub-contracts tied to the Ambatovy and Rio Tinto projects, among others, largely went to the French firms (e.g. *Colas*) and the French-Malagasy firm *Henri Fraise Fils & Cie* (Interview B29). This dynamic generated tremendous resentment from those who were squeezed by Tiko and external competitors and felt left out by the new drivers of investment.

The ascension of Rajoelina brought many members of the rival business class into power, but these individuals were not political or economic outsiders. The view in many regional capitals—and many neighborhoods in Antananarivo—that the Ravalomanana-Rajoelina conflict was an internal dispute among elite Merina has some merit. Members of the new administration came into office determined to take a share of existing projects and armed with knowledge of government levers of power. Rather than government-created removing barriers to investment, the new administration sought to transfer rents or create new rents. Blatant attempts to solicit funds from Ambatovy, Madagascar Oil, and others were widely discussed by businessmen in Antananarivo, and the illicit rosewood trade received significant attention in part because of the environmental consequences, but efforts by Rajoelina's supporters to secure rents went far deeper. One successful karana businessman claimed, "There are Indians and Chinese who have made much more than Mamy Ravatomanga. They are close to [the First Lady]"; their sectors, he explained, were gold, property speculation, cooking oil in Tamatave, and, of course, rosewood (Interview B6).[171] The commonalities among these sectors were heavy government intervention, selective enforcement of laws, or both.

The removal of Ravalomanana generally created vacuums in the formal sector rather than new businesses. Investors and businesses with access to finance should have been optimally-placed to invest in sectors previously contested by Ravalomanana (e.g. agribusiness). The managing director

[171] A Malagasy businessman gave nearly the exact same list (Interview B2).

of one such company explained why investments in the formal sector remained limited (Interview B2). Banks, he claimed, were anxious to finance projects, even approving one of his projects within 2 days; however, the new government's *modus operandi* created problems. He said,

> It's not difficult to work under the current political system, but it is very different. We tried to work without bribes—it was a nightmare. It would take 3 months to get authorizations, and we lost customers because we wouldn't pay 600 ariary [approximately 0.2 USD]. It's much easier to pay bribes, but it's very uncomfortable. How do you explain to shareholders where the money went? They tend to be distrustful.

According to another managing director, banks in Madagascar became focused on the question of permits prior to lending. He distinguished between 3 types of businesses in Madagascar: (1) those *aligned* with the HAT who were often frustrated because they believed most of the rents went to Mamy Ravatomanga, Mamy Ratovomalala, or Patrick Leloup; (2) *non-aligned* businessmen who tried to limit exposure and often paused projects rather than pay for permits, and (3) those *opposed* to the HAT who either exited or were forced to fight attempts to take their businesses away (Interview B37). Noting that "crises have been very good for our company," the director of one large conglomerate in Madagascar explained that the transition was an ideal time to buy companies in order to remove nascent competitors or enter new sectors (Interview B3). While this represented investment by the larger firm, it was more than cancelled out by the exit of smaller firms and the chilling effect for new entrants and small firms.

While Rajoelina swept away an entrenched network which had created impediments to investment over time, it did not follow that existing policies were reformed or that new networks were interested in long-term investments. Problematic policies, including restrictions on land ownership and the monopolies granted to mismanaged state companies like Air Madagascar and Jirama, were left in place, and long-term problems, including education and infrastructure, worsened. One reason is that Rajoelina did not differ enough from Ravalomanana. Even though the two presidents and their respective inner circles were deeply antagonistic, the new president's supporters had a detailed understanding of the previous era, having witnessed it from within the same city and elite organizations. They were therefore well-placed to transfer benefits to themselves rather than create the bases for new networks. According to the managing director above who divided businesses into 3 groups, those just outside the complex web of ethnic and caste dynamics were best able to adapt and benefit from the transition: he explained, “They simply switched sides (Interview B37).”

4.4 Conclusions

If you do clean business, your life is quite good, but you lack cars and houses.

~Interview B28

The turnover from Ravalomanana to Rajoelina created significant security and regime instability in Madagascar, both of which reduced the propensity to invest. While objective markers of administrative and network instability are more difficult to specify, the case study method makes it possible to explain why businessmen and potential investors viewed Rajoelina’s administration as less capable than its predecessor and his network as too similar to spur new investments. Overall, the turnover’s effect on subsequent investment was negative. New projects were paused or cancelled altogether, and projects that did go forward often involved limited fixed investment or were ownership transfers to political allies of the new administration.

The decrease in investment from 2009-2013 can be traced to the motivations of the coalition that helped Rajoelina overturn the previous administration, the method by which they accomplished this goal, and the logic of permanent transition which quickly became entrenched. Ravalomanana’s opponents were threatened by his accelerating centralization of political and economic power. Rajoelina’s victory in the capital’s 2007 mayoral race at a time when Ravalomanana had won a string of elections made the young businessmen the only viable public face for a coalition loosely organized on resentment and lacking a coherent agenda to advance development. The 2009 coup produced a turnover, but the new administration to lacked the escape velocity to move past the subsequent transition. Investors expected further insecurity and international organizations cut critical support, creating uncertainty and boundaries to investment. The Rajoelina administration's tactics to generate internal cohesion and hold onto power were immediately centered on illicit demands from the private sector and extra-legal economic activities. A Malagasy businessman lamented, "There is no law. The problem is corruption, head to foot (Interview B30)." Unlike protest movements which successfully claimed popular legitimacy for extra-constitutional turnovers, the narrative surrounding the new administration centered on its own criminality. Even those elite Malagasy who had grown critical of the previous regime referred to the new government as an incompetent mafia. Prospective international investors cancelled projects. Expectations dimmed that the transition would end in the short term, even as its tenuous base of support narrowed and the means to prevent state collapse dwindled. The 2009 turnover generated a transition, not a government, and the economic consequences of the investor expectations it generated were disastrous.

Chapter 5:

Endemic fragility:

Madagascar from Rajoelina to Rajaonarimampianina

I ask my friends who have accompanied me until now to let me be free, free to reach out to others, toward someone that was never my friend, who has never belonged to our camp, our political family, who sometimes fought us. Because when it comes to acting for Madagascar, there is no longer any camp.

~portion of Hery Rajaonarimampianina's inaugural speech,

plagiarized from the original by Nicolas Sarkozy[172]

5.1 Introduction

The turnover from Andry Rajoelina to Hery Rajaonarimampianina led to disappointment among investors and observers who hoped that elections and international recognition would rapidly restart Madagascar's moribund economy. The re-institutionalization of the Malagasy state proceeded slowly, uncertainty persisted, and signs of a recovery narrative were rare during the administration's first two years. Though many investors had made preparations to invest in advance of the 2013 elections, most were hesitant to commit significant funds in the following two years. A close inspection of the forms of instability that resulted from the turnover, and the corresponding expectations of investors they generated, helps to explain their reluctance. The turnover took place without creating significant security instability, though both Ravalomanana and Rajoelina instigated civil disturbances. The return to constitutional rule created regime

[172] A.R. (2014). "Je demande à mes amis qui m'ont accompagné jusqu'ici de me laisser libre, libre d'aller vers les autres, vers celui qui n'a jamais été mon ami, qui n'a jamais appartenu à notre camp, à notre famille politique qui parfois nous a combattu. Parce que lorsqu'il s'agit de Madagascar, il n'y a plus de camp." (All translations from French to English in chapter 5 are made by the author.)

instability, centered on the lack of clarity concerning where authority lay. The positive effects from the peaceful transition were often cancelled out by the effects of regime instability. Likewise, the effects of administrative and network instability. Rajaonarimampianina did not have a military or legal background, nor a long political career prior to becoming president, but he did boast an impressive formal education and experience in business. Unlike the entrepreneurs who preceded him as president, Rajaonarimampianina was an accountant prior to becoming the finance minister in 2011, part of Madagascar's small professional class. Like Rajoelina, Rajaonarimampianina was a Merina president with an unsteady hand at the helm of a new political party. Both his background and network implied a degree of instability, but with opposite effects. How the turnover took place, why uncertainty persisted, and the effect on investment during the Rajaonarimampianina administration's first two years is the subject of this chapter.

5.2 Turnover

5.2.1 Pre-turnover environment

The Rajoelina administration proved to be far more durable than initially expected, but the combination of consistent international pressure and escalating financial problems pushed the HAT toward elections. Despite this, Rajoelina, his close political allies, and his funders resolutely opposed plans that would allow Ravalomanana to retake power through elections. Many members of the international community shared this perspective, partly due to previous grudges with the ex-President and partly because they believed that the ex-President's return would spark a larger conflict. The machinations necessary to hold an internationally-recognized election which Ravalomanana could not contest and which Rajoelina would accept drove political dynamics from early 2011 through 2013. During this period investment remained low, and the government built up fiscal arrears which reduced its ability to make strategic pay-offs to key constituencies. Trust in government fell precipitously during this period, and businesses began threatening to stop paying taxes (Interview P15). The transition felt both permanent and unsustainable.

Road map

On September 13, 2011, after months of negotiations led by the SADC, representatives from the Rajoelina, Ravalomanana, and Zafy movements signed a six-page agreement called the "Roadmap for Ending the Crisis in Madagascar." The role of Ravalomanana was the primary point of contention during the long series of discussions. Ultimately, article 20 of the Roadmap (2011) stipulated, "The High Transition Authorities (HTA) shall allow all Malagasy citizens in exile for political reasons to return to the country unconditionally, including Mr. Marc Ravalomanana." The Roadmap (SADC 2013: art. 18) also stipulated,

> A blanket amnesty for all political events which happened between 2002 and 2009, except for crimes against humanity, war crimes, crimes of genocide and other serious violations of human rights and fundamental freedoms…shall be ratified by the Transitional Parliament, and no elections shall take place prior to the ratification.

In short, the road map granted Ravalomanana the right to return but preserved the right of the transitional authorities to arrest him and carry out the sentence of life imprisonment for crimes he had been convicted of *in absentia.*[173] In practice, neither Rajoelina nor the military intended to allow Ravalomanana to return prior to elections, and there was no external mechanism to impose his return (AC 53: 14). Hence, the road map had two primary outcomes: first, it provided a measure of legitimacy to Andry Rajoelina, naming him the "President of the Transition" who "shall exercise the functions of a Head of State (SADC 2013: art. 3)," and second, it established a consensus Prime Minister and specified the enlargement and composition of transitional institutions. Because the road map did not resolve the central point of conflict or create a pathway to rapid elections, secondary outcomes of the agreement had important medium-term effects. The formalization of

[173] While in exile Ravalomanana was convicted of ordering the shooting of 30 protesters in February 2009.

Rajoelina's role provided a potential legal pretext for international investors to return. However, article 8, which stipulated that the Transitional Government "shall refrain from making new long-term commitments as such commitments fall within the competence of the future government which shall emerge from the elections" had the opposite effect: the vague language meant that any new permits for long-term projects would be stuck in legal limbo after an election. Finally, the road map stipulated that the President of the Transition must resign from office 60 days prior to presidential or legislative elections, should he decide to run (SADC 2013: art. 14). As the prospect of elections became more concrete in early 2013, this became a serious impediment to Rajoelina's potential candidacy. Organizing an election without holding the reins of power would mean risking that the newly-installed president would delay the election, institute new rules, or launch legal investigations against Rajoelina or close allies during the interim period.

After delays, elections under the road map framework were scheduled for May 8, 2013, but they were unlikely to take place unless Ravalomanana and Rajoelina agreed not to stand as candidates. South Africa, the SADC, and many members of Malagasy civil society pushed this solution, referred to as the "ni…ni,"—or "neither…nor"—option. On December 12, 2012, following a meeting with the Tanzanian President, Jakaya Kikwete in Dar es Salaam, Ravalomanana grudgingly pledged not to contest the elections (ICG 2014: 4)[174] The pledge surprised Ravalomanana's own supporters and pressured Rajoelina to follow suit.[175] The spokesman for the president of the transition initially stated (MM Dec 13, 2012),

The decision of the former President Marc Ravalomanana not to present himself for the presidential election will have no repercussions on the TGV policy nor on the road that the party has already laid for the resolution process of the crisis... The decision of Ravalomanana

[174] See also LN (Dec 1, 2012); MM (Dec 3, 2012). Some interviewees insisted that Ravalomanana went into meeting determined to run. (Interview P10). This decision also represented a change in position by the SADC; previously, they insisted that Ravalomanana have the right to run.
[175] See also LE (Dec 13, 2012) and MM (Dec 13, 2012).

is quite logical. His candidacy does not conform to the Electoral Code because he has already been condemned by the Malagasy court system. [176]

This position became more and more untenable. The international community threatened to withhold funds for the May 8 elections and apply targeted sanctions unless Rajoelina agreed not to stand (MM Jan 8, 2013; MM Jan 15, 2013).[177] Finally, on January 15, 2013, Rajoelina agreed not to run, declaring, "I wish to confirm my statement from May 12, 2010, I am not a candidate for the next presidential election. I prefer to sacrifice myself rather than the 22 million Malagasy people (MM Jan 16, 2013). "[178]

Several urgent, controversial issues remained, most notably the funding and organizing of the elections, the return of Ravalomanana, and the amnesty law promised in the Road Map. On February 5, 2013, the independent electoral commission for the transition (CENI-T) announced that the first round of the presidential election would be postponed from May 8 to July 24. The reasons for the delay were primarily logistical, but the HAT feared that it would give Ravalomanana more time to return to Madagascar and to organize a campaign for a surrogate candidate (AC 54: 6). Though Ravalomanana's right to return was explicitly stated in the road map, he had been prevented by ongoing legal cases in South Africa and the HAT from returning. Francois Goldblatt, the French Ambassador to Madagascar, weighed in against Ravalomanana's return, stating (MM Jan 24, 2013),

> [His] return will take place because it is a commitment of the Road Map and the International Community, but it remains to be seen the moment it will take place ...

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[176] "La décision de l'ancien président Marc Ravalomanana de ne pas se présenter à l'élection présidentielle n'aura aucune répercussion, ni sur la politique du TGV, ni sur la route que le parti a déjà tracée pour le processus de résolution de la crise…La décision de Ravalomanana est tout à fait logique. Sa candidature n'est pas conforme au Code Electorale parce qu'il a déjà été condamné par la Justice malgache."

[177] While few sanctions had the potential to change behavior in a country which received limited donor support, the threat of targeted travel bans and frozen bank accounts, particularly with respect to France, would have had serious socio-economic consequences among the Malagasy elite.

[178] "Je tiens à confirmer ma déclaration du 12 mai 2010, je ne suis pas candidat à la prochaine élection présidentielle. Je préfère me sacrificier plutôt que les 22 millions de Malgaches. "

> His return is neither appropriate nor useful before the elections, since it is necessary that the elections be performed in as peaceful an environment as possible.[179]

The return of Ravalomanana was not the only issue which the road map had addressed in words but not solved in practice. Amnesties were promised for certain crimes which took place between 2002 and 2009, and enabling legislation was passed in 2012, but a final list of those amnestied was not published (AC 54: 6). In this context, the SADC proposed that the amnesty should also apply to security forces for actions which took place since 2009, including the coup and the violent anti-dahalo campaign in the south (MM Jan 26, 2013; AC 54: 6). Overall, logistical delays, questions regarding funding, and ongoing controversies regarding Ravalomanana's return and amnesty generated significant uncertainty as to whether the election would resolve the political stalemate or even take place.

Budget crisis

The political drama took place against the backdrop of an accelerating budget crisis and signs of a potential economic collapse. The budget crisis was a function of reduced tax revenues, declining foreign exchange reserves, and the accumulation of internal arrears. The scale of the budget crisis was straightforward. Madagascar's GDP was approximately $10 billion during the HAT period. Given average tax revenues of approximately 10 percent of GDP (an extremely low figure relative to sub-Saharan Africa), the government's annual budget, excluding foreign budget support, was approximately $1 billion. These estimates provide useful frame for the budget crisis. In 2013, tax revenues fell to 9.3 percent compared to 11.8 percent in 2008, the final year before the transition (IMF 2014: 18). External budget support fell to 1.3 percent compared to 3.4 percent in 2008. Taken together, these shortfalls totaled 4.6 percent of GDP, or roughly $460 million in 2013 alone,

[179] "[Son] retour se fera puisque c'est un engagement de la Feuille de route et de la Communauté international, mais la est de voir en quelle moment il aura lieu…Son retour n'est ni opportune ni utile avant les élections, puisqu'il faut que les élections se fassent dans un climat aussi pacifique que possible."

compared to pre-transition levels (IMF 2014: 18). Unable to access international credit markets or IMF support, the government spent the period from 2009 to 2012 attempting to cover these shortfalls by slashing public investment and delaying VAT refunds. The red line for the government was payment of civil servant and military salaries, both of which were increased during the transition (Interview I11). In 2013, the government began to reach the limits of this strategy. From December 2012 to June 2013, Madagascar's international reserves fell nearly 20 percent from $1,051 million to $853 million, or 2.6 months of imports (World Bank 2013: 8). Domestic arrears rose to 3.8 percent of GDP by end-2013, or roughly $380 million; of these arrears, nearly half were unpaid VAT refunds, and the rest were fuel subsidies owed to distributors, and money owed to Jirama, and money owed the central bank (IMF 2014:7).

There were numerous potential routes from the budget crisis to a broader collapse of the Malagasy economy and the transition government. The prospects of general strikes, mass demonstrations, and military coups were regularly discussed in Madagascar during 2013. Another route from the budget crisis to collapse centered on companies which occupied critical places in the Malagasy economic system, including the two major mining companies, the fuel distributors, and Jirama. Ambatovy was owed more than $150 million in VAT refunds and urgently required a credible government commitment that the arrears would be paid back in order to avoid severe financing problems and potential bankruptcy (Interview B25). The fuel subsidies owed to Madagascar's four fuel distributors, Total, Galana, Jovenna, and Shell added up to approximately $40 million, and the companies were mostly holding on in Madagascar because they expected a government turnover to take place (Interview B9 and B12). The state also owed arrears totaling approximately $50 million to the chronically troubled public utility, Jirama, which in turn owed arrears to private companies (IMF 2014: 7). In January 2013, one such company, Henri Fraise Fils & Cie, was owed $6.25 million and reportedly threatened to begin paying VAT taxes "as a function of the payment we receive from Jirama (ION 1347).” An IMF assessment (IMF 2014: 31) of the company was stark:

> The national utility company JIRAMA (electricity and water) has been operating at a significant loss for many years due to operational inefficiencies, tariff adjustments that have remained below cost recovery, and a deteriorating capital stock.

Threats to withhold taxes were not limited to Jirama. In late May 2013, the *Groupement des Enterprises* (GEM), an umbrella organization of the country’s largest formal businesses, threatened to “cease our relations with the government” and “stop reporting to the tax administration from June 15 (Campbell 2013: 16).” The government’s budget crisis created systemic risks for Madagascar’s economy, but there was little the government could do to address it, absent infusions of new capital or reducing payments to the civil service and military.

A second route from the budget crisis to the potential for a broader collapse centered on the lack of capacity to respond to exogenous shocks. Three years into the transition, the World Bank (2012: 14) warned:

> Madagascar is also highly vulnerable to natural disasters—including cyclones, droughts, and flooding; it is estimated that one quarter of the population, representing 5 million people, currently live in zones at high risk of natural disasters. In 2008 cyclones caused economic losses equivalent to 4 percent of GDP and initial estimates predict similar losses from the 2012 season. The political crisis in Madagascar has exacerbated this fragility further, as the ability to mount even partial public response has been sharply curtailed.

Cyclone damages in 2013 and 2014 were even worse than 2012. On February 22, 2013, Cyclone Haruna made landfall on Madagascar’s southwestern coast, causing at least 13 deaths and the destruction of 1,500 homes (IRIN 2013). The cyclone created optimal conditions for another generation of locusts to breed, exacerbating an ongoing locust plague caused by underfunded spraying campaigns in previous years (FAO 2013), From February to August 2013, the locust infestation spread rapidly, ultimately affecting 33 percent of the country’s rice production and driving rice inflation year-on-year above 7 percent across the country (World Bank 2013: 12-14). In

March 2013, the World Food Organization estimated that Madagascar required $19 million of emergency funding to combat the severe plague, a trivial amount given the scale of the damage but difficult to pull together given Madagascar's budget crisis and international isolation (FAO 2013).

Last act

The presidential candidacy of Andry Rajoelina, announced without warning when the Special Electoral Court (CES) released the final list of 41 candidates on May 3, 2013 provoked political disarray and international anger. Two other candidates on the list, former First Lady Lalao Ravalomanana and ex-President Didier Ratsiraka, also provoked confusion, though both had formally applied to become candidates. Prior to the announcement of candidates, nearly all observers expected the CES to invalidate Ravalomanana and Ratsiraka's candidacies because they clearly did not meet the requirement "to reside on the territory of the Republic of Madagascar at least six months before the day of the deadline for the filing of candidacies (MM May 3, 2013)."[180] Instead of removing both, the CES validated their candidacies and added Rajoelina to the list of candidates despite receiving his submission after the deadline on April 28. In explanation, the court said (MM May 4, 2013),

> The Court is mindful of the principle of the freedom of every citizen to stand in all elections, to allow everyone to freely choose the person who will lead their destiny, to create a climate of appeasement which permits holding fair elections, credible and accepted by all.[181]

Facing harsh criticism for going back on his pledge not to run, Rajoelina argued that Ravalomanana was the first to go back on his word,

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[180] The deadline was April 28. Candidate were also required to be present in Malagasy territory on the deadline day. "résider sur le territoire de la République de Madagascar au moins six mois avant le jour de la date limite fixée pour le dépôt des candidatures. "

[181] The Court justified by citing article 15 of the "Loi fundamental" (i.e. the constitution). "La Cour est soucieuse du principe de la liberté de tout citoyen de se porter candidat a toutes les élections, afin de permettre à tout un chacun de choisir librement celui ou celle qui dirigera leur destinée, pour instaurer un climat d'apaisement permettant de tenir des élections justes, crédibles et acceptées par tous. "

> In Genesis chapter 2, verse 24, it was said that a man will leave his father and mother to join his wife and they will become one. Through his wife, the former president was therefore a candidate, and the Admiral [e.g. Ratsiraka] equally.[182]

Lalao Ravalomanana also received criticism. She had returned to Madagascar on March 12, ostensibly to visit her gravely ill mother, after the SADC negotiated on her behalf for months, and only after she had agreed not to participate in politics (AC 54: 11).[183]

Responses to the breakdown of the ni-ni option varied. Numerous international groups condemned the three surprise candidates, including the SADC (May 10), the European Union (May 15), the African Union (May 16), the Francophonie (May 17), the Secretary General of the UN (May 20), and the SADC again (May 26) (LE July 16, 2013). The EU threatened to cut off funds for the election unless the three candidates withdrew (ION 1356). The French Foreign Minister, Laurent Fabius, and the French Ambassador to Madagascar, François Goldblatt, were furious that Rajoelina broke his promise (ION 1361). In his Bastille Day speech, Goldblatt announced that those who were responsible for the electoral blockage, including Rajoelina and Ravalomanana, were barred from France. In harsh terms, he appealed to the "Malagasy political class" to put the interests of Madagascar above their own, and asked how long the Malagasy people should be expected to tolerate the consequences of underdevelopment, including high infant mortality, food insecurity, and lack of access to water (LE July 16, 2013). The FFKM argued that the road map should be discarded and called for a new transition (LE May 16, 2013). Expectations of a military intervention increased. The US, in contrast, seemed amenable to an election in which all the major stakeholders took place, arguing that political exclusion was a cause of Madagascar's previous crises (AC 54: 16).

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[182] See L'Express May 6, 2013. "Dans la genèse 2-24, il a été dit que l'homme quittera son père et sa mère, s'attachera à sa femme et deviendront Un. A travers sa femme, l'ancien président s'est donc porte candidate, et l'amiral également. " Ratsiraka was allowed to return to Madagascar in April to register for the elections. He was not considered a serious threat to win the election, largely because he was in his late 70s, nearly blind, and the former single-party, AREMA, had been almost entirely dismantled.

[183] Lalao Ravalomanana's about-face on political participation is consistent with her husband's pattern of reversals on political deals, most famously the "unofficial" 2002 agreement with Ratsiraka in Dakar to hold a second round of the disputed election. The mistrust these reversals generated made it difficult for his successors to reach agreements to end the transition and form a government in 2013 and 2014.

Amid the confusion and lack of funds, the first round of the Presidential election, previously delayed until July 24, was indefinitely postponed. The international community refused to fund the elections, and the three surprise candidates refused to bow out.

The Transitional Congress found a way around the impasse. On July 30, it passed a law which restructured and enlarged the Special Electoral Court (MM Aug 2, 2013). It was widely expected, though not certain, that Rajoelina, Lalao Ravalomanana, and Ratsiraka would voluntarily retire or be removed from the list of candidates, and in preparation the Council of Ministers adopted an ordonnance allowing removed candidates to name replacements (LE Aug 10, 2013). On August 19, the newly enlarged CES removed 8 presidential candidates, including the infamous three (ICG 2014: 4).[184] The Ravalomanana campaign was furious and threatened to start demonstrations (LE Aug 20, 2013). Two candidates whose named were removed, Kolo Roger and Jules Etienne, put forward Hery Rajaonarimampianina, the Minister of Finance under the HAT and a close Rajoelina ally, as their replacement while Lalao Ravalomanana defiantly re-submitted her name. Finally, on August 21 and 22, a new list of 33 candidates and a new electoral calendar were published. Rajaonarimampianina was included. Lalao Ravalomanana was not. The first round of the presidential election was rescheduled for October 25, and both the second round of the presidential elections and legislative elections were scheduled for December 20. Attention turned toward the long-delayed campaign season and toward Ravalomanana's next move: boycott, demonstrate, or throw support and money behind one of the 33 candidates. The HAT was represented by as many as six candidates: (1) Rajaonarimampianina, (2) Edgard Razafindravahy, the appointed mayor of Antananarivo who Rajoelina had publicly promised to support in April, (3) Deputy Prime Minister Hajo Andrianainarivelo, and (4) ex-Prime Minister Camille Vital. Other candidates, including (5) Roland Ratsiraka and (6) Monja Roindefo, were also associated with the HAT, though the latter had been jettisoned in 2009.

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[184] See footnote 21 (ICG 2014) for additional information.

5.2.2 Turnover process

Coming after four and a half years of political transition and economic stagnation, expectations for the 2013 elections were modest. Few of the 33 candidates were well-known, the Independent National Electoral Commission for the Transition (CENI-T) faced immense logistical challenges, and the elections were set to take place during Madagascar's rainy season, during which many of the country's roads become impassable. In the second round, the race boiled down to a run-off between a proxy candidate for Marc Ravalomanana and a proxy candidate for Andry Rajoelina. Complaints regarding the process were equally unsurprising. These included millions of missing names on the voting register, imbalanced media coverage biased toward the incumbent, a shortage of electoral observers, delays in announcing results, and finally, institutional confusion following the election. Numerous candidates made serious allegations of fraud. Nevertheless, the elections did lead to a real turnover in power from Andry Rajoelina and the HAT government to Hery Rajaonarimampianina, his administration, and the new National Assembly. The elections were peaceful and international monitors accepted the results despite irregularities (Carter Center 2013 and European Union 2013)."

Election results

The publication of the revised candidate list and electoral calendar on August 21 and 22, respectively, gave the candidates just over two months to campaign for the first round on October 25. According to the terms of the Roadmap, 11 candidates were required to resign their positions on August 26, two months in advance of the elections, including the mayor of Antananarivo and four ministers (MM Aug 26, 2013). This became an early test of credibility for the oft-delayed elections. Despite delays and uncertainty, the resignations took place and replacements were named on September 4. Ravalomanana's decision to support a candidate, motivated in part by an unwillingness or inability to rally a significant number of protesters to the streets, also provided important credibility to the elections. Despite pressure from some supporters to boycott the election, Ravalomanana threw his support behind an otherwise unlikely candidate, the medical doctor Jean Louis Robinson, who had been a special advisor to the Prime Minister Jacques Sylla (2002-04), the Minister of Public Health, Family Planning, and Social Protection (2004-08), and then the Minister of Youth, Sports, and Culture (2008-09). Ravalomanana explained, "He worked with me. This is a doctor and he knows the ills that plague the country (LE Sept 14, 2013)."[185] In a press conference to discuss the ex-President's support, Robinson also highlighted his career, saying, "Physicians are in the service of people. Madagascar suffers from a chronic illness; I am ready to bring my care (MM Sept 16, 2013)."[186] He also advocated forcefully for the return of Ravalomanana to Madagascar, before the first round if possible. This was a new issue for Robinson. In March 2013, when asked about Ravalomanana in a lengthy interview, Robinson only said, "I have not had any more contact with him since he left the country in March 2009 (ROI May-June 2013: 33)."[187] Some political observers expected Ravalomanana to mobilize financial support for Robinson, but others suggested that the reality prior to the first round was more likely the opposite. Multiple interviewees and a media report claimed that Robinson paid Ravalomanana for his support, without which he would have been unlikely to stand out from the crowded field (Interview I11; ION 1369).[188] In addition to advocating for Marc Ravalomanana's return, Robinson promised to make Lalao Ravalomanana the Prime Minister if he were elected (LOI 1366).

Prior to his surprise candidacy in May, the TGV party founded by Rajoelina threw its support behind the appointed mayor of Antananarivo, Edgard Razafindravahy, at a party congress on April 6 attended by 1500 delegates (LE April 8, 2013). At the time the Finance Minister Hery

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[185] "Il a travaillé avec moi. C'est un docteur et il connait les maux qui rongent le pays. "
[186] "Les médecins sont en service des gens. Madagascar souffre d'une maladie chronique, je suis prêt á apporter mon soin. "
[187] "Je n'ai plus de contact avec lui depuis qu'il a quitté le pays en mars 2009. "
[188] Prior to Ravalomanana's support, Robinson was not expected to do well in the election (ICG 2014: 5).

Rajaonarimampianina was bitterly disappointed. However, after re-joining the race in August as the replacement candidate for Roger Kolo and Jules Etienne, Rajaonarimampianina received support from Rajoelina's advisors and funders, such as Mamy Ravatomanga, reportedly because they trusted him more based on his work as Finance Minister (ION 1362). Rajoelina, in turn, gave Rajaonarimampianina his tacit backing prior to the first round, though many in the TGV party remained loyal to Razafindravahy or sided with Vital, Andrianainarivelo, or Ratsiraka (ION 1364). Rajaonarimampianina, or "Hery Vaovao," meaning "new Hery" in Malagasy, presented himself during the campaign in bland terms as the candidate for openness, reconciliation, and good government.[189]

In an election characterized by logistical problems and delays, Robinson and Rajaonarimpampianina eventually moved on to the second round with 21 percent and 16 percent of the vote, respectively. Andrianainarivelo finished third with 11 percent, followed by Roland Ratsiraka (9 percent), Vital (7 percent), the "Green Party" candidate Saraha Georget (5 percent), and Razafindravahy (4 percent). The remaining 26 candidates won 28 percent of the vote overall, suggesting a highly fractured electorate and generating uncertainty heading into the second round. The logistical challenges contributed to this uncertainty: approximately 2.5 million eligible voters out of approximately 10 to 11 million in total were left off the electoral register, and it took nearly 14 days for official results to be announced (AC 54: 23).[190] A confidential third-party risk assessment (Control Risks 2013: 1) prepared for a major company in Madagascar outlined three scenarios for the second round:

- **Break with the Past (60 percent):** Robinson wins the run-off. Although the country returns to the international fold, major investment and budget support remains elusive as the international community waits for signs of deep governance reforms.

[189] See MM Sept 7, 2013; MM Sept 12, 2013; MM Sept 13, 2013; and MM Sept 14, 2013.

[190] The exact number of missing voters was impossible to calculate because Madagascar's last census took place in 1993, meaning that over the half the population in 2013 was not even alive when the most recent census took place.

- **Old Habits Die Hard (30 percent):** Rajaonarimampianina wins the run-off through a combination of violence and intimidation. The international community refuses to recognize his administration, prolonging the economic crisis. Private sector performance and socio-economic conditions worsen.

- **Back to Square One:** The presidential poll is postponed to mid-2014. The international community implements targeted sanctions. Popular unrest occurs over the political and economic situation, chiefly in Antananarivo.

These scenarios illustrate the fundamental uncertainty among international observers and businesses concerning Madagascar's return to democracy. On November 22, Rajoelina replaced 8 of the 22 regional governors with military officers, citing "recent insecurity and the national political context (ICG 2014: 14)."[191] The Ravalomanana camp objected, and the risk assessment above predicted that a Rajaonarimampianina victory, should it take place, would be facilitated by voter intimidation by regional governors, calling the legitimacy of the elections into question (Control Risks 2013: 7).

Both Robinson and Rajaonarimampianina faced difficulties asserting their political independence, but the latter's predicament was particularly challenging. Rajoelina was determined to take an active role in the campaign despite having alienated many of the losing candidates, including Andrianainarivelo and Vital, whose support Rajaonarimampianina desperately needed in the second round. The personal relationship between Rajoelina and Rajaonarimampianina, which would have been strained in normal circumstances by the incentives for the new president to distance himself from his predecessor, was irrevocably broken when Rajoelina cruelly insulted Rajaonarimampianina in a lengthy tirade during a meeting between the two in between the first and second rounds (Interview B28; ION 1367). Nevertheless, Rajaonarimampianina was Rajoelina's

[191] See ICG 2014: 14. "[Rajaonarimampianina] appointed five colonels and three generals to the various posts on 22 November 2013. The changes were primarily made in the coastal regions, where support for his proxy was strong, and there was speculation that he was attempting to create a bastion of support should the election go badly. The justification given was vague: "the candidacy of some regional leaders to legislative elections, recent insecurity and the national political context (AFP Nov 22, 2013)."

only vehicle to retaining power and avoiding the consequences of a pro-Ravalomanana government. In addition, Rajaonarimampianina gained the support of Mamy Ravatomanga and other key funders, who reportedly provided him with a campaign war chest of $43 million, much more than his rivals (AC 55: 3).

The second round of the presidential election and the legislative elections took place on December 20. Initial statements by observers noted that the polling process was “calm and transparent,” but the official results took multiple weeks to release (Carter Center 2013: 34). On January 3, provisional results were released which named Rajaonarimampianina the winner with 53.49 percent of the vote. His support from coastal regions made up for a poor showing in Antananarivo and its surrounding regions (see Table 1, Appendix 1). Turnout was only 50 percent, and the results were immediately contested by Robinson. The Rajaonarimampianina campaign claimed that in fact it was Robinson’s camp who had attempted to rig the vote (ICG 2014: 5). The Special Electoral Court rejected the allegations and made the results official on January 17. The Carter Center’s final report stated, “Overall, the Center found the process to be orderly, transparent, and in accordance with international obligations for democratic elections (Carter Center 2013: 45).”[192] Robinson received praise for his decision to attend the inauguration on January 24, but the event was marred by Rajoelina’s attempts to dominate the ceremony and a grenade attack outside the stadium which killed a child and injured 50 bystanders (ION 1373; AC 55: 3). The President’s inauguration speech calling for the country to turn the page was initially praised by the diplomatic corps and Malagasy politicians, but it soon emerged that key parts of the speech were lifted verbatim from French President Nicolas Sarkozy’s inaugural address in 2007.

[192] The EU was more detailed but came to similar conclusions. The EU observers’ final report made 31 recommendations for future elections, but accepted the outcome (EU 2013).

Putin option

The new president's weak claims to legitimacy and the results of the legislative elections created a major threat to his authority. Because of the low turnover and major problems with the electoral register, Rajaonarimampianina won the presidency with just over 2 million votes, approximately 20 percent of eligible voters in Madagascar. His party, rapidly formed before the election, did not run candidates in the legislative elections. In contrast, Rajoelina's new party, *Miaraka Amin'ny Prezidà Andry Rajoelina* (MAPAR, or "Together with President Andry Rajoelina"), won 49 of 151 seats in the National Assembly. The Ravalomanana movement won 20 seats and the remainder was won by minor parties and independent candidates (Carter Center 2013: 40). Based on his party's performance, Rajoelina felt entitled to name the next Prime Minister, if not to hold the position himself. Members of the international community were adamantly opposed, as was the new President. Aside from the African Union, which recognized the new president on January 27, most countries and international organizations elected to delay lifting sanctions until the new government was named (AC 55: 3).[193] World Bank country director Haleh Bridi stated, "We don't consider the election process complete until we see the formation of a new government, until we see a prime Minister (Lough Jan 24, 2014)."

A stand-off between Rajaonarimampianina and Rajoelina took place. The MAPAR-led coalition elected Christine Razanamahasoa, the Justice Minister under the HAT and a close Rajoelina ally, the President of the National Assembly, and MAPAR secured additional key leadership positions in the chamber (ICG 2014: 8). According to Article 54 of the 2010 Constitution, the "majority party or group of parties" nominates a candidate for Prime Minister to be confirmed by the President. MAPAR therefore claimed that they had the largest right to nominate a Prime Minister as the largest party. Rajaonarimampianina disagreed. A new bloc which was larger than the MAPAR coalition

[193] The AU recognized the government so quickly in part so that that Madagascar could attend the organization's summit three days later.

emerged in the National Assembly, the Platform for a Presidential Majority (PMP), led by the Ravalomanana movement, a string of smaller parties, and independents (ICG 2014: 8). The High Constitutional Court (HCC) ruled in favor of MAPAR on February 18, after which Rajoelina announced (Le Monde Feb 21, 2014),

> After a meeting of the MAPAR party's national office, I was chosen for the hold the position of prime minister ... But I not going to take on this position ... The path that follows the present system is not very clear. Some people even feel betrayed.[194]

The prospects for compromise were low. The MAPAR nominated Haja Resampa, the influential Secretary General of the Presidency during the HAT era, for Prime Minister, but he was rejected by Rajaonarimampianina. In a bid to overturn the HCC's ruling, Rajaonarimampianina exercised his option to appoint a new president of the court and three new members. The reconstituted HCC reversed the previous decision and invalidated the election of Razanamahasoa and MAPAR members to National Assembly Leadership positions. The PMP and Rajaonarimampianina subsequently appointed and confirmed Kolo Roger as Prime Minister on April 11 and Jean Max Rakotomamonjy as President of the National Assembly on May 3.

On the surface, Kolo Roger, who Rajaonarimampianina had replaced on the ballot in August 2013, made for an unusual choice as Prime Minister. Roger was 70 years old and had lived in Switzerland from 1983 to 2013 working as a medical doctor. He spoke Malagasy with a dialect many found archaic or difficult to understand. Most observers believed that he was chosen in large part because he posed little political threat to Rajaonarimampianina. International observers overlooked any misgivings, focusing on the fact that Roger had been nominated by a group of parliamentarians representing 12 parties, and he was not tied to the HAT. Roger's new cabinet was praised for including two ministers from MAPAR and one from the Ravalomanana movement, but

[194] Après réunion de son bureau national, le parti MAPAR, j'ai été choisi pour occuper le poste de premier ministre…Mais je ne vais pas endosser ce poste…Le voie que suit le régime actuel n'est pas très claire. Certaines personnes se sentent même trahies."

others criticized the new government for including seven ministers who had been part of the HAT (ICG 2014: 11). Two ministers, including the Minister of the Environment, were criticized for their alleged ties to rosewood traffickers (Caramel Jan 24, 2015). Overall, the international community was eager to re-engage (ICG 2014: 20).[195] The turnover was complete.

5.2.3 Post-turnover economic trajectory

The new administration held onto power in its first two years, but the turnover did not lead to significant economic growth or investment. The new President's focus on consolidating his tenuous political gains disappointed investors who hoped for rapid, confidence-building reforms from an administration staffed by well-educated professionals. Other investors were more circumspect, noting that the new president had been an integral part of the HAT and need Rajoelina's support to win the election. There were fresh signs of fragility and constant political uncertainty. Some green shoots emerged after Rajaonarimampianina survived an impeachment attempt in mid-2015, but significant structural problems remained in the political and economic spheres.

First steps

The new administration took key steps in the first six months to distance itself from the HAT and consolidate power. Shortly after the inauguration ceremony, Rajaonarimampianina dissolved the Special Intervention Forces (FIS) and the Homeland Security Division (DST), both of which were created by Rajoelina and considered personally loyal to him (AC 55; 3). The FIS, in particular, was led by a key figure from the 2009 coup, René Lylison, and it had been accused of systematic human rights violations, including extra-judicial executions, during the transition (ICG 2014: 21). In January, Rajaonarimampianina also fired the heads of the *gendarmerie* and army, Generals Andre

[195] In March 2014, Rajaonarimampianina made the first official trip to Washington DC by a Malagasy president since the coup; he met with representatives of the US government, international financial institutions, and interested potential investors.

Ndirarijaona and Richard Ravalomanana, both of whom were close allies of Rajoelina (ICG 2014: 13; Ramasy and Vallée 2014: 9). In contrast to his swift action with respect to the security forces, the President's plan to limit the National Assembly's power involved long-term measures. The PMP was necessary to install Kolo Roger as Prime Minister, but the coalition of parties was fundamentally unstable and difficult to control. The National Assembly sought to position itself as an independent branch of the government in which new laws were originated and debated, but neither the President nor his ministers shared this vision. In May 2014, the President started a new political party, the New Force for Madagascar (HVM) and made Rivo Rakotovao, the Minister of State in charge of Presidential Projects, its director (Freland Feb 12, 2016). The HVM did not immediately alter the balance of power in Malagasy politics, but it sent a strong signal that the Rajaonarimampianina intended to contest subsequent elections under his own banner, and it illustrated the priorities of the new administration.

The new administration's economic agenda was limited. Prior to the election, many current investors in Madagascar said that re-investment could take place very quickly because there were many projects in the corridor (Interviews B12 and B42). The international financial institutions and the business community expected confidence-building measures, at a minimum, from the new administration and were not satisfied by the pro-investment rhetoric in Rajaonarimampianina's speeches. The World Bank country director suggested cost-free measures such as a 'public pledge to honor mining contracts and making the anti-corruption agency independent (Lough Jan 24, 2014)." In a positive step, the IMF and Malagasy government announced a reform plan consisting of a $47.1 million disbursement to cover the urgent balance of payments shortfall and plans for a phased reduction in domestic arrears, reduced gas subsidies, transfers to Jirama, increased tax revenue collection, and public investment (IMF 2015: 56). This amount would only cover a fraction of the budget shortfall and arrears, meaning that mobilizing international budget support would be necessary. International investors welcomed the IMF signal, but they sought deeper changes to the rules and their implementation, frequently citing the multi-year "pause" in mining permits, gridlock within the tax courts, and the need to pass legislation (e.g. mining and petroleum codes) that would clarify the terms of investment. The confidence-building measures and reform agenda advocated for by international financial institutions and investors required focused attention and execution. The Rajaonarimampianina's administration initial focus on consolidating its political authority fed a narrative of stasis and disappointment across many economic sectors.

Endemic fragility

Aside from successful maneuvering through political skirmishes, there were few signs of visible progress the Rajaonarimampianina administration could point to during his first two years. Instead, the pervasive state fragility which characterized the Rajoelina administration continued in 2014 and 2015. Violent attacks by cattle rustlers, locust swarms reaching Antananarivo, an outbreak of the plague, and widespread flooding all underscored the state's fundamental weakness. In August 2014, an attack by 80 armed cattle rustlers (i.e. *dahalo*) in Amboasary Sud led to 15 deaths, including two gendarmes; a second attack by 100 *dahalo* took place simultaneously in Mahaly, resulting in 300 stolen cattle (Le Monde Aug 17, 2014). These attacks took place despite "*coup d'arret,"* a major operation led by 100 members of the "Intervention Force of the National Gendarmerie," which Rajaonarimampianina consented to in May after more than 110 deaths took place in the previous six weeks (RFI May 11, 2014). While the consequences of *dahalo* attacks were sometimes minimized in Antananarivo, the invasion of billions of locusts was harder to ignore. Over 2 days in late August 2014 a black cloud of locusts stretching for kilometers swept through the city in numbers not seen since the 1950s (NBC News Aug 29, 2104). In September, an outbreak of the plague began, resulting in 263 cases and 71 deaths, including two in Antananarivo. This represented a third straight year of increasing cases (WHO Feb 11, 2015). Just as the outbreak was subsiding, Tropical Storm Chedza made landfall on January 16, 2015 in southeast Madagascar, resulting in 80 deaths, more than 80,000 displaced people, and severe damage to homes and fields (IFRC 2015). By the end of January, the National Bureau of Risk Management and Disaster estimated damages totaling $40 million (Rabary Jan 28, 2015). As the storm and continuing heavy rains reached the highlands around the capital, three rivers burst their banks on February 24, causing widespread flooding throughout Antananarivo, killing 14, displacing 21,000 people, and submerging many of the extensive rice fields surrounding the city (Nyabola March 5, 2015). The continuing *dahalo* attacks and perceptions that the government's response to the sequence of disasters was ineffective eroded confidence in the new administration.

The exclusion of Rajoelina and installation of Kolo Roger as Prime Minister did not produce tangible, widely-shared progress. Instead, a summary in *Africa Confidential* (56: 2) accurately summarized the harsh consensus:

> There is little sign of any decline in the gargantuan levels of corruption inherited from Rajoelina's HAT regime. Indeed, some abuses—such as the systemic thief of tanker-lorry loads of fuel from the depots of national power company *Jiro sy rano malagasy* (Jirama)—are on the rise. Despite the hopes briefly raised by his inspirational inauguration speech, Hery has failed to sell his governing agenda to the public, reverting instead to a low-key technocratic style. Popular support has ebbed away. When asked what their new President has achieved so far, the near universal verdict of Antananarivo residents is 'Rien' (nothing).[196]

The President's team suffered from severe internal dissension typified by turf battles among three men who considered themselves the president's right-hand man: Rivo Rakotovao, Henry Rabary-Njaka, and Solofo Rasoarahona (ION 1386; ION 1392). The men all had professional backgrounds, they all shared long histories with Rajaonarimampianina, and none had previous experience at high levels of government. By the end of 2014, the President had reportedly lost trust in each, but his own lack of experience in government gave him few options for replacements. The Prime Minister and the cabinet became convenient scapegoats. Kolo Roger was heavily criticized by

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[196] The English translation of Jira sy rano Malagasy is "Malagasy Electricity and Water."

donors and the President's team for his inability to push through government initiatives, but this criticism overlooked the presidency's lack of clear priorities. If Roger had had the political clout, charisma, and experience to pursue a reform agenda independent of strong support from the President, it is unlikely he would have been named Prime Minister in the first place. On January 12, the Prime Minister and his cabinet resigned, citing the public's discontent with the government's performance, particularly the regular power cuts and lack of economic progress (Rabary Jan 13, 2015; AC 56: 2).

Hence, one year into his term, Rajaonarimampianina faced a similar set of political challenges: who to appoint as Prime Minister, how to build blocs of loyal supporters in lower layers of the government, and how to handle the country's ambitious ex-Presidents. Ravalomanana's sudden re-appearance in Antananarivo in October 2014 brought the latter question to the forefront. In an impromptu address to supporters on the morning of his surprise return, Ravalomanana stated bluntly, "I was the current president when I left the country. Now I am back, and the Malagasy people know what must be done (AFP Oct 14, 2014)." An hour later, Malagasy special forces shot through the front door to Ravalomanana's house in Faravohitra and took him away to an unannounced location.[197] Ultimately, Ravalomanana wrote to Rajaonarimampianina recognizing his legitimacy and asking for freedom. The President allowed him to return to Antananarivo before Christmas, in part to attend a reconciliation conference organized by the FFKM on December 19 (AC 56: 2). In turn, Ravalomanana's supporters in the National Assembly subsequently helped the Rajaonarimampianina administration stave off a new attempt by MAPAR to name the Prime Minister. On January 14, Rajaonarimampianina nominated Jean Ravelonarivo, a little-known former Air Force General, real estate magnate, and Ratsiraka ally to be Prime Minister. A legal challenge to the appointment by MAPAR was rejected. Ravelonarivo named a new cabinet on January 25,

[197] The unannounced location was later revealed to be a military base outside Diego Suarez.

keeping 22 members of the previous government and naming 8 new members, including a new Finance Minister.

Neither the reshuffle nor the signs of a nascent Rajaonarimampianina-Ravalomanana alliance led to political stability in the short run. Lacking any political base in the National Assembly, Rajaonarimampianina's legislative agenda could be held hostage by supposed allies in his coalition. Credible press reports alleged that the President was only able to pass bills, including the 2015 Budget, after offering sweeteners to deputies (AC 56: 2). In other cases, the administration failed to pass reforms altogether; an attempt to break the capital into 16 districts with separate mayors briefly united Ravalomanana and Rajoelina supporters in opposition. Both groups saw it as a transparent attempt by the President to keep a powerful challenger from emerging in a region where his support was weak.

The volatile dynamic nearly led a constitutional crisis in May 2015. After Rajaonarimampianina refused to rule out a recommendation by the National Conference for Reconciliation to dissolve the National Assembly, the MPs voted to impeach the President for "grave and repeated violations of the Constitution," including his failure to appoint the members to the High Court of Justice (HCJ) (Hervieu May 28, 2015; AC 56: 12). Among other duties, the HCJ was tasked by the Constitution with hearing and deciding impeachment cases. The decision by the deputies belonging to the Ravalomanana movement to support the impeachment case was an unexpected blow to the President. The National Assembly also threatened to censure the Prime Minister, which would have required the President to nominate a new Prime Minister and cabinet. In sum, no one could be certain which officeholders from among the National Assembly, President, Prime Minister, Cabinet, or High Courts would still be in their positions by the time the municipal elections were held at the end of July. On June 8, as rumors of an impending coup were circulating widely throughout Antananarivo and the High Constitutional Court (HCC) was deliberating on the impeachment case, a high-ranking member of the State's Major Mixed Operations (EMMO) forces found 200 million ariary (approximately $70,000) in cash in the trunk of a MAPAR MP, Lanto Rakotomanga, during a "routing" traffic stop (LE June 9, 2015). Rakotomanga claimed immunity and a tense stand-off including tear gas took place between 20 MPs and the security forces. Ultimately, Rakotomanga was not arrested, and the following day, Rajoelina left the country.

On June 13, the HCC ruled in Rajaonarimampianina's favor and threw out the impeachment case. The President subsequently decided not to dissolve the National Assembly, leading to a cohabitation solution which echoed the "ni-ni" pact. Amid the fallout, the HVM party won an absolute majority of the 1600 communal elections in July, guaranteeing himself a majority in the new Senate where 42 of 63 members were to be elected by mayors and the remaining 21 are appointed by the President (RFI Feb 10, 2016). Lalao Ravalomanana was elected the mayor of Antananarivo on July 31, winning 56 percent to 32 percent against an ex-journalist supported by Rajoelina in a race in which turnout was only 29 percent (Kibangula Aug 3, 2015; RFI Aug 3, 2015). Rajoelina's party, MAPAR, finished third overall in the local elections but did win mayoral races in Tamatave, Majunga, and Diego Suarez (RFI Sept 19, 2015). Overall, the President's victory was impressive but not decisive.

Blackouts and strikes

The drama at the top of the government captured attention, but the lack of economic progress and the dearth of green shoots were key drivers of discontent and lack of investment. Blackouts, strikes, and allegations of corruption were defining characteristics of Rajaonarimampianina's first two years, and the persistent poor performance of Jirama had the broadest impact. The scale of the problem was staggering. In 2014, state transfers to Jirama and subsidies for oil products totaled 539 billion ariary (approximately $200 million), which composed approximately 20 percent of the overall budget (World Bank 2015b: 13). Despite this largesse, only 14 percent of the population had access to electricity, and businesses reported an average of 6.7 blackouts per month (World Bank

2015a: 60). The World Bank summarized the untenable situation: "Consumers are now offered poor services from inefficient companies that also need government subsidies to run their operations (IMFb 2015: 45)."

The incoming administration did not create the problem with Jirama: implementing structural forms at the state-owned public utility was a main recommendation of the IMF's 2007 Article IV report, and the 2014 subsidies were broadly in line with figures from 2005-2013 (IMF 2015a: 5; World Bank 2015b: 13). Nonetheless, the perception that blackouts were becoming more frequent and corruption within Jirama more severe was a deterrent for potential investors and a blockage for the economy. In August 2015, power outages in Antananarivo reportedly averaged 6 hours per day (ION 1409). In the 2015 and 2016 Doing Business Reports, Madagascar ranked 188 out of 189 countries for "Getting Electricity." Donors made reforms to Jirama a condition to further aid in 2015, and the ongoing problems threatened new funding (ION 1421).

The government responded to the crisis, but improvements were slow to materialize. In October 2014 Rajaonarimampianina fired Energy Minister Richard Fienena and replaced him with Horace Gatien, but to minimal effect. The head of Jirama, Nestor Razafindroriaka and the Chairman of the Board, Mohamed Rachidy, were close allies of the President and, reputedly, the drivers of electricity policy (ION 1420). In July 2015, the government announced that the President had directly negotiated an accord with Symbion Power to provide seven new power plants with an overall capacity of 180 megawatts and repair the Mandroseza power plant in Antananarivo, which was providing only 5 megawatts out of its capacity of 40 (ION 1409; BusinessWire July 24, 2015). A group of Jirama's employees reacted to news of the Mandroseza deal by going on strike on August 10 (LE Aug 11, 2015). The strike came to an end over one month later, but delays implementing the projects continued. In March 2016, still waiting for Jirama to sign an agreement, Symbion issued a press release regarding the delays which stated (MM March 11, 2016),

> This has been characteristic of the business climate in Madagascar since we started. Lies are told constantly to the public, and while the public struggles to live, a handful

> of businessmen who control the economy benefit from extremely rich lifestyles, publicly showing their wealth, all to the detriment of the Malagasy people. Symbion is lucky to have their partner Vision Madagascar, who has worked hard to overcome obstacles.[198]

The blackouts were exacerbated by major strikes, which took place in 2015 at the National Treasury, Ambatovy, the University of Antananarivo, and most notably, Air Madagascar. The latter was particularly important because of Rajaonarimampianina's background with the airline, the company's high visibility, and its strategic importance. In addition to his role as Finance Minister, Rajaonarimampianina was named the Chairman of the Board at Air Madagascar in July 2011. There, he was joined by his prominent backer and director on the board, Mamy Ravatomanga, and the airline's lawyer since 1997, Henry Rabary-Njaka, who would later become his chief of staff (Insiders 2014). Air Madagascar's visibility and strategic importance stemmed from its state-granted monopoly over commercial domestic flights and its revenue-generating flights to France and China. By 2014, the airline was beset by arrears, a reputation for delayed and cancelled flights, and poorly-maintained planes. It was only able to continue flights to France by leasing planes and paying in advance from skeptical partners (ION 1383). In June 2015, employees at Air Madagascar went on strike, demanding the resignation of senior management and payment of benefits (LE June 22, 2015; ION 1406). Though the striking employees insisted that "No one has an interest in destroying the company or penalizing passengers," the effects were disastrous (LE June 17, 2015). Flights were grounded for one month in the middle of the tourist sector's high season, stalling a nascent recovery, and the company reportedly lost $500,000 per day during the strike, essentially rendering it insolvent (IMF 2015b: 22; ION 1406).

[198] "Ceci a été la caractéristique du climat des affaires à Madagascar depuis que nous avons commencé. Des mensonges sont dits constamment au public et tandis que le public a du mal à vivre, une poignée d'hommes d'affaires qui contrôlent l'économie profitent de modes de vies extrêmement riches, montrant publiquement leur richesse, tout cela au détriment du peuple malgache. Symbion a la chance d'avoir leur partenaire Vision Madagascar qui a travaillé dur pour dépasser les obstacles. "

The consequences of the strike led to previously unthinkable decisions. In July, President Rajaonarimampianina fired Henri Rabary-Njaka from his positions as Chief of Staff and Chairman of the Board at Air Madagascar. He also fired Haja Raelison, the Directeur General, replacing him with Gilles Filiatreault, a Canadian air transport specialist. More importantly, the mismanagement and strike pushed Rajaonarimampianina to support and implement an "Open Skies" policy in the second half of 2015, finally removing the domestic monopoly Air Madagascar enjoyed (LE 9/1/2015).[199] This reform had been repeatedly proposed and then shelved during previous administrations, thereby maintaining a barrier to direct investment and a major constraint to tourism and the development of an internal market (World Bank 2015a: 63; IMF 2015b: 42).

Green shoots?

Despite high expectations linked to the constitutional turnover, opportunities for existing private sector investors in Madagascar rarely materialized during the first two years of the Rajaonarimampianina administration. The problems which plagued large projects in the extractive sector—primarily government inefficiency and legal risk—had similar effects in other industries. In the mining sector, the government announced in 2014 that it was undertaking an audit of existing permits. Almost no progress was made by the third quarter of 2015, however, delaying decisions on more than 4,000 permits and leaving companies unable to raise cash on stock markets or obtains new loans from banks (Jorgic and Rabary Aug 25, 2015).

The Minister for Mines and Petroleum[200], Joeli Lalaharisaina, was a close ally of the President who promised to reform the country's mining and petroleum codes in 2014 in order to drive new investment. Instead, neither code was reformed by the end of 2015, and the drafts which circulated discouraged investors by including significantly higher royalty rates and a clause which allowed the

[199] Turkish Airlines announced plans to begin flights to Madagascar in December 2015.
[200] Initially called the "Ministry for Strategic Resources under the President."

government to take a 10 percent stake in concessions for free (World Bank 2015a: 39; Jorgic Sept 2, 2015). According to a Madagascar-based mining expert quoted in the press, "The mood among mining executives is between curious and despondent (Jorgic Sept 2, 2015)." The global commodity slump which was a backdrop to the proposed reforms further depressed investor confidence. Madagascar Oil's successful transition to the development phases in April 2015 was a rare bright spot in the extractive sector, but it was widely believed that the project required much higher oil prices to be economically viable. In addition, Madagascar Oil's difficult and drawn-out negotiations with the government which characterized the transition from the exploration to the development phase reduced the potential for a wider positive impact on investor confidence. By the end of 2015, the company was struggling to find the funding or a strategic partner to continue operations (Allan Feb 2, 2016). After its share price rose from 20 cents per share to 30 cents per share in 2014, it fell steadily toward zero in 2015, ending the year below 5 cents per share and de-listing shortly thereafter (Ashcroft Feb 18, 2016).

The lack of progress on specific tax cases and wider tax reform created risks for investors across a wide section of Madagascar's economy. The combination of corruption, a weak judiciary, and efforts to increase the country's extremely poor tax revenue collection seemed tailor-made to deter efforts to foster formalization within the private sector (IMF 2015b: 14). In an IMF country report (2015b: 16), the IMF rated "political uncertainty and disappointing progress fighting corruption" a high impact risk with a high likelihood. The suggested policy response, which emphasized maintaining exchange rate flexibility and greater social "spending in support of the most vulnerable" only served to underline the lack of ideas to address the root problems. The government launched reforms to enhance revenue collection and bring "informal activity into the formal sector" in 2014-2015, but the experience of the private sector suggested that the effect was resulting in higher taxes without reducing tax uncertainty. In the presence of widespread corruption and absence of a competent judiciary, aggressive measures to enhance revenue collection, however lauded by the IMF, became disincentives to invest or join the formal sector (LE Jan 13, 2016; IMF 2015b: 38-9).

Facing widespread discontent in the private sector, Rajaonarimampianina finally replaced the Director of Taxes (DGI) in February 2015, but his replacement only lasted until January 2016 before he was replaced as well (MM Jan 21, 2016). As corruption and harassment within the tax administration had allegedly intensified under the HAT when Rajaonarimampianina was the Finance Minister, many observers argued that he was unable to rein in abuses without drawing attention to his actions during the previous administration. The President, they assumed, fully understood the problems and their adverse effects on the private sector, unlike his predecessor, but he did not address them. After Rajaonarimampianina fired the first DGI for not increasing tax revenue and reducing corruption, a Malagasy businessman commented drily that the man's nickname had been Ali Baba, a reference to the "Arabian Nights" tale, because his deputies and staff were also thieves. In contrast, the controversial dismissal in March 2015 of the head of the Public Treasury, Orlando Robimanana, for alleging that the government was attempting illegal withdrawals led to swift criticism from Francois Goldblatt, the Ambassador of France, who tweeted, "A very bad signal for the donors concerning the future orientation of the executive (RFI March 13, 2015)."

As illustrated by the protracted approval process for Madagascar Oil's development plan and the reasons underlying the realization of the long-delayed Open Skies reforms, many signs of improving conditions in 2014 and 2015 were ambiguous. The return of AGOA benefits in June 2014 and the launch of significant aid lending toward the end of 2014 fit this pattern. In 2015, overall donor flows returned to 2007-08 levels, though with approximately half the previous amount dedicated to budget and project grants rather than loans (IMF 2015b: 20). In addition, the continued expansion of Madagascar's three telecom networks was marred by claims that the state regulations in 2014 were deliberately designed to benefit Telma at the expense of Orange and

Airtel, allegedly because the new head of the telecommunications regulatory authority was the former deputy general manager of Telma (ION 1405).

The presentation of the "Plan National de Développement 2015-2019" in April 2015 was an opportunity for Rajaonarimampianina and the recently-appointed Prime Minister, Jean Ravelonarivo, to present their priorities for a country still emerging from the transition.[201] The document was much less polished than Ravalomanana's "Madagascar Action Plan 2007-2012," but the overarching approach was consistent with Rajaonarimampianina's priorities during his first 16 months as President. The sub-heading to the opening paragraph states, « The fragility of the economy has not permitted reaching, until now, a turning point in terms of growth."[202] The opening paragraph pins the blame on poor governance (MEP 2015: section 1.1):

> More than fifty years since independence, the growth of Madagascar remains characterized by a situation in which gross domestic product is growing at about the same rate as the population, without any decisive increase in product per head which could reverse the trend. In addition, political crises have destroyed the few gains made on the eve of each crisis: growth rates of 3.9 percent, 3.1 percent, 6.0 percent and 7.1 percent respectively in 1971, 1990, 2001, and 2008. This poor performance of the economy is largely the result of a serious failure in matters of governance.[203]

The strategic approach to development also begins with governance, listing plans for national reconciliation, decentralization, and creating a "State of Law" before plans to restructure state enterprises and improve productivity (MEP 2015: section 2.3). Many initial assessments of new administration and its approach were sharply negative. At the annual American Chamber of Commerce cocktail in September 2015, President Peter Hallinan stated, "The feeling of optimism

[201] The lack of a government development strategy was a concern to donors and many businesses during the HAT period, leading to rapid calls for such a plan after the 2014 inauguration.

[202]" La fragilité de l'économie n'a pas permis d'atteindre jusqu'ici le "turning point " en matière de croissance. "

[203] "A plus d'une cinquante années d'indépendance, la croissance de Madagascar reste une croissance extensive caractérisée par une situation dans laquelle le produit intérieur brut croît à peu près au même rythme que celui de la population, sans qu'aucune augmentation décisive du produit par tête ait pu inverser la tendance. De plus, les crises politiques ont anéanti les quelques acquis enregistrés à la veille de chaque crise : taux de croissance de 3,9%, 3,1%, 6,0% et 7,1% respectivement en 1971, 1990, 2001 et 2008. Cette faible performance de l'économie résulte en grande partie d'une grave défaillance en matière de gouvernance. "

has dissipated bit by bit to reach a climate of widespread economic gloom," citing blackouts, depreciation of the ariary, currency shortages, and continued attempts to remove the President (Voahangy Sept 29, 2015).[204] Defensive but undeterred, the President defended his approach during his 2016 New Year's Speech, "During these two years I have striven to defend political stability. I am convinced that it is essential for economic recovery (LE Jan 9, 2016)."[205]

5.3 Instability and investment

Rajaonarimampianina, like his predecessors, entered the presidency with a limited track record as a public official. Unlike his predecessors, his time in office had not yielded a clear profile of what issues motivated him or how he could be expected to govern. Shortly after his inauguration, the Indian Ocean Newsletter described Hery Rajaonarimampianina as "a sort of unidentified political object who has become president a little by chance (Insiders 2014)." This description captures the uncertainty concerning *how* Rajaonarimampianina maneuvered into position to become president and *who* he was. This uncertainty was driven by a series of contradictions that were heightened, not resolved, during the turnover process: first, Rajaonarimampianina gained political power through Rajoelina's support during the campaign, but he was resolutely opposed to sharing authority with the ex-President; second, Rajaonarimampianina's reputation for careful, competent accounting did not square with the transitional authority's reputation for corruption; third, Rajaonarimampianina was in some senses a consummate politician but prior to becoming the Finance Minister in 2009, he had never even been a member of a political party (ION 1268); and fourth, Rajaonarimampianina was ethnically Merina, but his electoral support came from coastal regions. It is not unprecedented, or even unusual, for contradictions to surround the circumstances of turnovers and incoming

[204] " Le sentiment d'optimisme s'est dissipé petit à petit pour arriver à un climat de morosité économique généralisé. "
[205] See also LE (Dec 31, 2015): "Durant ces deux ans je me suis évertué à défendre la stabilité politique. Je suis convaincu que c'est un élément essentiel de la relance économique."

leaders, but the lack of solid institutions and the non-participation of Madagascar's two most influential politicians heightened the uncertainty these contradictions generated.

These contradictions can be linked to the components of instability and tied to investor expectations. The 2013 presidential elections, largely peaceful, reduced expectations for violence, and the grenade attacks and demonstrations which took place were more symbolic than threatening. Regime instability, in contrast, was heightened by the elections and their aftermath. While many investors held high expectations for the positive consequences of elections, their ad hoc organization, inconclusive outcome, and the new president's fragile power base stifled confidence. Meanwhile, Rajaonarimampianina's academic and professional pedigree led some observers to expect a technocratic administration, but his lack of leadership experience and counterproductive political experience proved to be drawbacks for potential investors. Finally, the inexperienced new president's network differed from that of Rajoelina's, whose influence he actively contested, and the resulting vacuum created instability and reduced direct government interference in the economy. Overall, the components of instability resulting from Rajaonarimampianina's election pointed toward increased investment, save for increased regime instability, which threatened to overwhelm the new administration and smother a potential recovery during its first two years. At the end of 2015, it was too soon to determine if new investors would yet arrive in significant numbers during Rajaonarimampianina's first term, given the disappointment and uncertainty tied to regime instability and corresponding state fragility.

5.3.1 Security

Symbolic Violence

After the violent protests and extensive abuses by security forces which took place during the turnover process in 2009 and subsequent administration, the peaceful election in 2013 heralded a palpable reduction of insecurity. Nevertheless, the political violence that did take place often carried significant symbolic weight, and domestic investors and politicians were aware of its messages and implicit risks.

The 2009 coup and the long, extra-constitutional transition which followed led to economic stagnation and a budget crisis, both of which shaped strategic options during the first two years of the Rajaonarimampianina administration. Whereas Rajoelina and his backers in 2008-09 believed that an extra-constitutional transfer would quickly resolve governance problems with limited—if not positive—economic consequences, Rajaonarimampianina's political opponents in 2014-15 believed that a coup was likely to be short-lived, discrediting, and economically ruinous. The population also exhibited a general unwillingness to participate in political demonstrations. This change increased the chances of Rajaonarimampianina's survival in office but did not bolster his authority. The resulting political dynamic had two key elements: a focus among the opposition with constitutional methods to remove or otherwise neuter Rajaonarimampianina combined with a focus within the new administration bordering on paranoia with sidelining political threats, no matter how minor they appeared.

In this context, violence played a small but symbolic role. Three events that took place from September 2013 through January 2014 are illustrative. First, a series of coordinated grenade attacks in the center of Antananarivo took place in September 2013 prior to the first round of the election. No casualties took place, and the meaning of the attacks was subject to speculation and uncertainty. Second, the public murder of two French men and one Malagasy man by a mob on the beach in Nosy Be, Madagascar's most popular tourist destination, gained widespread attention and led to travel warnings from France and the United States, among others (Polgreen Oct 5, 2013). Third, a grenade which exploded outside the Mahamasina stadium after Rajaonarimampianina's inauguration killed one and injured 52 people. The motivations of the attack were unclear.[206] The visibility of these attacks led to tension and paranoia within government and among many

[206] Authorities later claimed that the grenade explosion was inadvertently caused by drunk soldiers.

international investors. This paranoia was heightened by memories of the unexpected 2009 coup and its unlikely roots among 100 members of the Army's Administrative Corps (Interview I17). While the Rajaonarimampianina patiently built a political coalition within the National Assembly, it acted much quicker to remove organs (and individuals) within the security forces that were loyal to Rajoelina.

In light of the economic stagnation, regular blackouts, and popular frustration evident in 2014 and 2015, the dearth of large-scale demonstrations is striking. Madagascar's recent history suggested that it was possible: approximately 500,000 people marched in Antananarivo in 2002 and the "orange" movement in 2009 led to daily demonstrations with 5,000 to 40,000 people lasting for months. In 2014 and 2015, there were four sources of popular demonstrations in Madagascar's major cities: (1) student demands on university campuses, (2) frustration with blackouts, (3) strikes at Ambatovy, Rio Tinto/QMM, Air Madagascar, Jirama, and elsewhere, and (4) Ravalomanana's return. In each case, the demonstrations were limited in number and duration. An account (Raleigh and Dowd 2016[207]) of the demonstration inspired by Ravalomanana's return is typical, both in terms of scale and response from security forces:

> About 200-300 protesters demonstrated in the capital to demand the release of the former president Ravalomanana. They made a barricade and burned boxes, but were dispersed by the police who used tear gas. Clashes were reported and at least 1 was injured and 3 arrested.

Neither Ravalomanana nor Rajoelina successfully organized a large-scale protest during 2014-2015 despite popular discontent. Instead, Rajaonarimampianina's rivals to focused on "constitutional" means of removing the president or circumscribing his power. However, the inability to credibly threaten, explicitly or implicitly, to take to the streets limited the opposition's effectiveness. The potential coup which took place in June 2015 while the High Constitutional Court

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[207] Raleigh and Down are the editors of the Armed Conflict and Event Data Project (http://www.acleddata.com).

was deliberating on the impeachment case illustrates this logic: there was no sign that members of the court were harassed or intimidated even as a group of assembly members aligned with Rajoelina were sprayed with tear gas and threatened with arrest.

The grenade attacks, demonstrations, and constitutional machinations in Madagascar's cities overshadowed a fierce conflict taking place between *dahalo,* security forces, and village militias in the South. There is no question that the latter were far more violent and destructive. The steady drip of details from Madagascar's least developed region revealed the extent of continuing state fragility: 34 killed during three weeks in March 2014, 41 killed on April 28, 2014, 22 killed on May 7, 15 on May 29, and on and on. Contemporary press reports—a highly imperfect, conservative method under the circumstances—counted 656 deaths in 2014 and 2015. The same sources counted 595 deaths over the entire period from 2009-2013 (Raleigh and Dowd 2016). The extent of the violence did not cause a proportional increase in political or economic instability. An International Crisis Group report did not mention the conflict in a 4-page section on the "Risk of Military Intervention" but did refer to it later as a part of a humanitarian crisis. Neither the IMF Article IV report in January 2015 nor the World Banks's Country Diagnostic in November 2015 mentioned the conflict at all, even as part of the latter's review of challenges.

Insecurity & investment

Though exact figures are impossible to obtain, it is clear that fewer people died, fewer people demonstrated, and fewer people rioted during the turnover from Rajoelina to Rajaonarimampianina than did during the turnover in 2009. The general calm in the two months prior to the first round of the election lasted through the second round and generated confidence, even among those who previously believed that the election of a high-level HAT figure would stifle new investment. International observers pointed to positive signs, such as Jean-Louis Robinson's attendance at the inauguration, a first for the presidential runner-up in Madagascar. Citing a

MAPAR assembly member and a general in February 2014, the International Crisis Group (2014: 15) wrote,

> For now, there is a sense among the political elites that "nobody wants to see Madagascar go back into a crisis; the military brass and politicians are both in that spirit." The military leadership has publicly dismissed any possibility of a coup.

Transition fatigue and the sense that things couldn't get worse produced a wary optimism among members of the international community and the private sector. This confidence began to waiver during the drawn-out process of naming a Prime Minister, but not because of an increase in violence within the political system.

There is limited explicit evidence that the peaceful character of the election led directly to new investments. There are two reasons. *First*, as the previous transition dragged on, many international investors identified elections, not lack of violence as the precondition to re-investing in Madagascar. The case of Symbion Power is illustrative. The CEO, Paul Hinks, first met new-President Rajaonarimampianina during the latter's visit to Washington DC in March 2014, shortly after he was elected, and later led a trade mission to Antananarivo from the Corporate Council on Africa in May 2015, one month before signing a *protocol d'accord* directly with the presidency and Vision Madagascar, a prominent local company, to build seven power plants (Symbion Power 2015). In a lengthy interview section discussing the deal, Hinks explicitly linked the timing of the investment to the democratic elections (AllAfrica Aug 14, 2014). There was no parallel statement concerning the security conditions necessary to commit to building power plants in six sites across Madagascar despite a discussion earlier in the interview of security challenges inhibiting similar investments in Nigeria (AllAfrica Aug 14, 2014). *Second*, the series of strikes, attempts to engineer a constitutional coup, and legislative gridlock which followed the election reduced confidence and increased the perceived risk of investments. The Rajaonarimampianina administration contributed to the narrative focus on elections and institutions; the new president could not make a compelling case that he was responsible for security. He lacked a military background, and the violence in the south undercut perceptions of improving security nationwide, even if economic conditions in the region changed little. Finally, both Ravalomanana and Rajoelina were plausible threats to security, and some businessmen alleged that the rosewood trade and threats to expropriate private assets continued. The peace dividend which many expected was delayed, if not blocked altogether.

5.3.2 Regime Instability

Political expectations

The causal link from democratization toward economic growth has been subject to widespread scholarly skepticism, but this did not prevent a small number of businessmen and potential investors from expecting Madagascar's presidential election in 2013 to improve the business climate. Their reasons varied. In 2013 one businessman stated, "If there is an election, then things will improve very quickly. There are many investors in the corridor (Interview B12)." Another expected that "legitimate enough" elections would be a sign that would start a self-perpetuating cycle of returning donors and investors (Interview B16). In general, diplomats and—to a lesser extent—members of the international financial institutions voiced similar expectations (Interview I7). Overall, most businessmen were more circumspect about the positive effect of elections. Many pointed to long-term structural determinants of the poor business climate, including the banking systems, socio-cultural beliefs, and deeply-rooted corruption.[208] The most pessimistic believed that elections would lead to a new leader but that a new coup or significant instability would result (Interview B10). Even in the most optimistic scenario, a professional risk analysis (Control Risks 2013: 6) done prior to the 2013 elections predicted,

> Large-scale FDI inflows [would be] limited as most institutional investors look for more positive signs of political stability and governance reform. These are unlikely to materialize within the new administration's first year in office.

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[208] Numerous interviewees, including B3, B4, B10, B12, B21, B30, B37, and I12. Note that some of the same interviewees who expressed optimism concerning the election's effects were ambivalent about the overall effect on the business climate.

The conclusion to a World Bank Economic Update (2012: 14) struck a balanced note, first noting that the status quo was "causing enormous economic and social hardship" before closing,

> Therefore, from a strictly developmental point of view, a political resolution of the crisis is urgently needed for Madagascar. Moreover, the solution must ensure that another crisis does not re-emerge further down the road."

Following the peaceful elections in 2013 and inauguration of Rajaonarimampianina in January 2014, potential investors looked for signs of political stability and governance reform. In short, they looked for signs of what the World Bank called a "political resolution."

Instead, the first two years of the Rajaonarimampianina administration delivered instability and signs of endemic fragility. Elections led to international recognition and corresponding benefits, including AGOA eligibility, EU funds, IMF loans, and more; however, the institutions comprising the new regime were too malleable to ensure vectors of accountability or provide a baseline level of policy certainty. The legal dispute over the meaning of Article 54 in the 2010 Constitution and the corresponding authority to name the Prime Minister, as well as the uncertainty over who had the standing to adjudicate the impeachment trial in 2015 were the highest profile examples, but the lack of institutionalization throughout the government was pervasive. Equally important, the confusion regarding government institutions was mirrored by a lack of institutions within parties, and the overall institutional confusion manifested itself in heightened policy uncertainty. The drawn-out process of replacing the mining and petroleum codes, the confusion regarding permitting processes and tax cases, and the high turnover in key government positions all encouraged investors to pause projects or cancel them entirely.

Elections before parties

The 2013 elections returned Madagascar to constitutional, democratic order, but the over-arching and inter-related set of institutions that regulate governance, formally or informally, in the state remained embryonic. This was unsurprising given the run-up to the elections. The Road Map pushed by the International Contact Group prioritized elections over clear rules in high profile, ad hoc decisions; first, the “ni-ni” agreement and the court decisions which first approved the candidacies of Ravalomanana, Rajoelina, and Ratsiraka only to later render them ineligible while simultaneously adding Rajaonarimampianina; and second, there were millions of missing citizens on the official voter roll. Taken together, the pre-election process provided little basis for certainty regarding institutions, accountability, and authority following the election.

Even though the new regime was more democratic than its predecessor, the turnover failed to create meaningful executive constraints or vectors of accountability to the Rajaonarimampianina administration. This is primarily illustrated by the lack of strong political parties and consequent shifting alliances within the National Assembly, thereby creating a fundamental source of instability. Following the onset of multi-party elections in 1993, Madagascar’s political parties have typically organized around charismatic personalities, including the men who became president. In some cases, such as the Economic Liberalism and Democratic Action for National Recovery (LEADER-Fanilo), these parties also had clear ideologies. In many cases, as with Ratsiraka/AREMA and Ravalomanana/TIM, the parties formed around individuals and loosely combined their personal beliefs with coherent ideological goals. Elections from 1993-2007 always left the President’s party in control of the legislature (see Table 1, below), either with a plurality or absolute majority, leaving him with few executive constraints in practice. The 2013 election broke with previous trends: first, the party with the largest number of seats controlled only 32 percent of the legislature; second, the total number of parties and the number of independent members were both at or near historical highs; and third, the President’s party held zero seats. Finally, there was no precedent for an election in which the leaders of the two most popular parties were informally barred from running for President.

Table 1. Parties and Parliamentary Elections in Madagascar, 1993-2013

Year	Total Seats	Largest Party (# of Seats)	Independents	Total # of Parties
1993	134	Forces Vives—46	0	26
1998	150	AREMA—63	32	9
2002	160	Tiako I Madagasikara (TIM)—103	22	7
2007	127	TIM—105	11	11
2013	151	MAPAR—49	25	31

Source: Africa Elections Database (Nunley 2011)

The shift from transitional, autocratic institutions to democratic institutions constituted regime instability. The prioritization of elections over parties and the election of a President without a party had a variety of consequences whose cumulative effect was to increase overall regime instability. These consequences included but ultimately went well beyond the dispute over Article 54. The lack of institutionalized competition and accountability was critical. The reconstituted court gave Rajaonarimampianina the right to nominate a Prime Minister, and the Platform to Support the President (PMP) gave him a working parliamentary majority. However, the President could not nominate a Prime Minister or appoint critical government positions from among members of his party. Moreover, he held few levers for influencing members of his own administration short of firing them. The result of this dynamic was most obvious with respect to the Prime Minister. Kolo Roger had no experience in politics and was not affiliated with a political party, and Jean Ravelonarivo had no experience in politics and was loosely affiliated with Ratsiraka's AREMA party, which also controlled zero National Assembly seats.[209] This dynamic affected the government at multiple levels, including the courts and the director general of taxes.

The opposition was also negatively affected by the prioritization of elections over institutions and parties, particularly the decision to prevent Ravalomanana and Rajoelina's ability from running for president. In previous elections, independent candidates for the National Assembly aligned with

[209] In April 2016, the President replaced Ravelonarivo with Olivier Mahafaly, a member of the HVM party who was previously the Interior Minister (Voahangy April 11, 2016).

the strongest Presidential candidate, either before the election or afterward. During Ravalomanana's presidency, this resulted in competition and vectors of accountability that resided primarily within the TIM party and later in elections contested by a breakaway faction of the party. During the transition, there was no National Assembly. The first two years after the transition showed a third option. Assembly members did not formally align themselves with the President's nascent party, largely because, despite having the most authority, he was perceived to be the third most popular politician in the country. Nevertheless, the major opposition parties did not control a majority of seats and their leaders did not hold formal positions in government. The resulting political arrangement was inherently unstable; it was characterized by divisions within MAPAR, uncertainty regarding the Ravalomanana movement's loyalty, and allegations that members of the National Assembly were simply selling their support on a case-by-case basis. Select ministers and members of the Rajaonarimampianina administration, such as the Council of Economic Advisors, were committed to political stability and governance reform, but their efforts were overshadowed by instability at the root of the new system. This system was the direct result of the turnover process in 2013, which presented a shallow regime change in lieu of a broader political resolution.

Regime and investment

The instability resulting from the democratic turnover in December 2013 led to deleterious effects for investors and businesses that were comparable in some ways to the 2009 coup. There were two important differences. *First,* there were many fewer projects in progress which could be cancelled or postponed in 2014 and 2015, meaning that the decrease in investment was smaller in comparison. *Second,* the mechanisms by which regime instability in the form of democratization, rather than a coup, disincentivized investment were different. The lack of international recognition, which was a major problem for some international investors in 2009, was not an issue after the election, even though recognition from many countries was delayed for months until the prime minister was appointed.[210] The threat of extortion and expropriation were lower (though not absent) in 2014-2015, but the threat posed by policy uncertainty was greater after the re-formation of the National Assembly. Similarly, politically motivated strikes, tax harassment, and the potential for macroeconomic instability were significant problems after the coup, but the elections in 2013 created new incentives and opportunities for each. The regime change did not make expropriation or economic mismanagement inevitable, but it did generate instability, particularly in the absence of established political parties. In general, the consequences for investment stemming from regime instability in 2009 and 2014 were similar, though the exact mechanisms differed.

Numerous examples illustrate the link between regime change, instability, and reduced incentives to invest. Proposals to change the new mining and petroleum codes were a case in point. Growth in the mining sector was critical to Madagascar economy prior to the coup in 2009 and subsequent freeze on permits in 2011; the upstream petroleum sector was much smaller, but major gas field discoveries across the Mozambique Channel in Tanzania and Mozambique raised hopes that investment in Madagascar would meet similar success. Prior to the coup in 2009, mining companies made large investments in Madagascar, and major international oil companies signed agreements to explore offshore blocks. In addition to the permit freeze in 2011, a global price slide for minerals in 2012 reduced the attractiveness of investments. Given this context, mining analysts were skeptical of Madagascar's potential. In a December 2013 Reuters article (Lough and Iloniaina), one analyst said, "So even if the elections go smoothly and Madagascar declares itself open for business, they're going to be hard-pressed to find interested parties."

The election did go smoothly, but the new administration maintained the permit freeze until the mining code could be revised. Despite general support for the current code from private companies and its previous success attracting major investments, the new Minister for Strategic Resources,

[210] Among other external factors which affected investment in 2009 and 2014, the global financial crisis and global commodities rout played similar roles, though the latter affected fewer sectors and made some inputs to complimentary sectors cheaper.

previously the director of OMNIS[211], began a long process of revising the law. A draft of the new code, released in 2015, increased royalty fees and allowed the government to claim a free 10 percent stake in mining concessions (Strohecker and Lawrence Nov 19, 2015). At an investment conference in London in November 2015, the President claimed that the new code would be passed soon and would "be an improvement across all aspects (Strohecker and Lawrence Nov 19, 2015)." Instead, it was neither passed nor withdrawn. The potential for new mining sector investment withered. Toliara Sands and Tantalus Rare Earths abandoned investments, among many others. Other companies declined to enter, due in part to communications with existing operators. A similar attempt to revise the petroleum code led to interminable delays and industry frustration despite attempts by the World Bank and the US Embassy to assist. During this period, the price of oil began a steep slide. ExxonMobil relinquished its blocks and exited the country in mid-2015. Drilling plans announced by OMV, Tullow, and other companies were delayed indefinitely.[212] Policy uncertainty, pressure to increase the government's take from mining and petroleum projects, and price declines led to a record of zero major extractive sector investments in 2014 and 2015. Madagascar Oil submitted and received approval, after delays, for its development plan in 2015, but no major companies bought a stake in the project, a necessary condition to move forward with major investments.

Macroeconomic instability and the perceived political motivations behind major strikes, particularly in 2015, undercut any "democratic dividend" Madagascar hoped to receive. The dramatic depreciation of the ariary, which the government attempted to mitigate by creating an official, published rate that was 10 percent lower than the market rate, created significant uncertainty (IMF 2015: 5-6). Bank officials scrambled to explain the situation to their clients. Like many of the numerous strikes which took place 2014-2015, the market manipulations were

[211] Office of National Mines and Strategic Industries
[212] See Oil & Gas Technology (May 7, 2015); Oil Review Africa (Aug 3, 2015); and Rozeboom (Sept 19, 2013).

perceived to be tied to the timing of political events. MAPAR, in particular, was widely accused of using strikes to weaken Rajaonarimampianina or influence his appointments, though others claimed these accusations were fabricated. In general, the pervasive uncertainty following the 2013 elections, largely caused by questions regarding the new President's authority and the logic of political accountability, encouraged new investors to delay projects and encouraged existing investors to protect their assets from potential government interference.

5.3.3 Administration

Rule by professionals

Rajaonarimampianina was a member of Madagascar's elite, but unlike his predecessors he could not point to a background of entrepreneurial success (as Ravalomanana and Rajoelina) or to a military career (as Ratsiraka). Instead, he and his close associates were a part of Madagascar's small "professional-managerial" class.[213] Unlike the businessmen before him, Rajaonarimampianina earned an economics degree at the University of Antananarivo in 1982 and then moved to Canada and obtained a diploma in Finance and Accounting from the *Université de Trois-Rivieres* (1982-86). He returned to Madagascar in 1991 and became the director of studies at the National Institute of Accounting Science and Company Administration (INSCAE), and in 1995 he set up an accounting company, *Auditeurs Associes CGA*, with Solofo Rasoarahana (Insiders 2014: 16). When Rajaonarimampianina became the Finance Minister in 2009, Rasoarahona became the head of his private office. Rasoarahona was not simply the co-director of a successful accounting firm. From 2004 to 2013, he was also the publishing director of *L'Express de Madagascar,* an influential daily newspaper owned by Edgard Razafindravahy, the appointed mayor of Antananarivo under the HAT

[213] The concept of a "professional-managerial class," first developed by Ehrenreich and Ehrenreich (1979), has a difference significance in Madagascar, where it is much smaller and much less politically relevant than it is in high-income, western states (Graeber 2014). The closest analogue to Rajaonarimampianina in Madagascar was Albert Zafy, the doctor who helped lead a protest movement in the late 1980s and became president in 1993.

and a presidential candidate in 2013 (Insiders 2014: 3). Perhaps more importantly, he became the delegate general of the Madagascar branch of the Center for Diplomatic and Strategic Studies (CEDS) at its founding in 2004. Following a model made popular in France, CEDS brought together mid-career professionals and bureaucrats for courses taught by diplomats, executives, and visiting scholars.[214] The Indian Ocean Newsletter (Insiders 2014: 3) explained the importance of this role:

> This position allowed him to lobby over the years for the appointment of numerous CEDS former students at key posts. In this way, General Amédée Andriamisa-Ramihone, director of studies at the CEDS, and General Jean-Adolphe Dominique, an early CEDS graduate, have become members of the National Military Defense Council (CMDN). Also in the first class of graduates from the CEDS were General Roger Ralala, secretary general of the first transition government, Lieutenant Colonel Herimamy Robenarimangason, special legal adviser at the Independent Anti-Corruption Bureau (BIANCO), and journalist-geographer Bodo Andrinanarisoa, who has been head of communication at the foreign ministry. She was in the centre's fifth class of graduates (2008-2009), like Béatrice Atallah, chair of CENIT, the national independent electoral commission for the transition.[215]

In short, CEDS became a crucial career escalator for Madagascar's bureaucratic class, and Rasoarahona became the central node in this network. His ties were immensely influential and valuable to Rajaonarimampianina.

Many key members of Rajaonarimampianina's administration shared another trait in addition to high educational attainment: they were veterans of state-owned businesses. Rivo Rakotovao, a key campaign figure and the Minister of State (2014-16), worked at the National Business Interest for Agricultural Production (SINPA[216]), a state company which managed the rice monopoly; Henry Rabary-Njaka, the president's chief of staff, was the lawyer for Air Madagascar since 1997; and Mohamed Rachidy, the president's deputy campaign director who became the chairman of the board at Jirama, held a PhD in engineering and was the director general of the state sugar company,

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[214] See the CEDS list of previous students at http://www.ceds-madagascar.com/. Reading through the lists of teachers and students of each CEDS class is like seeing the ingredients put into a machine designed to produce elites through "reciprocal assimilation" (see Bayart p. 159).
[215] Atallah later became the Foreign Minister under Rajaonarimampianina.
[216] *Société d'Intérét National pour la Production Agricole.*

SIRAMA, from 1997 to 2000 (Insiders 2014: 4, 6, 9-10). Rajaonarimampianina himself had experience with a state company, having been appointed chairman of the board at Air Madagascar in 2011 during his tenure as Finance Minister. His *entrée* into the government came when Mamy Ravatomanga introduced him to Andry Rajoelina in 2009. Previously, Rajaonarimampianina's firm handled accounts for SODIAT, Ravatomanga's business conglomerate.

The Rajaonarimampianina administration differed significantly from the previous administration in terms of education, experience, and background. Like the new president, members of the Rajaonarimampianina administration typically had more education than their counterparts in the Rajoelina administration, but they lacked high-level political experience or, in many cases, any political experience at all. Aside from Rajaonarimampianina, whose entire political experience consisted of four years as the appointed Finance Minister in the transitional government, not a single member of the new president's inner circle, nor the new Prime Minister, had held a high-level elected or appointed position in government.

The new administration's lack of political experience had two facets which were apparent during the turnover process: first, Rajaonarimampianina's incentives with respect to his former HAT colleagues were contradictory, and second, Rajaonarimampianina's experience as a Finance Minister was often irrelevant or actively harmful after he became President. Rather than attempt to put a technocratic, development-focused engine underneath the HAT's successful political hood, which would have required trusting Rajoelina and sharing power with members of the previous administration, Rajaonarimampianina chose to cut ties with Rajoelina and, more importantly, his allies among the newly-elected MAPAR deputies. Despite costing him his most natural political base, this decision appealed to the international community and many investors. At the end of a skeptical report released in May 2014, even the International Crisis Group (2014: 24) concluded with an optimistic reading based on Rajaonarimampianina's rejection of Rajoelina/MAPR:

President Rajaonarimampianina has moved both cautiously and boldly to distance himself from the former government, and appears intent on balancing interests based on a set of priorities to restore government services and a resuscitated development trajectory. Having cobbled together a de facto government of national unity, his new administration must now devise a realistic program of action that can support the country's recovery.

Many observers expected that the politics, not the recovery program, would be Rajaonarimampianina's primary challenge. Africa Confidential (Feb 5, 2014) wrote,

> An accountant by profession, Rajaonarimampianina is a technocrat rather than a politician. Though he was competent as Finance Minister in the interim government…his lack of political experience could cost him.

Such expectations over-estimated the value of the new President's experience, which in policy terms largely consisted of slashing both social spending and government investment while facilitating ad hoc taxation and subsidization programs. His role during the transition, according to the Indian Ocean Newsletter (Insiders 2014: 2), was to "cover the questionable political and commercial practices of the 'TGV boys.'"

Capacity and investment

The building blocks were in place following Rajaonarimampianina's election for a recovery narrative based on the new president's professionalism and managerial competence. Many investors were cautious, given the president's track record as finance minister, but they also began to actively re-engage the government and watch for signs of reduced uncertainty. These signs were absent during the first two years. The *dahalo* attacks and political maneuvering in the new National Assembly caused some concerns, but the corruption and mismanagement at Jirama, monetary fluctuations, and lack of progress on tax cases were more serious problems. An effective technocratic government could be expected to manage monetary policy, key ministries, and state-run companies. The extended Air Madagascar strike in June 2015 was even more damaging, given that Rajaonarimampianina had been Chairman of the Board from 2011- 2013, and his Chief of Staff, Henry Rabary-Njaka, had been the company's lawyer and the president later appointed him the Chairman of the Board. The perception began to solidify that the new president was unable to manage the government, and his performance during the campaign, where he saw off a relatively unknown challenger and avoided facing Ravalomanana and Rajoelina, did provide a strong counterpoint.

In fact, the period of optimism following Rajaonarimampianina's peaceful election was more pronounced among members of international organizations in contrast to the business community, where many held negative, and essentially accurate, expectations concerning Rajaonarimampianina's capacity and the prospects for investment if he were elected. A private risk assessment (Control Risks 2013: 6) described the likely scenario following a Rajaonarimampianina victory:

> In the absence of strong leadership and clear policies, local and foreign companies begin to lose confidence in the government's ability to improve the operational environment. Companies without political connections remain reluctant to embark on expansion projects, while members of the business and political elite target existing mining operators for facilitation payments. Moreover, Rajoelina's supporters among the business, political and military elite continue to engage in large-scale abuse of public office, embezzlement and corrupt practices at all levels.

It is too early to say if the failure of the "professional-managerial" administration to attract significant investments during the first two years of Rajaonarimampianina's term is permanent. For a president with little experience in office, no military background, and a brand-new party, he achieved nearly all of political objectives. Critics pointed out that he will need to persuade voters that he has a vision of development for the country as well as the capacity to execute it. The Council of Economic Advisors, formed toward the end of 2014 and the National Development Plan in 2015 were steps in that direction, and the communal elections in 2015 were evidence that the HVM party was well-organized and potent. Perhaps most importantly, the deregulation of the airline industry in 2015-16 spurred significant new investments with the clear potential for linkages to the rest of the economy and the region. However, the poorly-handled dismissal of a second Prime Minister in April 2016, and the likely candidacies of Marc Ravalomanana and Andry Rajoelina in the 2018 presidential elections are grounds for skepticism that the professional-managerial administration will have the necessary time and focus to put into place a developmental regime.

5.3.4 Network

Muted networks

Pictures of Rajaonarimampianina and Rajoelina on the campaign trail captured important, immediately evident differences between the two men. The former was 16 years older than his predecessor and typically wore white and blue, the colors of his nascent HVM political party. Rajoelina and his supporters, typically more numerous and organized, were ubiquitous in orange, the color of the 2009 "revolution" and the TGV political party. Both men were ethnically Merina from similar caste backgrounds, though Rajoelina's Catholic, business-oriented family in Antananarivo held higher socio-economic status and was more upwardly mobile than Rajaonarimampianina's. The latter came from a family of Protestant pastors in Antsofinondry, a suburb north of the capital; he was a deacon and his father was a pastor in the FJKM church (Insiders 2014: 16). However, unlike Marc Ravalomanana who was the elected lay Vice-President of the FJKM, Rajaonarimampianina had not become involved in the politics of the church at either the regional or national level.[217] The allies who surrounded the two men accentuated their differences. Rajoelina was frequently surrounded by a young, politically ambitious network with limited experience, as exemplified by Haja Resampa and Annick Rajaona. He was tied to politically-connected businessmen from various backgrounds: *karana,* French-Malagasy, and Malagasy.

[217] Rajaonarimampianina's divorce from his first wife was a political liability in conservative Merina circles, as was his relationship with the First Lady, Voahangy, with whom he had multiple children but did not marry until he began considering a run for president.

Rajaonarimampianina, in contrast, was frequently surrounded to a group of men roughly his own age who had previously displayed limited political ambitions, exemplified by Solofo Rasoarahona, Rivo Rakotovao, and Henry Rabary-Njaka. The businessman Mamy Ravatomanga was a point of intersection between the two networks; he supported both Rajoelina and Rajaonarimampianina, but the nature of their ties differed. Prior to his political career, Rajoelina was an entrepreneur and CEO, like Ravatomanga, though more of a *protégé* than an equal; in contrast, Rajaonarimampianina had been Ravatomanga's accountant.[218]

Rajoelina and Rajaonarimampianina differed by generation, religion, and political party, but their most salient political difference during the turnover was geographical. Despite sharing the same Merina background, their sources of political support differed. Rajoelina made frequent trips to coastal cities to build support in anticipation of a potential presidential campaign, but he first came to power by winning a mayoral race in the capital and then mobilizing his supporters to its streets. In contrast, Rajaonarimampianina relied heavily on votes from coastal regions to win the presidency. In the first round, Rajaonarimampianina won only 11 percent of the vote among the 4 plateau regions, compared to 43 percent for Jean Louis Robinson (see Table 10, Appendix A). In the run-off election he lost the plateau regions again, 43 percent to 57 percent, but he won Madagascar's 13 coastal regions 64 percent to 36 percent.[219]

Rajaonarimampianina's strong performance in non-plateau regions can be credited to multiple factors. First, the run-off election and National Assembly contests demonstrated that Ravalomanana's political machine retained power on the plateau but had little reach beyond that. Second, the pair of elections illustrated the importance of organization: coastal politicians split votes in the first round and Rajoelina's network provided a locus for logistics and funding in the

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[218] A blog post by a Malagasy writer in June 2015 is representative of comments by some observers toward the new president: the author, Jeannot Ramambazafy, describes Rajaonarimampianina as a "servant who wants to surpass the master," meaning Ravatomanga. (June 17, 2015).

[219] Rajaonarimampianina also built up a 14-point advantage in the 5 regions that are not Plateau-Merina, but also not coastal: Alaotra-Mangoro, Amoron'I Mania, Betsiboka, Haute Matsiatra, and Ihorombe.

run-off election. The prospect of Ravalomanana's preferred candidate winning was threatening to many politicians and businessmen who had profited during the transition. Though Rajaonarimampianina and MAPAR won the coast regions easily, neither of the two factors above suggested that Rajaonarimampianina's election had created a stable base of support underpinning a governing coalition. The Ravalomanana movement could be expected to compete much harder and spend more for a candidate in 2018—possibly the ex-President himself—who wouldn't have an incentive to distance himself immediately after winning. Ultimately, Rajaonarimampianina was forced to distance himself from Rajoelina in order to consolidate his power post-election, and he will not be able to count on the lack of a unifying coastal candidate in 2018. Overall, the differences in characteristics and corresponding network between Rajoelina and Rajaonarimampianina removed boundaries and created fractures throughout the Malagasy political economy, but the tenuous quality of the new coalition made it difficult to construct a stable new network, either in power or in opposition.

Network and investment

Madagascar's turnover in 2013 led to moderate network instability. Rajaonarimampianina quickly became a threat to the narrow economic networks that had benefitted from the HAT era, in part because his election heralded a return to constitutional rule and in part because he quickly moved to distance himself Rajoelina. Potential new investors met with the new president in Washington DC, Paris, and Antananarivo; Ravalomanana return to the country raised the possibility that he would re-enter former sectors; and the re-qualification for AGOA incentives appealed to potential investors, particularly from Mauritius. The decision by Symbion and Vima to invest in power projects was tied in part to confidence that the new administration was more open to international investment. The inverse dynamic took place in rosewood. Early in his administration, Rajaonarimampianina asserted his independence vis-à-vis Ravatomanga. In March 2014, press reports stated that an arrest warrant was imminent for the SODIAT CEO, and that he had been forbidden from leaving the country. Finally, Ravatomanga issued a press release denying both claims.[220] Rajaonarimampianina said little, leaving many to believe that he was sending a message to the business community and the international community that his administration would not be a reprise of the HAT. Investors and members of the international community were forced to look for such signs because there were few tangible actions demonstrating that Rajaonarimampianina intended to clear out the previous system along with the previous administration. The rosewood trade continued with intermittent regulation at best, and allegations spread that key members of the President's team demanded payments in exchange for access or decisions (Caramel Feb 16, 2015 and Caramel Jan 24, 2016).

Key characteristics of the new president prevented him from maintaining or quickly re-creating the previous administration's network. Unlike his predecessors, Rajaonarimampianina faced major challenges consolidating power among economic power-brokers in Antananarivo and major challenges centralizing power throughout the political system. His attention and energy were consumed by these challenges. It would be far too strong to claim that investment flourished in 2014-2015 due to the reduction in boundaries to economic activity. Mistrust, a wide range of outdated policies, and interminable tax cases limited major investments by sustaining uncertainty across the economy. Persistent rumors of political meddling by ex-President Rajoelina and Lalao Ravalomanana's election as mayor moderated expectations that old boundaries had truly been removed. Nevertheless, businesses were able to operate with fewer concerns regarding direct government interference. In 2015, some members of the administration claimed that investors were beginning to return; similarly, experienced external investors noted that major changes to the governance and business climate of Madagascar would inevitably take longer than expected. The

[220] Groupe Sodiat Feb 7, 2014. Ravatomanga's home was later searched in May 2016 after rumors that he was involved in a potential coup and after his name was among those listed in the leaked "Panama Papers" (RFI May 27, 2016).

experience of Madagascar under Rajaonarimampianina raises the question of whether a "new broom" turnover stimulates investment when the potential investors who could take advantage of fractures to the previous economic and political networks are not given a credible recovery narrative or a base level of policy certainty.

5.4 Conclusions

"Madagascar has two political parties: inside the administration and outside."

~Interview B44

The turnover from Rajoelina to Rajaonarimampianina created reduced security instability, created positive administrative instability (toward greater capacity), and created significant, if still limited, network instability. Despite this dynamic, investment during the two years following the turnover increased minimally, if at all. A recovery narrative failed to take firm hold among existing and potential investors, uncertainty remained pervasive, and the elimination of boundaries to investment associated with the transitional regime had limited effects. There are three plausible explanations for the lack of increased investment despite components of the turnover outlined above. First, the timeline in consideration may have been too short: previous case studies considered four-year periods following turnover, and the positive effects following the Ravalomanana turnover in 2002 were heavily weighted toward years three, four, and thereafter. Expectations do not shift overnight, and more importantly, major investments take time to plan. In this reading, the green shoots represented by international lending, Madagascar Oil's development plan, and Open Skies legislation only requires time to bear additional fruit. A second, more pessimistic reading, is that the components of instability outlined above, while theoretically positive for investment, are less impressive when considered in greater depth. The election took place peacefully, but the threat of a coup hung over Rajaonarimampianina; the new administration was well-educated at top levels, but their primary experience came from inefficient, state-run companies, and they had limited leadership experience; and finally, Rajaonarimampianina's network differed from Rajoelina's, but both were Merina presidents with many of the same key allies.

While the two explanations above help explain why investors were hesitant in the wake of Rajaonarimampianina's election, a third explanation is even more persuasive: regime instability overshadowed the other components of instability in 2014-2015. Contrary to a few optimistic predictions that an election would unleash a rush of investments in the pipeline, institutional ambiguity and a wait-and-see approach toward the new government among investor and existing businesses characterized the period. When the new administration delayed naming a prime minister, drafting enabling legislation, and reforming critical government agencies (e.g. the tax authority) and ministries (e.g. Justice), a narrative of endemic fragility quickly coalesced. The new administration chipped away at this narrative by winning key political battles and beginning to address areas of uncertainty, but at the end of 2016 Rajaonarimampianina's economic record inspired little optimism. In his New Year's Day address in 2016, Rajaonarimampianina promised that "several newspapers will be necessary to discuss the achievements" of his administration (LE Jan 9, 2016). This boast, however difficult it was to believe after seven years of regression and stagnation, did illustrate a key insight: before the country's economic trajectory would change, Rajaonarimampianina needed to convince investors and the Malagasy people that Madagascar was poised to overcome its endemic fragility. The turnover that brought him to power had not accomplished the task.

Chapter 6:

Modeling turnover and subsequent investment trajectories

6.1 Introduction: Hypotheses, cases, models, and results

The quantitative models of turnover and subsequent investment developed in this chapter seek to shed light on variation over time among investment trends within countries and across countries in sub-Saharan Africa. These divergences drive significant changes in living standards but are difficult to explain through static elements such as geography or ethnic diversity. As illustrated in earlier chapters, numerous observers, participants in both politics and business, and academics explain changes in economic trends, in part, by pointing to political events such as turnovers. The expectation that leaders can affect economic performance and turnovers can affect economic trends has motivated actions ranging from massive popular uprisings to "scenario planning" and "risk analysis" exercises within businesses. Nevertheless, there have been a limited number of cross-national, quantitative studies of this dynamic. Previous studies have focused on narrow subsets of turnover, such as deaths by natural causes or assassinations (Jones and Olken 2005, 2009), or in some cases failed to distinguish between turnover and other manifestations of political instability which have not accompanied leadership changes (Fosu 2002; Campos and Nugent 2003). The theoretical framework outlined earlier and the case studies it draws from provide a basis for focusing on turnover as a coherent, meaningful concept which has the potential to generate four distinct forms of instability, each with differing effects on subsequent investment decisions.

While the case studies of turnover and investment in Madagascar provide evidence for the theoretical framework outlined earlier, they cannot validate the hypotheses in cases of turnover across sub-Saharan Africa, or even across additional turnovers in Madagascar. In this chapter I seek to move from theory building through case studies to operationalization of the theoretical claims in a large-n model and corresponding tests of statistical inference.[221]

Specifying a model that captures the causal relationship between turnover and subsequent investment presents multiple unavoidable challenges. First, the model must determine the relationship from observational data and non-experimental research designs because the critical questions are counterfactual: "What would the change in investment have been if a given turnover had not taken place, or vice versa?" and "What would the change in investment have been if a given turnover had differed with respect to associated instability?" Jones and Olken (2005, 2009) gain leverage from natural experiments to test similar questions, but their approaches require radically circumscribing the types of turnover under consideration. As with all counterfactual questions, it is not possible to directly observe what would have happened if a given turnover had not taken place or if the levels of instability differed from what was observed. Rather than looking for narrow natural experiments, I employ two techniques to make structured claims regarding counterfactual outcomes. These techniques rely on assumptions that are, at best, unproven, and more plausibly, unlikely, in the context in which turnovers and investments take place. Nevertheless, they facilitate much broader comparisons, spatially and temporally, than are possible using typical case study methods (as in chapters three, four, and five). The first technique, *difference-in-difference modeling* compares investment outcomes following cases of "turnover" (i.e. treatment) and "no turnover" (i.e. control) using country-year data; observed outcomes for cases of turnovers are compared to the counterfactual outcomes that would have taken place if the investment trend followed the average trend in investment among cases of non-turnovers, and the parallel comparison is made for the observed outcomes for cases of non-turnovers. The second technique, *statistical matching,* uses pre-treatment observed data to pair cases with similar likelihoods of treatment (i.e. turnover) but different observed values for treatment, and then proceeds with statistical inference as if the

[221] This approach is consistent with nested analysis, a mixed-method strategy outlined by Lieberman (2005).

treatment differences were the result of random assignment. Matching is a control strategy which seeks to generate more reliable results by limiting comparisons to groups of cases that we have reason to believe are truly comparable. It is a method for organizing data and controlling for biases rather than a type of model. A disadvantage of matching is that it typically reduces the sample set because "unmatchable" cases drop out, but the advantage is that it provides a stronger basis for treating observational data "as if" it were generated by experimental methods.[222] This becomes the basis for causal inference notwithstanding the inability to observe counterfactual outcomes.

The second and third challenges, operationalization and measurement, are intertwined. The former challenge is a function of the complexity of the theoretical framework; while turnover and investment are reasonably straightforward to operationalize, the components of instability are not. Choosing how to operationalize levels of instability across time and space requires simplification, but this simplification increases the disconnect between theory and corresponding statistical models. Furthermore, measurement difficulties restrict the options for operationalizing key elements of the model, including investment, turnover, the components of instability, and their relationship. For example, while turnovers can usually be timed to a certain day, investment in African countries is reported annually; the result, a dataset based on country-years, leads to lost precision with regard to turnover. In addition, the accuracy of numerous macroeconomic indicators is highly uncertain, and existing empirical evidence suggests that the accuracy is poor (Jerven 2013, 2016). Finally, there are problems with the operationalization and measurement of variables that measure levels of violence or regime type in the datasets that feed into the measurements of instability in this dissertation. Poor data accuracy biases the results from models toward adopting the null hypothesis of no effects (Gail 2005).

A fourth challenge is the small universe of cases and the low power of models that test turnover's effect. There have only been 2,130 country-years across independent sub-Saharan Africa and 212

[222] Experimental data is also matched in many cases to reduce bias and generate more reliable estimators.

turnovers, excluding the initial independence.[223] After removing country-years which are confounded by previous turnovers or multiple turnovers and country-years for which there is missing data, we are left with 1,126 country-years and 115 turnovers to use for the models in this chapter.[224] This is a relatively small universe of cases. The small universe of cases reduces the power of model coefficients and tests based on the model, but efforts to expand the number of cases involve trade-offs to the relationship among the models and theoretical claims they are meant to capture.

The combination of these challenges makes it difficult to use quantitative models to provide conclusive answers to questions about relationship between complex social phenomena such as turnover and subsequent investment. Still, there are benefits to the process of modeling this relationship. The nested analysis process outlines a series of iterative steps between large-n statistical analysis and small-n case studies, each of which informs the other. There are four primary benefits to modeling theoretical frameworks and reporting results, even when the parameters do not provide conclusive evidence of a causal relationship: first, the direction and magnitude of parameters in small-n studies may be informative even when their p-values do not meet traditional thresholds for statistical significance; second, the strengths and weaknesses of theoretical frameworks can be revealed—and potentially improved—as a result of the operationalization and modeling process; third, data deficiencies that become clear during the operationalization and modeling process can generate creative solutions or efforts to gather better data; and fourth, models are able to condense

[223] North African countries are not included (i.e. Egypt, Libya, Tunisia, Algeria, Morocco, and Western Sahara), nor are countries whose population was below 1,000,000 in the year 2015 (i.e. Seychelles, São Tomé and Príncipe, Cape Verde, Comoros, and Djibouti), nor are countries in which data quality and availability are too poor to make meaningful comparisons (i.e. Eritrea, South Sudan, and Somalia). Finally, states that were never not colonized (i.e. Liberia, Ethiopia) or were governed by settlers rather than colonizers (i.e. South Africa, Rhodesia/Zimbabwe) enter the dataset in 1956, though data for the initial years of independence is missing. (Zimbabwe enters the dataset in 1965.)

[224] Two types of country-years are confounded by turnovers and removed from the dataset for purposes of testing the model: first, the three years preceding and following a turnover, which in terms of the model, are affected by the turnover in question; second, turnovers that take place in short succession, which leads to effects that cannot be disentangled by the models in this chapter.

theoretical frameworks and generate evidence for translation across areas of regional expertise and language barriers.

In this chapter, my first objective is to transform the theoretical framework detailed in chapter two linking political turnovers, instability, and subsequent investment decisions into a dataset of variables that provides empirical evidence from across independent sub-Saharan Africa and a basis for comparison through matching techniques. Second, I will specify testable hypotheses and models which can be applied to test the claims of the theoretical framework, noting the key assumptions upon which these models rely. Third, I will report the results generated by the data and models with the objective of showing how the observable evidence across sub-Saharan Africa relates to the theoretical framework generated by cases studies of turnover in Madagascar. Fourth, I will consider potential paths forward to better capture and understand the relationship between turnover and subsequent investment using quantitative evidence, and briefly consider how efforts to measure the quantitative relationship between turnover and investment could be enhanced by the strategic use of additional case studies.

6.2 Dataset

This chapter utilizes a time-series, cross national dataset with variables organized into rows of country-years (e.g. Angola 1975, Angola 1976, etc.). At the outset, 40 sub-Saharan African countries and 2130 country-years are included.[225] Where noted, variables from pre-existing datasets have been extended through 2015. In many cases, variables that capture the capacity or network of leaders are original constructions based on data available from various sources and compiled by the author. In some cases, the data for existing datasets, such as the educational attainment of leaders (Ludwig 2002), have been comprehensively re-checked and edited. A complete codebook listing the dataset variables, construction, and sources is included in Appendix B.

[225] See footnote 3 (chapter 6).

In this section, I will outline the operationalization of critical variables utilized in the models later in the chapter, beginning with a description of the treatment, turnover, and the dependent variable, change in investment. Because my dissertation makes original arguments based on case study evidence regarding the composition of instability, I will next describe the operationalization of security instability, regime instability, administrative instability, and network instability.

Turnover

As described in the introductory chapter, I define *turnover* as an event that takes place when the occupant of the state's most powerful political office changes. In other words, turnovers are changes in state leadership. In most cases, there is minimal uncertainty regarding who occupies a state's most powerful office and when the occupant changes, but in some cases determining when a turnover has taken place requires country-specific knowledge. The Archigos dataset (v4.1) identifies the "effective leader of each independent state" by relying on primary and secondary sources, as well as expert opinions, to determine the person who "de facto exercised power in a country (Goemans et al. 2009: 71)."

To use the Archigos dataset to generate a variable for turnover, I first extended the data on leaders through 2015, and then created a binary variable that is equal to one if the occupant of the state's most powerful office on December 31 of a given country-year differed from the occupant at the beginning of the same country-year. This method has straightforward, if perhaps non-obvious, implications. First, leadership changes that are reversed in the same calendar year are coded zero (i.e. "non-turnover"). Thus, short term leadership changes, which can take place when leaders are temporarily incapacitated or when a coup succeeds briefly, are not captured by this operationalization, unless the new leader's short tenure happens to include January 1. Second, country-years in which more than one leadership change takes place are not distinguished from those in which a single turnover takes place. These effects reduce the information provided by the turnover variable, but they do not conflict with the primary causal theory. Because I argue that turnovers affect expectations and decision over the course of multiple years, the effects of short-term turnovers are not applicable to the theory.

The inapplicability of short-term, or "non-durable" turnovers, has additional implications for the theory and for the models in this chapter. It reduces the predictive power of the model, as the duration of a new leader's tenure is not evident at the time of leadership change. In some cases, such as unexpected coups (Madagascar 2009) or elections at the end of democratization processes (Burundi 1993), the question of whether or not a turnover is "durable" is likely to be a primary consideration of potential investors. The issue of non-durable turnovers is not limited to leadership changes that take place in the same year. When a turnover in one year is followed by a turnover in subsequent years (such as Mauritania 2005, 2007, and 2008), the effects of multiple turnovers are conflated in subsequent investment outcomes. Because these effects cannot be disentangled in the models I propose, country-years with turnovers that precede country-years with additional turnovers in the next three years are dropped from the dataset for the purpose of testing the theoretical framework. In other words, Mauritania 2005 and Mauritania 2007 are dropped, but Mauritania 2008 is not. There are multiple ways to interpret this feature of the dataset and how it is utilized in the model. First, one could argue that it is a flaw that should be corrected: a perfect theory of turnover and subsequent investment outcomes would include turnovers like Mauritania 2005. Second, one could argue that it is an appropriate feature considering the theory: it is unlikely that the education level or network of Melchior Ndadaye, elected in Burundi in July 1993, had a significant effect on investment before he was assassinated three months later. Instead, the effect of the turnover that took place in Burundi in October 1993, including security and regime instability *and* the new leader's characteristics, are more fully pertinent to the research question of this dissertation. Finally, one could argue that there are cases where rapid turnovers are more indicative of a power vacuum than a leadership change. Many turnovers in Somalia fit this description. It is difficult, if not impossible, to propose a coherent theoretical category or corresponding theoretical framework that encompasses both power vacuums and leadership changes.

Change in investment

The *change in investment* variable is dependent on choices regarding the data source and the duration of time to measure the change. Here I use the most common option for measuring the economic variables in time-series, cross-national studies, including investment, which is the Penn World Tables dataset, maintained by Center for International Data at the University of California-Davis (Pinkovsky and Sala-i-Martin (2016: 1).[226] It is used more frequently and covers more years than the nearest alternative, namely the World Bank's World Development Indicators. Both datasets provide variables that can be used to determine the change in investment for a given country over a defined period of years. The description for the RK^{NA} variable in the Penn World Table 9.0 reads, "Capital stock at constant national prices, based on investment and prices of structures and equipment (in millions of 2005 US$)" (Feenstra et al 2015).[227]

With a measure for the stock of investment in each country-year, it is straightforward to calculate the percentage change in investment. To calculate the change in investment following turnover, I generate a value for the difference in capital stock in a given country in year "t" and year "t + 3" divided by the capital stock in year "t" and then multiplied by 100. Hence, for a given country-year, the value for change in investment, or "*ichange3*," represents the percentage change in investment that takes place over the three years which follow the turnover.[228] There are both theoretical and

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[226] Despite the Penn World Table's frequent usage, it has been criticized for introducing large changes across versions, thereby casting doubt on the statistical significance of previous research, and for failing to capture income as well as other indicators (Johnson et al 2013; Pinkovsky and Sali-i-Martin 2016; Easterly and Pennings 2016).
[227] The description for the similar indicator in the World Development Indicators (1960-2015), Gross capital formation (formerly gross domestic investment) reads, "consists of outlays on additions to the fixed assets of the economy plus net changes to the level of inventories."
[228] Due to the unavailability of data, values for the dependent variable are not yet available for turnovers which took place after 2011.

practical reasons for the choice of "t + 3" rather than shorter or longer time periods. Based on the case study chapters from which the theoretical framework is drawn, there is an expectation that a time lag is necessary for changing expectations caused by turnover to change investment decisions. The length of this time lag differs across sectors, but a longer time lag is generally preferable for measurement because it captures the greatest level of variation if the investment trend has indeed changed. However, there is a cap on the ideal length of the time lag for measurement due to the potential for subsequent turnovers, the potential for intervening factors to affect investment decisions, and the potential for levels of instability to change significantly during the post-turnover period such that the theoretical framework and causal mechanisms are less applicable. As many countries hold elections every four to five years, I've chosen the year "t + 3" as the reference that captures the greatest level of variation without the need to drop cases or years due to subsequent turnovers.[229] The average change in investment three years after turnover was approximately 13 percent for the dataset of 1,126 comparable country-years (see Table 2, below). The standard deviation, approximately 15 percent, demonstrates that there is a wide variety in investment outcomes across sub-Saharan Africa.

[229] Consider for example, a country with a four-year election cycle. If a turnover takes place via election in 2001, using t + 3 will measure the investment in 2004, prior to a new election and potential turnover in 2005.

Table 2. Descriptive Statistics, Complete Dataset (n=1,126)

Variable	Mean	St. Deviation	Min	Max
Investment Change, percentage (ichange3)	13.120	14.745	-10.900	128.900
Turnover Propensity Score (proscore)[230]	0.102	0.131	0.001	0.913
Election Year (eyear)	0.129	0.335	0	1
Civil Violence, lagged (lcivtot)	0.623	1.610	0	7
Polity, lagged (lpolity2)	-3.377	5.560	-10	10
Growth, lagged (lgrowth)	0.033	0.103	-1.158	0.540
Tenure, natural log (lntenure)	2.168	0.714	0	3.738
Post-Cold War (postcoldwar)	0.413	0.493	0	1

Instability

The key theoretical claim of this dissertation is that turnovers shift the expectations of individual investors due to associated instability, which can be decomposed into four separate elements (as described in greater length in chapter two), each with a separate causal effect on investment. The case studies in chapters three, four, and five provide in-depth descriptions of Malagasy turnovers and generated the claims regarding causal relationships to be tested in this chapter. Nevertheless, the empirical approach which generated these claims is not tenable to undertake across sub-Saharan Africa for testing claims. Instead, to test the effect of separate forms of instability associated with turnover I will operationalize the components of instability as described a below. A more specific description, with references for sub-components, is included in the codebook (Appendix B) and descriptive statistics for the components of instability are shown in Table 3, below.

1. *Security instability (secin):* Changes to the type and role of violence within the political system's process for selecting leaders, or security instability, is operationalized in the dataset for this chapter using a combination of binary variables created from three separate datasets measuring (1) major episodes of political violence, (2) coup d'état events, and (3) electoral violence. If each of the values for three variables is equal to zero, the value for security

[230] The propensity score for turnover, generated by a logit model and described in section 6.4.1, calculates the likelihood of turnover in a given country-year. The average propensity score of 0.102 means that turnover was, on average, 10 percent likely to take place for country-years in the dataset of comparable country-years.

instability (*secin*), a binary variable, also equals zero. If any one of the values equals one, the binary variable for security instability does as well.

2. *Regime instability (regin):* Changes to the set of institutions that determine who governs the country and the authority he exercises, or regime instability, is operationalized in the dataset for this chapter using the combined polity score (revised to facilitate its use in time series analyses), which ranges from -10, or strongly autocratic, to +10, or strongly democratic. If the absolute value of the change in polity score from the previous year is greater than one, the value for regime instability (*regin*), a binary variable, equals one.

3. *Administrative instability (adin):* Changes to the leader's stock of experience that facilitates reaching his stated objectives, or administrative instability, is operationalized in the dataset for this chapter using data collected from secondary sources to verify, modify, and extend various existing datasets on leader education, data collected on pre-leadership military rank, and data collected on pre-leadership private sector executive positions. If a leader's educational attainment on a four-point ordinal scale is greater than his predecessor, or if the leader's educational attainment on the same scale is equal is to his predecessor *and* he held an officer position in the military *or* executive-level private sector position whereas his predecessor did not, then the value for administrative instability (*adin*), a binary variable, equals one.[231]

4. *Network instability (netin):* Changes to the leader's ascriptive markers, or network instability, is operationalized in the dataset for this chapter using data gathered I have collected from secondary sources to verify, modify, and extend existing datasets on leaders' ethnicity and data collected on leaders' political parties. If a country leader's ethnicity *or* a leader's political party are the same as his predecessor, then the value for network instability (*netin*), a binary variable, equals zero. If both differ, it equals one.

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[231] This construction of administrative instability only captures increased leader capacity; reduced capacity is coded 0, as are turnovers that do not result in changes to leader capacity. This is a simplification of the theory put forward in chapter two in that turnovers in which administrative capacity remains the same are not distinguished from turnovers in which administrative capacity decreased.

Table 3. Descriptive Statistics, Treated Country-Years (n=115)

Variable	Mean	St. Deviation	Min	Max
Investment Change, percentage (ichange3)	9.972	10.377	-10.900	66.500
Turnover Propensity Score (proscore)	0.265	0.209	0.011	0.913
Security Instability (secin)	0.730	0.446	0	1
Regime Instability (regin)	0.400	0.492	0	1
Administrative Instability (adin)	0.409	0.494	0	1
Network Instability (netin)	0.426	0.497	0	1
Process Instability (procin)	1.130	0.755	0	2
Leader Instability (leadin)	0.835	0.712	0	2

The descriptive statistics in Table 3 provide an overview of instability associated with turnover in sub-Saharan Africa. Security instability (*secin*) is the component most commonly associated with turnovers; 73 percent of the "durable" turnovers score "positive" for security instability using the operationalization above. Each of the remaining three components of instability took place in approximately 40 percent of the turnovers. This finding suggests that there is considerable variation across each of the elements of instability as operationalized above.

As described in chapter two, the four components of instability above can be put into two distinct groups, *process instability (procin)* and *leader instability (leadin),* which are helpful for visualizing the types of turnover which have taken place in the dataset and for attempting to measure their effects in the models later in this chapter (see Table 4, below). Security and regime instability fit under process instability as they are driven by how turnovers take place, whereas administrative and network instability fit under leader instability because they are driven by the characteristics of the new leaders in comparison to their predecessors. When added together, the binary variables that compose process and leader instability yield a range from zero to two. According to the theoretical framework, scores of zero on process instability and two on leader instability are the most favorable for investment, following the theoretical framework. In other words, the box on the upper right of Table 3, below, where *procin* = 0 and *leadin* = 2, should be the most favorable for investment or still more specific, a turnover with no security instability and no regime instability, but both administrative instability and network instability would have, in theory, the most positive effect on the likelihood of investment. In the dataset, Benin 2006, Burkina Faso 1974, Congo-Brazzaville 1969, and Mauritius 2005 are the only "ideal" turnovers in this sense.

Table 4. Descriptive Statistics of Treated Country-Years (n=115)

Process Instability = Security Instability + Regime Instability

Leader Instability = Administrative Instability + Network Instability

			Leadership Instability (leadin)		
			0	1	2
Number of Observations	Process Instability (procin)	0	14	8	4
Mean ichange3			13.11	16.18	15.4
Mean proscore			0.13	0.21	0.3
Number of Observations		1	18	24	6
Mean ichange3			9.689	7.05	6.917
Mean proscore			0.28	0.27	0.33
Number of Observations		2	8	22	11
Mean ichange3			11.6	8.764	9.227
Mean proscore			0.22	0.27	0.41

Several noteworthy features of the dataset are illustrated in Table 4. First, none of the nine cells in the three-by-three matrix are empty. This should not be surprising, considering that the incidence of each form of instability ranged from 40 to 70 percent in the sample, but it does demonstrate that none of the components are perfectly correlated. The upper-right cell (n=4) has the fewest observations and second-highest average change in investment, not far from what the theory predicts. However, the lower-left cell (n=8)—in theory the most negative for investment—has the fourth highest average change in investment. This fits with the second noteworthy feature: for each value of *leadin*, cells in the row wherein *procin* = 0 have the highest average change in investment, followed, unexpectedly, by those in the row wherein *procin* = 2. This is open to numerous interpretations, including chance, but it implies that if regime or security instability takes place, investment increases more when *both* do. A third noteworthy feature is that a similar trend fails to hold for values of *leadin.* There are no values of *leadin* for which investment change is higher regardless of the value for *procin.* When *procin* = 2, investment is highest when *leadin* = 0, but this not hold when *procin* = 1 or 2.[232] At a minimum, the table does not show that the turnovers show the expected trend. A more systematic comparison, including country-years during which turnover did not take place, is necessary to make firmer conclusions.

To make this systematic comparison, I will consider all four components of instability, separately and in combination. To combine the four measures for instability above, I construct a measure for *instability component score (instacomponent)* which is based on the expected effect on investment; "negative" components of instability (i.e. *secin* and *regin*) are combined with "positive" components of instability (i.e. *adin* and *netin*). To make it so that an instability component score of 4 is the most likely to generate investment and an instability component score of zero is least likely, I begin with 2 and subtract the scores for security instability and regime instability, then add the scores for administrative and network instability. (Substituting variable names, 2 – *secin* – *regin* + *adin* + *secin* = *instacomponent*.) In Table 3, above, the highest instability component score, four, is in the box in the upper right and the lowest instability component, zero, is the box in the lower left. Higher *instacomponent* numbers are, in theory, positive for investment, and these scores can be easily modified by dividing by four to create a measure for total instability that ranges from 0 to 1, as turnover, for ease of comparison.

The variables above provide a means for empirical tests of the claims outlined in chapter two using a cross-national, time-series dataset. Even more so than turnover and change in investment,

[232] There is a fourth noteworthy feature of the table: for each value of *procin*, cells in which *leadin* = 2 have the highest average propensity score, followed by *leadin* = 1 and then *leadin* = 0. This could suggest that country-years in which turnover is most likely are also disproportionately likely to take place with administrative and/or network instability.

each of the four operationalizations of instability are the result of choices that merit scrutiny and rely on data whose reliability is in question. Regime instability, to take just one example, could be measured on a continuous scale, could equal one on a binary scale when the absolute value of the change from the previous year is greater than two (rather than one), or could be derived from a different dataset altogether, given the criticisms of Polity IV (Ward and Gleditsch 1997; Pennstein, Meserve, and Melton 2010).

Similar questions could be asked regarding each of the four instability variables and the instability component score. In light of potential questions with regard to the choices and data quality informing the dataset, three points are critical to note: first, the operationalizations are attempts to translate the theories from chapter two as faithfully as possible in light of data limitations; second, the dataset was completed and the models specified prior to testing of the theoretical claims; and third, neither the data sources, operationalization of variables, values for individual country-years, nor model specifications were altered following initial tests of the theories. While this process preserves the inferential basis for the statistical significance testing, it leaves open the possibility that alternative choices would have produced different results.[233] Future studies could improve on the methods of operationalization and modeling in addition to modifications of the theory.

6.3 Hypotheses

The framing of this dissertation and decomposition of instability corresponds to a set of hypotheses that the models below seek to test. An initial pair of hypotheses concerning turnover frames the dissertation:

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[233] To preserve the inferential basis of the models, at a minimum these changes to the operationalization of the instability variables would need to be made for theoretical reasons, not because they lead to significant results.

Hypothesis 1: Turnover (*turn*) causes a decrease in investment.[234]

Hypothesis 2: Turnover (*turn*) causes an increase in investment.

The first hypothesis corresponds, roughly, to findings in Alesina et al. (1996) and Persson and Tabellini (2002: 354), while the second corresponds, with caveats, to findings in Pinto and Timmons (2005), Bienen and Herbst (1996), Olson (1982), and Besley (2011b). There are cases of turnover in Madagascar, and across sub-Saharan Africa, that correspond to both hypotheses, and the primary purpose of this dissertation is to provide a better method for distinguishing why some turnovers lead to increased investment while others do not.

The second set of hypotheses builds on the claim that turnover must be decomposed in order to understand the separate effects that are caused by associated instability:

Hypothesis 3: Security instability (*secin*) causes a decrease in investment.

Hypothesis 4: Regime instability (*regin*) causes a decrease in investment.

Hypothesis 5: Administrative instability (*adin*) causes an increase in investment.

Hypothesis 6: Network instability (*netin*) causes an increase in investment.

Two additional hypotheses concern the effect of process and leader instability.[235]

Hypothesis 7: Process instability (*procin*) causes a decrease in investment.

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[234] This formulation differs slightly, but meaningfully, from the theoretical framework which suggests that turnover or its components decreases or increases individual investors' "propensity to invest" rather than actual investment. While propensity to invest is an important factor driving individuals' investments, other factors such as access to finance and demographic trends affect overall levels of aggregate investment.
[235] These theories represent a sort of middle path with respect to decomposition: more specific than the hypotheses of turnover's effects in isolation and less specific than the hypotheses of all four components.

Hypothesis 8: Leader instability (*leadin*) causes an increase in investment.

Finally, the theoretical framework and measurement of instability leads to a hypothesis which captures the expected effect of total instability.

Hypothesis 9: A higher total instability score (*instacomponent*) causes an increase in investment.

The linear regression and difference-in-difference models below seek to test each of these nine hypotheses, and Table 9 considers the resulting coefficients of each model in light of the hypotheses above.

6.4 Models and results

In this section I specify two sets of models intended to assess the evidence for claims that components of instability affect subsequent changes in investment in sub-Saharan African countries. The two model approaches—linear regression and a difference-in-difference—are first used separately and then in combination with a matching technique that attempts to control for covariates to provide a stronger basis for causal inference in the absence of viable experimental research designs.

6.4.1 Pair match

As discussed in the introductory chapter of this dissertation, creating a matched dataset with observational data preserves the inferential basis of experimental research designs by pairing two groups of observations, one of which is treated and one of which is not, that share the same likelihood of treatment beforehand and then considering them “as if” treatment had been assigned randomly.

Clearly, this is a strong assumption that is unlikely to hold perfectly in most settings where observational data is generated.[236] Equally clear, however, is that there are benefits to making the bases for comparison and causal inference explicit. Matching fails when unobserved—and therefore, unconsidered—covariates determine which subjects (i.e. country-years) are treated and which are not, meaning that the true likelihood of treatment is not equal for the two observations in a matched pair (Rosenbaum 2010: 72). Experimental designs ignore unobserved covariates by relying on randomized selection to assume balance across the treatment and control groups. Non-experimental and unmatched data must rely on natural experiments or other techniques to make causal claims.[237]

To match groups of country-years with similar likelihoods of turnover, I identify observable covariates that are linked to the likelihood of treatment and the outcome, and then use a matching algorithm to create the matched pairs. As previously discussed, turnover is not easy to predict. Unlike some matched studies in public health, where treatments or outcomes can sometimes be predicted with high likelihood by observable characteristics specific to individuals, matched studies in comparative politics often rely on more general characteristics with relatively low predictive powers to ensure that similar country-years are paired. To generate matched pairs in this study, I will feed six control variables into a logit model (see model 1, below) to create a propensity score for likelihood of turnover: (1) a binary variable for election year (*eyear*), (2) a binary measure of major episodes of political violence, lagged one year (*lcivtot*), (3) the polity score, lagged one year (*lpolity2*), (4)

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[236] Sensitivity analysis allows matching models to assess the weight of claims that such studies fail to account for unobserved covariates that affect treatment. Where the observational model with matching assumes that the assignment of treatment and control are equally likely, just like the experimental ideal, sensitivity analysis relaxes this assumption by a factor of "gamma." A sensitivity model with a with a value for gamma of 2, for example, makes the assumption that a given observation was twice as likely to experience the treatment, turnover, as the other half of the matched pair that did not. This does not solve the problem of unobserved covariates, but it will allow me to assess how robust the findings from models in this dissertation are to the possibility that unobservable covariates are linked to turnovers and invalidating the findings. Models with findings that remain significant as the gamma factor increases are more robust. In this chapter, I do not employ sensitivity because the results of the models are not significant with gamma = 1.

[237] Many of these techniques, including the difference-in-difference model (with unmatched data) and regression discontinuity, use the timing of treatment and non-treated control groups to justify causal inference.

economic growth (*lgrowth*), lagged one year, (5) the natural log of leader tenure (*lntenure*), and (6) a binary variable, *postcoldwar*, which measures if the country year in question falls before or after 1991. In addition, a full set of country dummies is included in the logit model.[238]

Model 1.

$$\Pr\left(treat_{i,t} = 1 \middle| X_{i,t}\right) = logit^{-1}\ (\alpha + eyear_{i,t}\beta_1 + lcivtot1_{i,t}\beta_2 + lpolity2_{i,t}\beta_3 + lgrowth_{i,t}\beta_4 + lntenure_{i,t}\beta_5 + postcoldwar_{i,t}\beta_6 + d_{ccode}$$

Using the logit model, I generate propensity scores and attach them to each country-year of the dataset. Next, I generate 115 matched pairs of country-years using an algorithm which minimizes the difference between the propensity scores and all six covariates above. A full list of the matched pairs is provided in Appendix C, but I have reproduced a set of five sample matched pairs and covariates in Table 5, below.

238 Full results of the logit model are included in Appendix C. The binary variable for post-cold war is substituted in lieu of year dummies in order to preserve degrees of freedom and because the number of turnovers per year is too low to expect that year-level characteristics affect the likelihood of turnover.

Table 5. Five example matched pairs

Match #	Country-years	Election Year (binary)	Civil Violence (lagged)	Polity (lagged)	Growth (lagged)	Tenure (natural log)	Post-Cold War (binary)
1	Angola 1979 (T)	0	7	-7	0.006	1.609	0
	Burundi 2011 (C)	0	0	6	0.080	1.792	1
11	Burkina Faso 1983	0	0	-7	-0.072	0.000	0
	Mauritania 1997	1	0	-6	-0.046	2.565	1
21	Cent. African Rep. 1993	1	0	-6	-0.019	2.485	1
	Sierra Leone 1962	0	0	6	0.116	0.693	0
31	Congo-Brazzaville 1979	0	0	-7	0.156	0.693	0
	Burundi 1980	0	0	-7	-0.014	1.386	0
41	Gambia 1994	0	0	8	0.011	3.401	1
	Gambia 2003	0	0	-5	0.124	2.197	1

Two features of the matched pairs are evident in the sample chosen in Table 4.[239] First, many of the pairs vary widely on at least one of the observed covariates. In pair 21, for example, the polity score for Central African Republic 1993, -6, is as far from zero in the opposite direction as its counterpart, Sierra Leone 1962, meaning that the political regimes in the two country years were deeply dissimilar. Second, this same pair illustrates that the matching algorithm does not prevent pairs in which the two country years differ on the binary variables election year and post-cold war.[240] Ultimately, analyzing the similarities and differences (or "balance") of individual pairs is useful for understanding what kind of country-years have been paired and included, but a summary of overall balance is more important to see how matching makes it possible to make comparisons "as if" the data were generated by experiment. Consider that, for experimental data, there is no expectation that two

[239] The method for generating sample pairs—arrange the treated country-years in alphabetical order, then choose the first pair and every tenth pair afterward up to five total—was chosen to provide a representative cross-section of the pairs rather than highlight particular features of the pairs.

[240] It is possible to use calipers embedded within the matching algorithm to prevent matches in which certain covariates differ too widely (or differ at all when it comes to binary variables), but I have not elected to use these techniques in this study. Imposing calipers on matched pairs, such as an exact match on election year and a maximum difference of 0.1 on propensity score has to potential to make some treated country-years unmatchable, but is nonetheless consistent with the principles and priorities of matching techniques.

individual cases are similar, rather that the treated and non-treated groups share similar means on any pre-treatment covariate.

Table 6. Summary of Balance

	Summary of balance for all data (n=1126)			Summary of balance for matched data (n=230)		
Variable	**Mean (Treated)**	**Mean (Control)**	**Mean Diff**	**Mean (Treated)**	**Mean (Control)**	**Mean Diff**
Propensity Score	0.265	0.084	0.182	0.265	0.247	0.018
Election Year	0.400	0.098	0.302	0.400	0.426	-0.026
Civil Violence (lagged)	0.965	0.585	0.381	0.965	0.783	0.183
Polity (lagged)	-1.139	-3.632	2.493	-1.139	-1.044	-0.096
Growth (lagged)	0.009	0.035	-0.027	0.009	0.012	-0.003
Tenure (natural log)	1.819	2.208	-0.389	1.819	1.850	-0.031
Post-Cold War	0.496	0.404	0.092	0.496	0.470	0.026

Table 6 shows the benefits of matching. In the unmatched sample (n = 1,126), the propensity score for treated country-years is 0.265 in comparison to 0.084 for untreated country-years, a difference of 0182, which suggests that the two groups differ in fundamental ways. Any one of these differences, such as the increased likelihood of being an election year (0.400 compared to 0.098, a difference of 0.302) or slower growth in the previous year (0.009 compared to 0.035, a difference of -0.027), could be the reason that investment change differed between the treated and control groups, notwithstanding attempts to "control" for confounding effects. The matched sample (n = 230), in contrast, shows minimal difference among the means. The differences among propensity score, election year, and lagged growth are 0.018, -0.026, and -0.003, respectively, which is approximately 90 percent more balanced in each case. This improvement in balance makes it possible to claim the inferential basis that applies to experimental data, but it comes at the cost of losing variables which reduces statistical power and removes country-years from the sample that may be substantively interesting. More importantly, matching does not solve the problem of unobserved covariates driving the results, rather than the treatment. If, for example, a government's legitimacy is critical to the change in investment, then the unmeasured level of legitimacy may differ between the treated and control group and confound the model's results. This possibility, like the need for counterfactual reasoning, is a potential weakness that cannot be entirely eliminated.

6.4.2 Linear regression models

The first set of ten models are linear regression models. I run each model with the matched and unmatched data for a total of 20 models. For each model, the dependent variable is change in investment over 3 years (*ichange3*) and the six control variables detailed above (*eyear, lcivitot, lpolity2, lgrowth, tenure,* and *postcoldwar*) are included in each. A full table of model results, including a version of the models with country-level fixed effects and clustered standard errors, is reported in Appendix D. In Table 7, below, I report the coefficients of the independent variables in included in each model. Reporting the results of 20 linear regression models is cumbersome but avoids the possibility of selectively reporting models that show significant results. I discuss the meaning of the results of these models in section 6.4.4 below.

Table 7. Independent variable coefficients, linear regression models (LRM)

LRM Model #	Independent variable (s)	Coefficient & Standard Errors (unmatched)	Coefficient & Standard Errors (matched)
1	Turnover (*treat*)	-3.88 (1.50)***	-2.29 (1.51)
2	Instability Component Score (*instacomponent*)	-5.58 (3.06)*	-2.44 (2.86)
3	Process Instability (*procin*)	-2.75 (1.09)**	-1.74 (0.99)*
4	Leader Instability (*leadin*)	-2.65 (1.34)**	-1.66 (1.18)
5	Process Instability (*procin*)	-2.38 (1.46)	-1.40 (1.23)
	Leader Instability (*leadin*)	-0.68 (1.81)	-0.68 (1.46)
6	Security Instability (*secin*)	-5.46 (2.43)**	-3.09 (2.10)
	Regime Instability (*regin*)	2.28 (3.04)	1.23 (2.46)
	Administrative Instability (*adin*)	1.01 (2.56)	1.19 (2.06)
	Network Instability (*netin*)	-2.46 (2.83)	-2.81 (2.28)
7	Turnover (*treat*)	-0.64 (2.67)	0.16 (2.36)
	Security Instability (*secin*)	-4.49 (3.06)	-3.39 (2.51)
8	Turnover (*treat*)	-4.01 (1.84)**	-2.09 (1.76)
	Regime Instability (*regin*)	0.357 (2.77)	-0.51 (2.27)
9	Turnover (*treat*)	-4.44 (1.85)**	-2.74 (1.76)
	Administrative Instability (*adin*)	1.43 (2.74)	1.10 (2.19)

10	Turnover (*treat*)	-2.99 (1.87)	-1.05 (1.78)
	Network Instability (*netin*)	-2.18 (2.75)	-2.96 (2.25)

*Significance codes: *** p-value < 0.01, ** p-value < 0.05, * p-value < 0.10*

6.4.3 Difference-in-difference models

The second set of models requires explanation, though the general difference-in-difference (DD) model is by now quite common. Lee and Kang (2006: 271) provide a succinct description of the most general form:

> To briefly introduce DD, consider a treatment given at some point between time a and b. There are only two regions, r=0, 1, and the treatment is given only to region 1. For an individual i with responses y_{ia} and y_{ib}, $E\ (y_{ib},\ -\ y_{ia}|r=0)$ includes only the time effect whereas $E\ (y_{ib},\ -\ y_{ia}|r=1)$ includes both the time and treatment effects. Thus
>
> $\text{DD} = E\ (y_{ib},\ -\ y_{ia}|r=1)\ -\ E\ (y_{ib},\ -\ y_{ia}|r=0)$ (1.1)
> $= E\ (y_b|r=1)\ -\ E\ (y_a|r=1) - \{E\ (y_b|r=0)\ -\ E\ (y_b|r=0)\}$ (1.2)
>
> Identifies the desired treatment effect by removing the time effect, where the subscript i is omitted assuming iid acros i = 1…, N.

While unstated in the short description above, the basis for causal inference is the “parallel paths” assumption (sometimes called the “common trends” assumption), which supposes that the average change in outcome for the treated group (r = 1) would equal the average change in outcome for the non-treated group (r = 0) if, counterfactually, it had not been treated. This assumption is impossible to verify. Among other situations, the parallel paths assumption fails to hold when there is a significant effect other than the treatment that takes place in one group and not the other. Some studies seek to show that the parallel paths assumption is reasonable because the two groups followed similar trend prior to the assignment of treatment, but this requires yet another assumption that parallel paths during one period of time would have remained parallel paths.

The DD model in this chapter diverges from the general DD model in three important ways. First, the “individuals” are in fact country-years, and there are 40 countries rather than two regions in which individuals reside. As in the general model, the country-years belong to two groups that either have or have not undergone a turnover. This is a common deviation from the general DD model as described above, particularly within comparative politics. A second difference is less common. The general DD model utilizes panel data, which means that data is collected on the same units (e.g. country-years) over time. A well-known DD model, for example, uses data from 400 fast food stores in New Jersey and Pennsylvania before and after one state, New Jersey, increased the state minimum wage while the other, Pennsylvania, did not.[241] In contrast, the first model in this chapter uses pooled cross-sectional data where the timing of treatment is not consistent (model 2, below). Consider the first pair in match above in Table 5: Angola 1979 is compared to Burundi 2011, which means that Angola 1979 – 1982 is compared to Burundi 2011 – 2014. In other words, four-year periods are compared, not individual country-years, and those periods have a common length but not a common starting point. While not typical, there are examples where the DD model is used in this kind of “event framework.”[242] Comparable groups are generated by labeling a “treatment” year, sometimes “enactment year” or “switch year” and then periods X years before and after rather than a specific, common set of time periods. The third difference is that for the second model specification (model 3, below), the treatment, total instability (intot), is continuous, ranging from 0 to 1. This is uncommon but not unprecedented. For example, in a paper entitled “Women, War and Wages,” Acemoglu, Autor, and Lyle (2004) explain the number of weeks worked by women across US states in 1940 and 1950 in part by interacting a 1950 dummy variable with the mobilization rate of men for war. This is

[241] A similar model in comparative politics might consider investment change in the firms of two countries in which only one underwent turnover during a common time period. As in the New Jersey/Pennsylvania example, the comparison would falter if difference in investment change were in fact caused by an unmeasured factor which differed across the two countries.

[242] Bertrand, Duflo, and Mullainathan (2002) discuss this framework and related techniques to reduce bias.

similar to my second DD model, in which total instability, which varies among states that experience turnovers, functions like the mobilization rate in Acemoglu et al.'s model (2004: 521).

Unlike the linear regression models reported above in which percentage change in investment is the dependent variable, the two DD models in this chapter (see below) use Capital Stock (*capstock,* $1,000 millions) as the dependent variable. This is necessary because the DD models include binary variables *pret* and *postt* which capture whether or not a given country-year in the sample is the first year of a given four-year period or the final year.[243] Like the models above, each model also include a full set of control variables (e.g. *lgrowth, lntenure,* etc.) which are reported in Appendix D. The key coefficients of both models, with unmatched and matched data, are reported below, in Table 8.

Model 2.

$$capstock_{i,t} = \beta_0 + \beta_1 postt_{i,t} + \beta_2 treatdd_{i,t} + \beta_3 (postt_{i,t} * treatdd_{i,t}) + \beta X_{i,t} + \varepsilon$$

Model 3.

$$capstock_{i,t} = \beta_0 + \beta_1 postt_{i,t} + \beta_2 instacomponentdd_{i,t} + \beta_3 (postt_{i,t} * instacomponentdd_{i,t}) + \beta X_{i,t} + \varepsilon$$

[243] To expand on this point, the DD models compare four-year periods which begin with turnovers (Angola 1979 – Angola 1982) to those which do not (e.g. Burundi 2011 – Burundi 2014). To facilitate the comparison using models 2 and 3, both Angola 1979 and Angola 1982 are coded turnover = 1, both Burundi 2011 and Burundi 2014 are coded turnover = 0, both Angola 1979 and Burundi 2011 are coded *pret* = 0, and, finally, both Angola 1982 and Burundi 2014 are coded *postt* = 1. By manipulating the values for these binary variables, one can use the model above to find the mean capital stock (*capstock*) of country-years which begin four-year periods, both with and without turnover, and compare them to the mean capital stock of country-years which end four-year, both with and without turnover. The differing slopes over time of periods that begin with turnover compared to those which do not is the basis for the counterfactual inference.

Table 8. Independent variable coefficients, difference-in-difference models

DD Model #	Intercept	postt	treatdd	postt * treatdd	Matched Data
11	60,521 (16,897)***	252 (15,266)	-6,452 (21,248)	34,357 (32,235)	No
12	127,162 (45,164)***	27,063 (43,626)	-19,171 (43,196)	1,860 (62,774)	Yes
Model	**Intercept**	**postt**	**intotdd**	**postt * instacomponentdd**	**Matched**
13	70,495 (16,337)***	4,961 (14,397)	-36,040 (42,020)	39,592 (62,434)	No
14	138,908 (41,832)***	31,067 (37,280)	-60,723 (75,727)	-26,755 (109,458)	Yes

*Significance codes: *** p-value < 0.01, ** p-value < 0.05, * p-value < 0.10*

The variables of interest, *postt * treatdd* and *post * intotdd* capture the differences in trend lines for investment following turnover in countries which have and have not undergone turnover. I discuss the results of these models (and the previous linear regression models in the following section.

6.4.4 Hypotheses and Model Results

Table 9, below, provides a framework for interpreting the variables of interest as determined by the hypotheses in section 6.3, above. The direction of the hypothesized relationship between the independent variables of interest and change in investment is captured in the first three columns, and the results of the model(s) are shown in the subsequent four columns. For example, hypothesis three is that security instability (*secin*) causes a decrease in investment. The linear regression models 6 and 7 test this proposition: using the unmatched sample, model 6 finds that security instability reduces investment by 5.46 percent over 3 years; using the matched sample, model 6 shows that security instability reduces investment by 3.09 percent over three years. The first result is statistically significant at the 5 percent level, unlike the second result.

Table 9. Model results and hypotheses

Model numbers corresponding to tables 6 and 7 in parentheses

Hypo-theses	Independent Variable	Expected Effect on Invest-ment (I)	Effect on I (LRM, unmatched data)	Effect on I (LRM, matched data)	Effect on I (DD Model, unmatched data)	Effect on I (DD Model, matched data)
1 & 2	Turnover (turn)	–/+	-3.88 (1)*** -0.65 (7) -4.01 (8)** -4.44 (9)** -2.99 (10)	-2.29 (1) 0.16 (7) -2.09 (8) -2.75 (9) -1.05 (10)	34,357 (11)	1,860 (12)
3	Security Instability (secin)	–	-5.46 (6)** -4.49 (7)	-3.09 (6) -3.39 (7)		
4	Regime Instability (regin)	–	2.28 (6) 0.36 (8)	1.23 (6) -0.51 (8)		
5	Administrative Instability (adin)	+	1.01 (6) 1.43 (9)	1.19 (6) 1.10 (9)		
6	Network Instability (netin)	+	-2.46 (6) -2.18 (10)	-2.81 (6) -2.96 (10)		
7	Process Instability (procin)	–	-2.75 (3)** -2.38 (5)	-1.74 (3)* -1.40 (5)		
8	Leader Instability (leadin)	+	-2.65 (4)** -0.68 (5)	-1.66 (4) -0.68 (5)		
9	Instability Component Score (instacomponent)	+	-5.58 (2)*	-2.44 (2)	39,592 (13)	-26,755 (14)

*Significance codes: *** p-value < 0.01, ** p-value < 0.05, * p-value < 0.10*

overall, Table 9 suggests that there is extremely limited support for the hypotheses in section 6.3. Among the independent variables, only the signs of the coefficients for security instability (*secin*), administrative instability (*adin)*, and process instability (*procin*) are consistently in the correct direction and only process instability is consistently significant.[244] The direction of the coefficient signs for regime instability (*regin*), network instability (*netin*) and leader instability (*leadin*) are all in the opposite direction from the hypotheses. The signs of the coefficients for turnover (*turn*) in the linear regression models are almost all negative, though not significant in the models utilizing matched data (and fewer observations). This finding seems to be driven largely by the effect of security instability, as evidenced by the fact that the result disappears when only turnover and security instability are included in model 7. Similarly, it is possible that the significant finding for the instability component score *(instacomponent*) when using unmatched data, as well as the consistent sign when using the matched data, is largely driven by the effect of security instability. The findings for instability component score from the difference-in-difference model are neither consistent nor significant. This is perhaps not surprising, considering that the construction of the instability score is built on hypothesized relationships that are not borne out by the earlier models using data from across sub-Saharan Africa.

6.5 Conclusion and next steps

Considering the limitations of the data, potential for alternative operationalizations, and potential for alternative model specifications, it is perhaps not surprising that many of the coefficients do not have the expected sign and even fewer are significant by standard statistical thresholds. On balance, the evidence in this chapter cannot sustain a claim that the theoretical framework detailed in chapter two based on findings from case studies in Madagascar applies to sub-Saharan Africa in general. Nevertheless, the failure to confirm the generalizability of findings generated from turnovers in Madagascar does not invalidate the findings as they relate to those turnovers.

[244] Considering that eight independent variables were tested, the significance of one coefficient is not a strong sign.

If the models and results do not suggest that the motivating questions concerning turnover and subsequent investment have been answered across sub-Saharan Africa—and they do not—the quantitative process described in this chapter does suggest focus areas for subsequent quantitative, cross-national research. First, the question of data quality influences each of the variable operationalizations, model specifications, results, and inferences. The dependent variables, investment change (*ichange3*) and capital stock (*capstock*), are particularly problematic, as Easterly and Penning (2016) have shown that the Penn World Table's regular methodological revisions have led to large changes in the data used in studies like this one and corresponding large changes in the results. To mitigate this problem, subsequent research could use alternative variables like the World Development Indicators, restrict the data to recent years on the assumption that data quality has improved, or limit the sample to countries with higher standards of data quality. There are similar concerns regarding the quality of datasets that measure the control variables (e.g. Polity, Major Episodes of Political Violence, etc.) or feed into measures of instability. In some cases, such as leader education and election violence, I have re-reported or extended existing datasets in an effort to limit questions regarding data quality.[245] How to best operationalize the variables, particularly the measures for instability, is a critical question that merits reassessment in light of the findings in this chapter and the case study evidence. Each of the four components of instability is measured on a binary scale, using sub-components that are themselves limited in range. What this approach provides in breadth may not be worth the sacrifice in depth; it may be preferable to consider narrower operationalizations of the instability variables with a wider range of potential outcomes.[246]

In addition to the data decisions, there are multiple decisions concerning the model choice and model implementation that may shed greater light on the hypotheses in question. Minor changes to

[245] There are even fewer questions for variables like Tenure (*lntenure*) or the post-Cold War dummy (*postcoldwar*).

[246] The requires the underlying measures, such as the polity or major episodes of political violence (MEPV) datasets, to accurately capture gradations in complex phenomena across countries.

the model specification, such as adding a country-specific time trend, or more thorough changes, such as using a regression discontinuity design, among others, may capture the relationships detailed in the theoretical framework more accurately. Similarly, a better propensity score model, while difficult to construct, would result in better matches, greater analytical leverage, and more accurate results.[247] Finally, there are various ways in which the dataset and models as constructed may be too ambitious. Covering (nearly) all countries in sub-Saharan Africa from independence through 2015 may increase the number of observations but limit the accuracy of its findings. The "*postcoldwar*" control variable represents an implicit admission that the dynamics that both cause and result from turnover may differ substantially by period, even if it seems less likely that they differ by year. If true, a more accurate periodization with additional periods could also facilitate better comparisons. An alternative suggestion would be to choose the turnovers from a five-year period which includes one of the Madagascar turnovers, such as 2001 – 2005, and test the investment outcomes which result using a more limited difference-in-difference event framework. This would significantly reduce the number of observations but could also strengthen the assumptions necessary for matching techniques and the difference-in-difference models.[248]

Following large-n models which do not return statistically significant results, the nested analysis framework suggests additional case studies. Whereas the potential improvements in the paragraphs above offer potential paths to better measure the existing theoretical framework, a reconsideration of the framework, driven by case studies selected with reference to the dataset and corresponding large-n model, may ultimately be more productive. There are a variety of potential approaches. First, case studies of turnovers that fit into the same cell as the Madagascar turnovers of the three by three

[247] How to predict turnover is, of course, a fundamentally different research question with significant data requirements, but there may be observable variables that relate to turnover or investment that would improve the matched pairs. In contrast, King and Nielsen (2016: 1) argue that using propensity scores to match observations *increases* "imbalance, inefficiency, model dependence, and bias."
[248] One downside of this approach is that it is likely that some of the many turnover "types" would not be present in a limited time-period.

matrix above might yield useful distinctions, refinements, and revisions to the theoretical framework. Second, cases in cells of the three by three matrix that are not represented by the Madagascar cases might provide greater leverage for improving the theory as it relates to sub-Saharan Africa as a whole. Finally, it may be useful to consider multiple cases of turnovers that fall within one of the more common cells in the three-by-three matrix (Table 4) whose results do not "fit" the hypotheses, such as turnovers with high process instability and low network instability.[249] In the end, while the quantitative approach in this chapter toward the questions identified at the outset of this dissertation does not yield clear findings, it does show the benefits—and challenges—of explicitly marrying case studies and statistical modeling, however poorly matched the pair's findings appear to be in this instance.

[249] This approach may be particularly relevant for studies seeking to determine the value of policies following turnover.

Chapter 7:

Conclusions and Implications

7.1 Introduction

The next Presidential election in Madagascar is scheduled for May 2018. While journalists, military officers, political risk analysts, and investors have already begun paying attention to the potential candidates and the approaching campaign, still a year away, the current president has spent the previous three years consolidating power, exercising power, and fending off threats arising through both constitutional and extra-constitutional channels. At this point in the previous three turnovers it would have been nearly impossible to predict whether a turnover would take place, what the timing or process would be, and who would take power. Little has changed.

The climate for investors reflects this uncertainty. Should a turnover take place, associated levels of security, regime, administrative, and network instability will influence their expectations in ways that make them more or less likely to invest. For these investors, as for policymakers and the public in Madagascar, the questions posed at the beginning of this dissertation remain critical: *How do political turnovers affect subsequent economic outcomes? What is the process, and what are the mechanisms, that shape this relationship? Which characteristics of turnovers and new leaders are critical to the process linking political turnovers to economic trajectories in post-turnover periods?*

Attempts to answer these questions are efforts to see around corners. Attempts to gather evidence to answer these questions require counterfactual reasoning and a kind of methodological triangulation. As there is no universally applicable relationship between turnover and subsequent economic outcomes, attempts to apply the lessons from the findings of this study require probabilistic thinking. In this concluding chapter, I will re-frame the methodological approach of this study, review the findings drawn from a careful study of three turnovers in Madagascar and the attempt to test whether those patterns hold in sub-Saharan Africa more generally, and discuss the implications for various strands of the academic literature. Finally, I will briefly consider alternative explanations and the practical implications of this study's findings.

7.2 Revisiting the methodological and theoretical approach

A brief review of three very different articles provides a frame for the research design of this dissertation. These articles are not particularly noteworthy for their influence in social science (though neither were they obscure); rather they raise methodological concerns I believe are important or exemplify flawed research approaches. The first article, by Sewell (1996), does both. Sewell's article develops a theory of political events and applies it to the storming of the Bastille during the French Revolution. In the schema of this dissertation, turnovers are a class of political events which affect investment. For day-to-day observers of politics in sub-Saharan Africa, this framing may sound natural, but for social scientists who are concerned with patterns, structures, and underlying causes of change over time, it is not obvious.[250] For the latter group, specific events are often viewed as random, ephemeral, or surface-level manifestations of more consequential, longer-lived, structures. A binary understanding of events and structures is both unnecessary and outdated. More than 20 years ago, Sewell's article argued that "events should be conceived of as sequences of occurrences that result in *transformations of structures*. Such sequences begin with *a rupture of some kind*—that is, a surprising break with routine practice (1996: 843, my emphasis)." Sewell believed that such evens were "rarely smooth and linear" but were rather "clustered into relatively intense bursts (ibid.)." Clearly, this conception of events is consistent with the theoretical approach of this dissertation. Just as importantly, as it relates to the methodological approach, Sewell argues that "an adequate theorization of events can only be built up through a mutual interrogation of theoretical categories and real historical sequences (1996: 841)." Sewell illustrated the "theorization of events" by analyzing a specific event, but in this article the event sheds light on

[250] To be clear, this does not describe all (or perhaps even most) social scientists.

events as a category, not a category of events, such as riots or turnovers. The importance of events, not the effects of events—or the effects of categories of events—is not the subject of theory.

While a binary understanding of events and structures is outdated, the debate over how leaders contribute to economic outcomes, a primary concern of this dissertation, is ongoing. In a paper that has gone through multiple drafts from 2011 through 2016 and received significant attention from development economists, Easterly and Pennings (2016: 2) write,

> How much should national leaders get credit (or blame) for economic growth that happens during their tenure in office? Popular discussions feature interesting claims of strong leader effects, which also show up in academic papers, but formal research has been relatively scarce.

Using an adapted empirical approach which originally assessed the impact of teachers on their students' performance, Easterly and Pennings (2016: 25) evaluate the effect of leaders on their countries' growth over the course of their entire tenures, and find that (a) it is difficult to distinguish leader effects from random error terms and (b) evidence for the existence of "benevolent autocrats" is unconvincing.[251] While noting that there are major problems with the data sets that estimate growth, they nonetheless interpret their results as evidence that leaders are heavily constrained by personal interests, principal agent problems, and knowledge gaps. Therefore, they claim, "Most of what is going on in economic growth has little to do with the national leader (2016: 25)."

Research on leadership itself, if not its effects on growth, has generated a substantial literature. In a 2011 article, Ahlquist and Levi (2011: 2) write that leadership as an object of study in political science and political economy has come back into fashion and review the findings from dozens of studies. They identify four shortcomings in the literature: (1) the case studies are rarely tethered to theory development or testing, (2) the formal models take leaders to be exogenously identified, (3)

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[251] One of the more common claims about leaders, both in popular discussion (Friedman 2009) and academic papers (Rodrik 2000), is that democracies may have better economic outcomes than autocracies on the whole, but countries ruled by benevolent autocrats grow the fastest.

too little of the research is empirical, and (4) the experimental findings are derived from artificial settings (Ahlquist and Levi 2011: 4, 13-19). One result is that the case studies which might be most recognizable to those in the arena of African politics—whether as leaders, advisors, investors, or otherwise—have little to say to those who develop and test theories of leadership in Africa, and the studies which take key methods of political science and apply them to leaders rely on assumptions that are implausible to participants in the drama of African politics.

The research design and findings of this dissertation makes points that are adjacent to, and sometimes in tension with, the articles above. Like Sewell, who sees events as ruptures that transform structures, I find that turnovers are potential disjunctures to the structures of political economy of Madagascar. They have proved capable of rapidly recasting the role of violence, political institutions and how they function, and even the importance of caste and ethnicity in shaping the matrix of networks that hold the reins of state authority. Like Sewell, again, I argue that the analysis of real historical sequences with reference to theory generates greater understanding of both. Unlike Sewell, however, I am interested in evaluating real historical sequences—three turnovers in Madagascar—as the triggers of a causal chain which leads to investment decision and may generalize beyond the setting of the original events. In this sense, I argue that Sewell's article lacks principles for determining which events are significant, which are trivial, and how events can be compared. These questions are central to the nested analysis approach, which requires a causal hypothesis and provides an explicit basis for case selection.

Easterly and Pennings' article is missing events entirely, which is symptomatic of a broader concern. There are no mechanisms and no attempt to map a causal chain onto the question of leaders and economic growth, just the framing observation that "popular discussions often give much credit to leaders who presided over periods of high growth"[252] and the implicit argument that

[252] Easterly and Pennings (2016: 2). The verb "presided" neatly encapsulates Easterly and Pennings view of how leaders affect economic outcomes: they are nominally in charge when the growth takes place but not active causal agents.

leader effects are comparable to the effects of school teachers (Easterly and Pennings 2016: 2). Paul Kagame, the leader afforded the most space in the article, receives only two sentences and a link to an *Economist* news article. This lack of engagement with theories of leadership undermines Easterly and Penning's findings, and the reference to "popular discussions" is not an adequate substitute. Their treatment of leaders is missing the engagement with real historical sequences that is critical for Sewell and this study Consequently, while they claim their model shows that the conventional wisdom on leaders is wrong, it seems more plausible that their model is miss-specified due to inadequate engagement with the claims and theories in question, and that the data quality problems make it nearly impossible to find results that meet statistical thresholds applied in studies where researchers have far greater capacity for adding observations or controlling variables. In sum, like Easterly and Pennings, I see value in gathering empirical evidence across countries and over time to assess the outcomes caused by individual leaders, and specifically, I see value in the finding the average rate of growth over leaders' tenure do not differ significantly. However, I see little value in making sweeping claims without engaging with theory and historical sequences.

The lack of significant results from Easterly and Pennings' article, combined with non-significant results from the models in chapter six, illustrate a core reason that the shortcomings of research on leaders identified by Ahlquist and Levi exist: many of the important questions are too complex—the number of leaders too few, the data too poor, and the environment of individual leaders too multi-dimensional—to yield findings that are easily quantifiable or generalizable. The shortcomings identified by Ahlquist and Levi are all ways that researchers attempt to skirt these obstacles: tying case studies to theory almost always requires a trade-off between case study specificity and generalizability; empirical research suffers from low power and the unavailability of quality data; and formal models and experimental findings are ways to mitigate the challenges stemming from observational data by substituting an array of simplifying assumptions, an artificial setting, or both.[253] Ahlquist and Levi offer a diagnosis but not a cure. Through my dissertation, I argue for a deeper engagement via multiple methods (e.g. case studies and time-series, panel data) with empirical evidence in relation to theory. The nested analysis approach is ideal for these purposes. Lieberman (2005: 450) writes,

> Nested analysis provides a stronger basis for causal inference than the sum of its small-N and large-N parts. Rather than emphasizing the common inferential logic of qualitative and quantitative research strategies—–which is the hallmark of King, Keohane, and Verba's (1994) influential treatment of research methodology—–the nested analysis approach emphasizes the complementary distinctiveness in these two modes of analysis and strategies for causal inference. The use of the mixed strategy helps to overcome potential sources of bias and to sort out spurious findings that might be produced in either [small-N analysis] or [large-N analysis] when carried out in isolation. The approach is particularly well suited to cross-national analysis, where investigators tend to be interested not only in general patterns (as one might be in the study of, say, voting behavior) but also in the analysis of specific country cases.

While there are practical shortcomings to the nested analysis approach that merit discussion, it is first useful to highlight strengths that may not be immediately evident. First, Lieberman (2005: 440) notes that "many small-N scholars may have an 'implicit' regression model in their head when they carry out their analyses" and "there are clear benefits to being explicit." If a weakness of quantitative models is that they sometimes struggle to exactly match the qualitative models as described in words, the corresponding weakness of narrative theories is that they often elide difficult causal questions, intentionally or otherwise.[254] The nested analysis approach also provides an explicit basis for case selection based on a preliminary model, arguing that "on-the-line" cases are best for theory-testing case studies and a mix of "on" and "off-the-line" cases, usually in

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[253] This is not to say there is no value in formal models or experiments. The former are useful for testing the logic underlying hypotheses and teasing out the range and most likely motivations of actors, and the latter are useful for testing the effects of small changes or the psychological mechanisms that may be driving behavior.
[254] For instance, the model in chapter six which considers Instability Components (*instacomponent*) weights the individual effects of four dimensions of instability equally. While this choice could be further developed in subsequent theory development or testing, the relative weights of dimensions is not addressed in chapter two, and it clearly is important for the model results and implications.

reference to the dependent variable, is best for theory-building (Lieberman 2005: 444-446). Both support non-random case selection, which is a deviation from the logic of large-N quantitative inference.[255] Finally, the small-N research envisaged by nested analysis is flexible regarding methods; where quantitative evidence is available for a particular case, Lieberman has used it to test or develop theories (Ibid 2005: 440).[256] In an example related to turnover and subsequent economic outcomes, Earle and Gehlbach's (2014) study of the Orange Revolution in Ukraine uses quantitative data to argue that "political connections"—what this dissertation would subsume under network—explain why productivity increased in some firms following turnover and fell in others.[257]

The shortcomings of nested analysis relate more to practical constraints than theoretical contradictions. These constraints can be formidable. Nested analysis demands a prolonged engagement with one question and the ability to work seamlessly in at least two modes of research with disparate techniques and norms.[258] The typical nested analysis progression—preliminary large-n model, qualitative case studies, and follow-up large-N model—are likely to require a minimum of three journal articles or a book-length project. This is a large burden on an individual researcher (and, for that matter, an individual reader). It is certainly feasible for different researchers to complete the small-N and large-N components of the nested analysis approach, but this would still require deep engagement with both components and coordination between researchers. Nested analysis is not alone in this demand. Efforts to find complementarities among

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[255] This includes case selection based on previous knowledge.

[256] This is equally true for experiments which take place in field research settings, similar to those carried out Chris Blattman et al (2014) and other development economists. In a sense, the experiment sites stand in for case studies. It is generally not true for formal models unless they incorporate observational data, however, as these are more akin to theories than case studies. It is possible, however, to conceive of articles such as Kydd and Straus (2013), which presents a formal model of third party intervention and summarizes findings from multiple detailed case studies, as a kind of multi-author nested analysis.

[257] While this data was not available in Madagascar, Earle and Gehlbach's finding informed my theory-building case studies in Madagascar.

[258] In some cases, it could be possible for a researcher to use the same methods in small-N and large-N studies, but this would likely mean foregoing valuable evidence in the small-N study.

research methods are not new and have continued in recent years (Yom 2015; Glynn and Ichiro 2014; Humphreys and Jacobs 2016; Abadie et al. 2015). Nested analysis is agnostic regarding the specific methods, instead providing a meta-framework for ensuring that mixed methods inform each other.

Overall, the nested analysis approach allows this dissertation to analyze real historical events—consistent with Sewell's counsel—with respect for the rigors of empirical modelling—consistent with Easterly and Pennings—to address a complex question of high significance. This allows me to address critiques of literature on leadership made by Ahlquist and Levi (2011), namely that case studies are rarely tethered to theory development or testing and that too little of the research is empirical.[259] Moreover, this study avoids taking leaders as exogenously identified, and its findings are not derived from artificial settings. While there are other effective approaches to studying leadership, the nested analysis approach in this dissertation, including the specific small-N and large-N methods, address many of the critiques of previous research and recommendations for more effective research.

7.3 Key findings and implications

The findings from this dissertation speak to important debates within political science, African studies, and development studies. They provide special insight, both theoretical and practical, to participants in Madagascar's political economy and academic community. The key findings can be summarized as follows: (1) I claim that "turnover" is a coherent, significant category of political event with causes and effects that are distinct from other categories of events such as elections, coups, and general instability; (2) I argue that turnovers are critical loci of changes which pull apart existing equilibria and explain subsequent rapid shifts in behavior among large numbers of

[259] This research also avoids taking leaders as exogenously identified, and its findings are not derived from artificial settings.

individuals; (3) using case study evidence from Madagascar, I decompose instability associated with turnover into four dimensions and find that each has a unique effect on investment; (4) based on field work interviews and structured analysis of news sources, I detail a set of three mechanisms that explain how the causal framework above operates in the Malagasy context; (5) I convert the components of instability into quantitative variables using data from across sub-Saharan Africa and specify explicit models which seek to restate the findings on turnover, associated dimensions of instability, and subsequent investment—in other words the theoretical framework—in generalizable, measurable terms; and (6) I use the variables and models to test if the relationships found in case studies in Madagascar hold in quantitative models with data from country-years of independent sub-Saharan Africa and find that the relationships are not generally in the hypothesized direction and the model coefficients are not statistically significant by conventional standards. Each of these findings make contributions to debates within social science.

Turnover and political economy

Studying turnover as a coherent category of political event is a theoretically rich, but non-obvious, choice. Cross-national research on political events in Africa has frequently tracked the effects of elections, coups, and wars, among others. While these distinctions are defensible (and indeed, appropriate for numerous research questions), this approach obscures potential similarities across sub-types of turnovers as well as important counterfactual questions. For example, it is difficult to interpret research on coups (and abortive coups), the subject of Fosu's 2002 article, without comparing outcomes to the general trend in cases of turnover and non-turnover. In general, there are two types of inherently counterfactual questions to ask of a turnover in relation to subsequent economic performance: first, what would the outcome have been if no turnover had taken place, and second, what would the outcome have been if the turnover had taken place in a different way.[260] The first type of question suggests that the economic performance of countries where no turnover has taken place for decades (e.g. Equatorial Guinea, Zimbabwe) or where a turnover could have taken place but did not (e.g. Cote d'Ivoire in 2015 or 2017) is relevant to assessing the economic effects of turnovers, whichever way they took place. The second type of question suggests that by asking about the effects of turnovers, first, and their characteristics, second, researchers could avoid some challenging definitional questions—such as "Was Madagascar's turnover in 2002 an election, a civil war, both, or neither?"—in favor of focusing on elements of turnovers and new leaders that blue traditional categories. For a second example, consider Kenya in 2017: at this moment, after the Supreme Court annulled the results of the first election but before a second has been held, both types of questions seem particularly relevant. It is very much in doubt whether or not a turnover will take place and nearly certain that this will affect components of instability. Just as importantly, it is not clear how a turnover will take place (if one in fact does) and who will take power if Uhuru Kenyatta loses it. "By election" and "Raila Odinga" are certainly the most likely answers, but many other outcomes are possible. Studying turnover as a coherent, conceptual category which generates different types of instability offers a flexible approach to these questions which seeks to capture and consider the effects of their many forms.

An alternative to studying turnovers would be to study instability in general, including its economic effects. This is the approach taken by Persson and Tabellini (2002), Bernhard (2015), and the Political Instability Task Force (Goldstone et al. 2005), among others. While I am sympathetic to this approach, I argue, first, that the concept of instability is even more context-dependent and presents even more definitional issues than distinguishing among types of turnover,[261] and second,

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[260] There are many ways to frame the second question. One could ask, for example, what if a coup had taken place instead of an election, or vice versa, or one could ask, what if a turnover had been accompanied by violence or what if it had not? However, these frames do assume that *a turnover* was destined to occur, which is rarely a tenable assumption.
[261] In terms of measurement, if not theory, instability and turnover are somewhat akin to crime and homicide: the two typically rise and fall together, but the latter is a much cleaner measure.

that instability punctuated by turnover is distinct from instability without turnover. Whether or not it is profitable to study turnover, instability, or other types of political events is partly dependent on the specific research question, but I claim that some strands of the political economy literature could be profitably recast in terms of turnover and its effects.

Studying the effect of turnover on investment makes an important contribution to three strands of the extensive literature on the political economy of development. First, it provides a potential cause of economic volatility and an explanation for the timing of economic shifts common in Africa. Rather than focusing on average economic performance or mostly stable factors such as a country's ethnic matrix or geography, turnovers are potential punctuation marks to periods of equilibrium. Analytical studies like this dissertation will look at post-turnover time periods and seek to determine what factors determine economic outcomes. Instead of arguing implicitly that all periods (or all country-years) are similar, as many time-series panel studies do, this dissertation argues that events should determine which time periods are compared. In the development literature, which often focuses on practical applications of research, attention could be paid to specific steps that new leaders could take to mitigate the negative effects of turnovers and magnify the positive effects.

Second, studying turnover through the prism of punctuated equilibria adds a crucial component to the literature on neopatrimonialism. By analyzing what happens when changes take place at the top of hierarchical political and economic networks, a focus on turnover offers the potential to address Mkandawire's criticism that the neopatrimonial literature is descriptively accurate without yielding "analytical content" or "predictive value" (2015: 563). Even if the claims made within the neopatrimonial literature are correct regarding personalist patterns of authority and pervasive rent-seeking are correct, major changes to regimes do take place. Turnovers—more so than formal policy changes or even elections—are critical arenas for analysis and predictions.[262] The theoretical

[262] Many an election has simply reified the existing neopatrimonial framework, though fewer elections that resulted in turnovers have, especially when the new leader belongs to a new ethnic group and party. There is

framework in this dissertation makes a claim regarding network instability that is motivated by the description of neopatrimonial political and economic hierarchies, but it also incorporates a mechanism for change and makes a prediction regarding the effect of turnover. This is a promising path forward for studies of neopatrimonialism in Africa.

Third, studying turnover and its economic effects by providing and analyzing a collection of claims made by market participants during in-depth interviews connects theories about punctuated equilibria, neopatrimonialism, and development to individual economic expectations and decisions that result from macro-level political events. In the literature on Africa's political economy of development, the concept of change and its causes is relatively underdeveloped in the literature in comparison to the literature describing the effects of relatively static, systemic factors such as institutions, resource endowments, and ethnicity.[263] The literature on violence has made strides connecting the motivations of individual participants to macro processes, and this is necessary within the political economy of development as well. For investment, this means peeling back the motivations of leaders, individual investors, and other influential figures within a variety of contexts.

Instability and investment in Madagascar

In the case studies of Madagascar included in this dissertation, I find that turnover does not have a predictable, uniform effect on investor behavior; rather, it is necessary to decompose the elements of instability associated with the turnover into four types—security, regime, administrative, and network—and consider their effect on investments individually. As detailed in chapter two, I find that security instability and regime instability decrease the propensity to invest

a reason that Bueno de Mesquita et al (2003) adopted the framing assumption that leaders seek to avoid turnovers, not elections.

[263] The literature on civil wars and violence incorporate change more than others, but wars are not typically analyzed counterfactually or as the locus of changes to administrative capacity or network stability.

(and vice versa), administrative instability increases the propensity to invest when it results in greater government capacity (and vice versa), and network instability resulting from leadership changes increases the propensity to invest. These findings have implications for multiple literatures within political science, including the literature on civil war, democratization, state capacity, and leadership, in addition to those mentioned in previous sections. For the most part, these implications are tangential to the various literatures' primary concerns. For example, the literature on state capacity and economic development considers how capacity can be measured and increased, but there has been minimal effort to theorize the role of turnovers and individual leaders.[264]

There are a small number of articles concerning turnover, specifically, and the role of individual leaders, to which the findings above speak directly. The most important of these studies are Jones and Olken's influential three article analysis (2005, 2008, 2009) of what they label "stop-start growth" and the explanatory role of leaders. Broadly speaking, Jones and Olken examined patterns in economic growth among a panel of states using the Penn World Tables, making the descriptive claims that volatility was the norm, not the exception, and that growth accelerations were largely due to increased international trade whereas growth collapses were characterized by reduced investment amidst price instability. By exploiting "exogenous variation" in turnover events resulting from assassination attempts and deaths from natural causes, they made causal claims that individual leaders influence growth rates, particularly in autocracies and turnovers shape institutions.

The approach and findings of this dissertation speak directly to the approach and findings of Jones and Olken, challenging some and buttressing others. First, I agree that considering the role in

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[264] This is partly because development research is tilted toward policy implications, and practitioners (at the individual and institutional level) typically believe—for defensible reasons—that working with current officeholders is better than suggesting the country might be better under new leadership. Besley and Persson (2010) is representative of this literature, in which state capacity is typically operationalized by the capacity to raise revenue and stronger states are assumed to have higher growth rates.

leaders and turnovers is important to understanding the causes of volatile economic patterns. However, instead of studying economic growth or institutions, I use investment as the dependent variable of interest. While there are concerns with this choice, some of which I consider below, both growth and institutions have similar concerns. As Jones and Olken (2008) find, growth is closely tied to international trade flows, which are far more difficult for individual leaders (and states) to affect than investment. The finding that growth collapses are associated with reduced investment and price instability (i.e. inflation) is not surprising and begs the question of why leaders would push price inflation, despite its costs and the options for avoiding it.[265] Second, I agree that researchers must find analytical leverage to make claims about turnover and leaders, but I argue that modeling techniques such as the difference-in-difference model and matching techniques are preferable to the natural experiments identified by Jones and Olken, though both have value. I argue that the assumptions underpinning the difference-in-difference model and matching techniques—namely, common trends and lack of unidentified co-variates—are more realistic than limiting the universe of cases to turnovers which took place by assassination or natural death and then generalizing findings to much more common sub-types. Despite these critiques, this dissertation is deeply indebted to Jones and Olken's papers for framing questions that also motivated my dissertation and providing a basis for comparative findings; if studying turnover as a coherent category with significant causal effects is productive, there should be numerous viable relationships to study.

This dissertation has implications for many of the other research papers mentioned in the introductory chapters which helped to motivate its question and approach. I discuss the implications and disagreements with Pennings and Easterly's research earlier, but I have fewer

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[265] I would argue that methods for avoiding serious inflation, from an economic and institutional standpoint, has been well understood for at least as long as the mid-1980s. As a political phenomenon, it would be productive to consider the extent to which potential turnover events (e.g. elections, wars, etc.) generate inflation.

disagreements with the research of Earle and Gehlbach (2014) and Besley et al (2011a). Earle and Gehlbach provide firm-level evidence that the Orange Revolution in Ukraine and associated turnover led to productivity gains in the regions most supportive of the incoming president. They attribute these gains to changes in firm behavior that are driven by "subtle" government practices and the importance of connections (2014: 709-710). Both the finding and the mechanisms are similar to this study's finding on investment and network instability in Madagascar. While there are differences—choice of dependent variable and research location, among others—the findings are clearly mutually supportive, and the difference-in-difference model utilized by Earle and Gehlbach relies on similar assumptions. Similarly, this study's finding regarding the effects of administrative instability support Besley et al.'s (2011a) claim that a leader's education level affects economic outcomes. Unlike Earle and Gehlbach, who provide a compelling, if brief, account of the mechanism underpinning their findings, Besley et al (2011: 16) write that "the exact mechanisms at work in explaining how leadership matters remain opaque." They briefly consider that more educated leaders could be more competent or more civic-minded, but they are most considered with whether or not the relationship is strong enough to show up in the dataset. In a sense, this is the opposite approach of this dissertation, where understanding and detailing a theory of turnover and investment takes priority over approaches that may have been more likely to show a significant quantitative finding.

To better understand how the theory of turnover and its associated dimensions of instability affect individual investments, I outline the three most prominent mechanisms I found in Madagascar: narrative creation, uncertainty minimization, and boundary creation. These findings were generated by evidence unique to Madagascar, but I follow Falleti and Lynch's definition of mechanisms as "relatively abstract concepts or patterns of action that can travel from one specific instance, or 'episode,' of causation to another and that explain how a hypothesized cause creates a particular outcome in a given context (2009:1145)." As such, I believe it should be possible to assess how well these mechanisms explain connections between causes and outcomes in separate episodes. For example, to what extent does narrative creation explain Besley et al.'s findings? What role does boundary aversion play in Earle and Gehlbach's account? I did not seek to operationalize or model these mechanisms, but they may be useful for researchers, investors, or political actors seeking to explain links between turnover and investment in contexts far from Madagascar.

Modeling turnover and investment

The attempt to create quantitative measures for turnover, instability, and change in investment, and then specify a model to understand their relationship contributes to a deep literature on political economy and development in sub-Saharan Africa using time-series, cross-national data. Within comparative politics, this literature has increasingly trended toward incorporation of mixed methods, in part due to a broader recognition that there are significant data limitations in Africa, specifically, and major cross-national datasets, more generally (Jerven 2013, 2016; Easterly and Pennings 2016). One implication of my research for this literature is that quantitative evidence can complement case studies and theory development without sacrificing a deep immersion with types of evidence—such as interviews and structured consideration of local news sources—and methodological approaches—such as process tracing—that have generated many of the canonical theories of politics in sub-Saharan Africa.

An assessment of the model results and their implications for the literature on political economy in sub-Saharan Africa is not conclusive. Neither the linear regression models nor the difference-in-difference models yield clear findings, whether or not matched data is compared. One implication is that the operationalization of concepts derived from case studies in Madagascar should be improved in the future when research questions consider the effects of turnover or elements of instability. A more general implication is that quantitative models should incorporate the effects of political events into models which include less volatile factors, such as geography, the matrix of ethnic identities, or the role of institutions. Among this type of research, the literature on the economic consequences of wars is the most developed.[266] Surprisingly, I was not able to find studies of the economic consequences of national elections (rather than democracy). The model within this dissertation, notwithstanding the lack of clear results, demonstrates that this type of model could be expanded, which would allow for a greater focus on potential causes of economic volatility and claims that political events are responsible for rapid changes. Finally, another potential implication is that research on macro-processes such as turnover and investment yield stronger findings, no matter the method, in more limited settings. Razafindrakoto, Roubaud, and Wachsberger (2015), for example, were able to make strong claims regarding Madagascar's political economy by gathering quantitative evidence unique to elite networks in Madagascar.

7.4 Alternative explanations

There are two alternative hypotheses for changes in investment that are not theorized in the framework derived from the case studies nor captured in the model. The first would claim that international factors, such as the economic performance of key trading partners or competitors, drive domestic investment, and the second would claim that stable factors, such as an over-reliance on commodities, ethnic fragmentation, or geographical factors explain why investment volatility is the default condition over time, though not the exact timing of investment shifts. These are not the only alternative hypotheses, but they merit additional discussion here.

International factors

International factors clearly affect both turnover and changes in investment. A consideration of cases such as Uganda's turnover from Idi Amin to Milton Obote in Uganda (1979-1980[267]) or the

[266] Regarding the economic consequences of wars, Kang and Meernik (2005) and Blattman and Miguel (2010) provide useful overviews of research findings and the primary methods.
[267] A transitional period between the two lasted 14 months.

turnover from Juvénal Habyarimana to Paul Kagame in Rwanda (1994), among many others, make it clear that neighboring countries can affect whether or not a turnover takes place, when and how it takes place, and who takes office. While some cases are more clear-cut than others, nearly every turnover is affected by international factors to some extent. Even in Madagascar, which shares no international borders with neighbors, one can see the influence of international actors through efforts to shield Andry Rajoelina from security forces in 2009 and later, increasingly aggressive attempts to force him to hold an election in 2013 in which he would "volunteer" not to run.

Similarly, investments are affected by international factors, ranging from the economic performance of key trading partners to the status of international agreements governing the flow of goods, services, and capital. Unlike international factors with direct, targeted impacts, such as individual sanctions, which a domestic administration is typically able to influence, if not control, international factors with indirect, general impacts are typically unaffected by a domestic administration's decisions or the timing of a turnover. The decreasing price of nickel during Rajoelina's tenure, for example, was largely due to oversupply in the world economy (and corresponding weakness in Chinese demand) for which there was no obvious Malagasy solution; Nevertheless, the decreasing price of nickel reduced Ambatovy's cash flow and limited investments.

While I believe that a complete model of turnover and subsequent investment would include international factors and also believe that this is a promising avenue for future research, I do not believe that international factors are the major causes of turnover or determine overall investment trends except in the most extreme cases. First, it is extremely rare for neighboring countries to successfully engineer a turnover for political reasons, or even attempt to, without allowing for numerous off-ramps to heightening tensions. Decisions by domestic administrations are the critical drivers of nearly all turnovers. Second, low-income countries typically have a wealth of options for encouraging investment, even during difficult periods, ranging from improving the legal and regulatory climate for investments, improving government services, or ending conflicts. Moreover, two common features of low-income country serve to insulate them from international effects. First, they have fewer international linkages, on average, than high-income countries. Many sectors are effectively cushioned from international economic trends. Second, many countries in Africa rely on companies in cyclical, commodity-based sectors; the largest investors in these sectors are accustomed to counter-cyclical investments, particularly when governments are responsive to changing conditions. A complete model of turnover would include international factors, but a model without them can still be effective, and significantly more parsimonious, without them.

Systemic volatility

A second alternative explanation, somewhat subtler than the first, points to investment volatility as a systemic condition whose starts and stops are essentially random rather than the outcome of specific political events. In a sense, this argument refutes the dissertation's foundational point that the timing and characteristics of turnover are useful for explaining the pattern of increasing or decreasing investment. This is not a question of parsimony. Rather, a version of this explanation might state that economies over-reliant on geographically concentrated natural resources (i.e. enclave economies), states with arbitrary borders, ethnically fragmented states, low-population states, low-income states, land-locked states, among other groupings of states, may have inherently volatile economies unrelated to the pattern of turnover or leadership characteristics in each.

Another way of thinking of this argument is that it stands in for a null hypothesis in the case studies, claiming that turnovers have no effect.[268] Certainly, in Madagascar there were investors who believed that turnovers were less important than the larger pattern of stops and starts, which they sometimes attributed to the culture or to the strata of political elites as a whole

[268] In practical terms, the null hypothesis captures a wide range of potentially true explanations for not finding a discernible difference among countries, including that claims that the data are simply too noisy (or too low-quality) to measure the hypothesized effect or that the number of observations is too low.

(Razafindrakoto, Roubaud, and Wachsberger 2014). A strong version of this argument is nearly impossible to sustain, given the evidence from Madagascar. The turnovers in 2002, 2009, and 2013 were far from guaranteed to take place, nor were Ravalomanana, Rajoelina, and Rajaonarimampianina clear favorites. Nevertheless, the turnovers did take place, with economic consequences clearly connected to the turnovers in at least two cases. To argue that an overarching pattern explains both turnovers and non-turnovers, both investment growth and declines, is to argue not simply that the relationship between the two is difficult to parse or subject to intervening factors, but that there is no relationship between political events and economic outcomes. Moreover, the expectations held by countless participants in the dramas of African countries are rendered meaningless in this formulation.

Even if the strong argument seems implausible on its face, a weak version of this argument is not only more plausible, it may be consistent with the theoretical framework of this dissertation. Turnovers could cause investment spikes or sharp declines without changing the long-term pattern of the country. In this reading of the evidence, turnovers would affect short-term economic outcomes, but not be important to economic outcomes when measured over decades. This is a different argument, and one with numerous adherents in the literature. The literature on institutions and economic outcomes frequently makes this kind of argument, and one common critique is that institutions are endogenous.[269] They must come from somewhere. Some factors, such as arbitrary borders, are fairly easy to explain. Others, including some institutions, change frequently enough that looking for sources of changes is a productive endeavor. Jones and Olken (2009) find that turnovers lead to institutional changes. Even if many of them don't, and if many economic starts and stops simply revert to back to a natural equilibrium, the "short-term" consequences of turnovers and investments booms and busts are highly significant to many people.

[269] While geography and natural resource endowments are more plausibly exogenous, there are many ways in which leaders or administrations can alter both or affect the consequences of both.

For those turnovers that do lead to long-term changes, whether institutional or economic, the importance of understanding changes which took place in the initial years is magnified. While the theory in this dissertation does not suggest which turnovers or economic trends are likely to lead to long-term shifts in patterns, this suggests an avenue for future research rather than a flaw in the framework.

7.5 Practical implications

At the outset of this dissertation, I noted that turnovers and the potential for turnover motivated actions among the population, policymakers, professional risk analysts, and investors. There are practical implications for each among the findings of this dissertation, particularly for policymakers and professional risk analysts. A thorough analysis of the implications for these groups is outside the scope of an academic study, but it is instructive to sketch out preliminary lessons. Voters are the most numerous groups, but in many African countries they have limited ability to choose their leaders, either because elections are not held, they are not free and fair, or the candidates are chosen through non-democratic processes. Where possible, the findings from Madagascar suggest that voters seeking economic turnarounds should value leader capacity and candidates without close connections to the previous administration.[270] In many cases, the primary lesson is that expectations of rapid turnarounds should be tempered, particularly in cases where the turnover took place amid insecurity or led to a regime change.

Elite policymakers, almost by definition, have more influence than the population when it comes to managing the potential for turnover, how they take place, and the practical consequences they engender. For international organizations, policies that seek to make elections competitive are may be able to increase the likelihood of turnovers that produce new leaders with higher capacity

[270] Though this should be true even when the benefits of ethnic voting are considered, Carlson (2015) uses an experiment in Uganda to argue that voters believe that the benefits of high performing leaders will only accrue to co-ethnics.

and reduced network connections, a positive outcome for investment, though the economic benefits may be offset when elections produce regime changes. In many cases, policymakers may be more effective focusing on post-turnover periods, considering that in pre-turnover periods their efforts may be read as choosing sides or may simply be ignored by those fighting, sometimes literally, for state power. For new leaders who enter office with commitments to increase economic growth amid periods of significant instability and other goals, including rewarding their supporters, policymakers could offer prescriptions that seek to minimize the effects of some types of instability while actively seeking to generate other types. For example, new administrations could be urged to prioritize capacity for technical positions and look for opportunity to force ruptures to networks within key ministries or via newly created agencies. The Economic Development Board of Madagascar, for example, fulfilled these roles for Marc Ravalomanana's administration. New administrations could also try to minimize the effects of regime instability, even when produced by turnovers that produce greater democracy, by committing to honoring the previous administration's commitments with investors while reforming model contracts and tax laws for future investors. The Rajaonarimampianina administration took the opposite approach, launching an endless review of mining tenders that froze investment following the 2013 turnover. In many cases, cancelling contracts and decree laws leads to international arbitration and uncertainty whereas enforcing existing laws would achieve many aims of would-be reformers with far less instability.

Political risk analysts and the investors they advise have different objectives than the population, incoming politicians, or policymakers, but investors in search of higher returns and strategies that mitigate political risk also have much to gain from structured attention to political turnovers. The overarching point of this dissertation for both is that political turnovers have the potential to dramatically upend existing conditions in ways that may make investments more or less attractive, and critically, that this process is characterized by observable patterns. By focusing on turnovers and incoming leaders, investors can gain information regarding risk, investment return, profitable times for entry, and potential exit strategies. At any given point, there are multiple countries across sub-Saharan Africa that have recently undergone a turnover or where a turnover may soon take place. By paying attention to the elements of instability outlined in this dissertation, investors can gain a sense of where the next period of rapid growth is likely to occur and where it is not. Since nearly all candidates seek to assuage concerns of potential donors and nearly all new administrations hold investment forums in London and New York highlighting their intentions to adopt favorable policies for investors, a set of "rules of thumb" may help prospective investors set initial expectations more accurately.

For political risk analysts in Madagascar, this dissertation presents a view of recent turnovers that foregrounds investor expectations rather than the seemingly endless machinations among the political elite. This framing has implications for the upcoming election in 2019, during which many observers will, almost certainly, become reliably optimistic or pessimistic, depending on which candidate they support, which indicator they are paying attention to, or simply which perspective benefits their own interests. Observers informed by this dissertation would ask how likely a turnover is to take place, and, if it does, what is the level of violence or regime instability? How are the characteristics of the new leader likely to affect administrative instability and to what networks does he belong? A structured set of questions makes it less likely that political risk analysts and investors will overemphasize mono-causal narratives.

7.6 Conclusion

It is impossible to state with certainty if the 2018 election in Madagascar will produce a leadership change, if a turnover will take place by another means in 2017 or 2019 instead, or how long, ultimately, Hery Rajaonarimampianina will last in office. This uncertainty is not unique to Madagascar. Some African leaders have lasted quite a long time. Others, quite a bit less than

Rajaonarimampianina has already. For many Malagasy, the most important question is not, at root, who holds the presidency but whether or not their lives improve, and their individual economic circumstances are a key component of that improvement. In the short term, this will be determined in part by the cumulative effect of whether or not they and other individuals decide to invest in new businesses, expansions of existing ventures, inventory, equipment, and training. These events are affected by political events, notably turnovers, but they are dependent on how these events shape the expectations and decisions of individual investors. After Marc Ravalomanana took office in Madagascar in 2002, following an extended conflict that destroyed infrastructure and divided the country, investors rushed in. After Hery Rajaonarimampianina won a long-awaited election in 2013, finally ending a period of international isolation and political uncertainty which lasted nearly five years, investors were nevertheless more hesitant. As a nexus of potential changes, the possibility of turnovers generates tremendous energy and attention, but the actual outcomes vary widely.

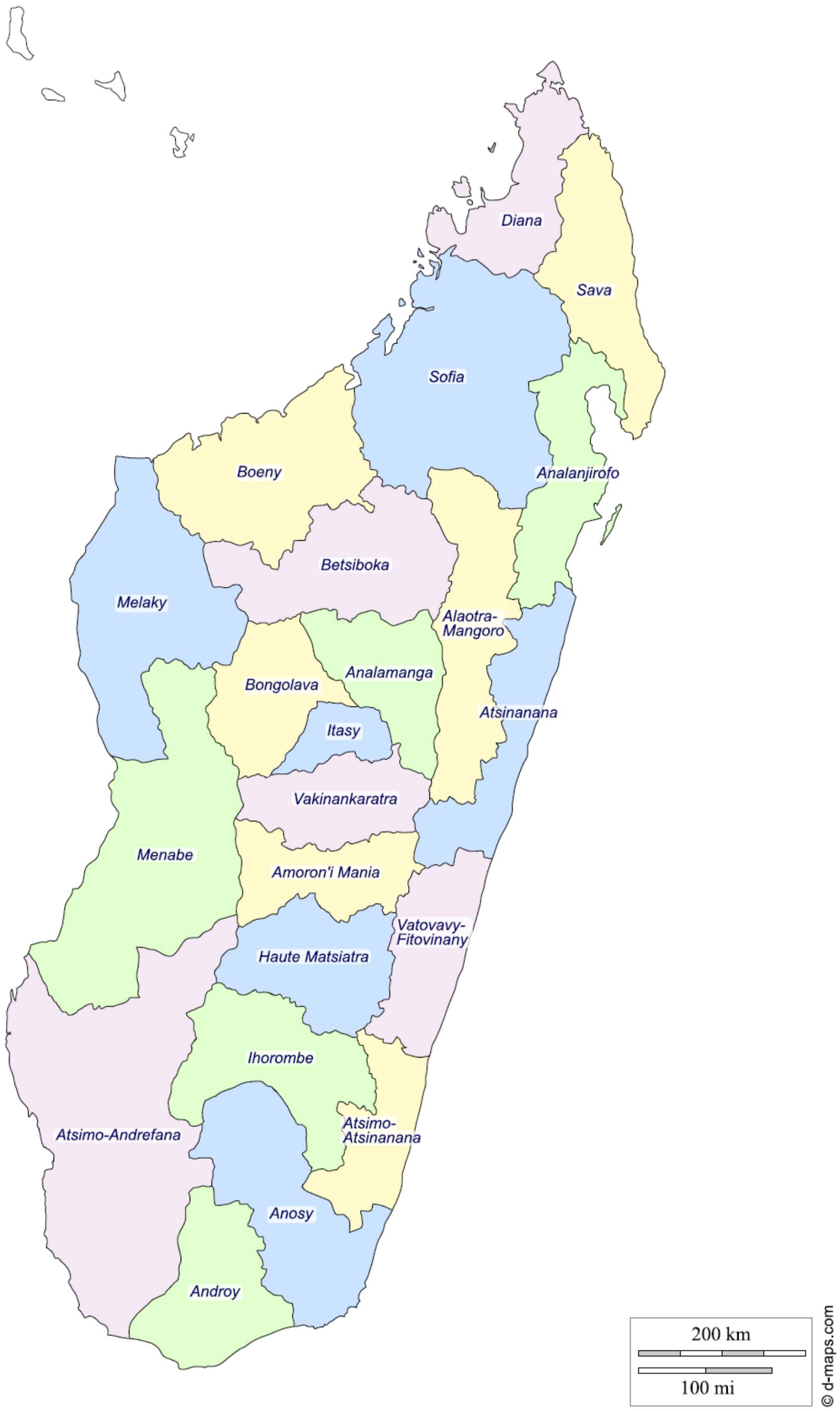
By considering the elements of instability which turnovers can generate, and the effects of those elements of instability on investment—some positive, some negative—it is possible to predict whether or not a turnover will increase investment or not. These predictions will be far from perfect, but they do draw on lessons from careful analyses of previous turnovers.

For those invested in Madagascar and its people, the lessons of this study are double-edged. Periods of rapid investment are possible, but simply removing existing leaders is not sufficient and may even be counter-productive. Periods of economic decay are also possible, and changes that are positive in one sense of progress, such as turnovers that increase democratic freedoms, may create obstacles in others. In addition, a key characteristic of investment-generating turnovers, high network instability, is nearly certain to face strong deterrents; efforts to remove incumbents and dependent networks may result in violence. Despite these notes of caution, I choose to end on a positive note. The history of turnovers and investment suggests, unequivocally, that rapid periods of investment growth are possible. The challenge of sustaining such progress is, if anything, far greater, and may require still more turnovers and associated instability.

Appendix A.

Madagascar information

Figure A.1. Map of Madagascar's regions[271]



[271] Free map accessed at http://d-maps.com/carte.php?num_car=35065&lang=en, October 3, 2017.

Table 10. 2013 Election results by region

Region	Capital	Ethnic Group	1st Round (Hery)	1st Round (JLR)	Total Votes (1st Round)	2nd Round (Hery)	2nd Round (JLR)	Total Votes (2nd Round)
Alaotra-Mangoro	Ambatondrazaka	Other	14.70	24.64	252,877	53.55	46.45	196,663
Amoron'I Mania	Ambositra	Other	20.79	13.76	165,319	56.01	43.99	139,671
Analamanga	Antananarivo	Plateau	12.56	42.75	937,090	39.49	60.51	797,788
Analanjirofo	Fenoarivo-Atsinanana	Cotier	11.78	4.84	232,324	71.74	28.26	197,243
Androy	Ambovombe	Cotier	28.32	2.19	133,995	55.34	44.66	129,414
Anosy	Tolanaro	Cotier	26.05	3.00	134,461	59.52	40.48	114,004
Atsimo-Andrefana	Toliara	Cotier	21.13	4.12	233,125	59.07	40.93	221,743
Atsimo-Atsinanana	Farafangana	Cotier	16.92	3.49	137,009	67.63	32.37	121,835
Atsinanana	Toamasina	Cotier	11.16	7.76	285,668	70.10	29.90	228,683
Betsiboka	Maevatanana	Other	19.30	30.27	69,967	40.92	59.08	58,114
Boeny	Mahajanga	Cotier	20.81	21.17	167,562	53.20	46.80	150,483
Bongolava	Tsiroanomandidy	Plateau	7.67	52.34	119,787	22.81	77.19	85,321
Diana	Antsiranana	Cotier	12.12	7.90	146,574	65.40	34.60	130,099
Haute Matsiatra	Fianaranstoa	Other	32.72	10.43	249,226	62.06	37.94	188,035
Ihorombe	Ihosy	Other	20.19	4.95	55,973	68.75	31.25	44,933
Itasy	Miarinarivo	Plateau	12.51	50.95	204,163	27.53	72.47	146,646
Melaky	Maintirano	Cotier	16.29	4.33	52,140	70.67	29.33	46,613
Menabe	Morondava	Cotier	12.99	18.53	113,754	54.43	45.57	104,880
Sava	Sambava	Cotier	12.67	3.65	182,212	76.48	23.52	159,309
Sofia	Antsohihy	Cotier	20.22	4.52	265,629	57.33	42.67	220,727
Vakinankaratra	Antsirabe	Plateau	9.41	36.03	456,083	60.39	39.61	374,030
Vatovavy-Fitovinany	Manakara	Cotier	14.55	5.33	231,218	67.34	32.66	187,012
		Total (Plateau)	**11.38**	**42.61**	**1,717,123**	**42.80**	**57.20**	**1,403,785**
		Total (Cotier)	**15.43**	**6.74**	**2,315,671**	**63.82**	**36.18**	**2,012,045**
		Total (Other)	**22.42**	**17.02**	**793,362**	**56.57**	**43.43**	**627,416**
		Total	**15.85**	**21.16**	**4,826,156**	**53.49**	**46.51**	**4,043,246**

Appendix B.

Codebook

Identification (ID)

ID
Nominal;
= unique number assigned to each country.

CCODE
String;
= 3-letter code assigned to each country (used by Penn World Tables 9.0 and World Development Indicators).

CCODE2
String;
= 3-letter code assigned to each country (used by Archigos v4.1).

CYEAR
String; country year; country name followed year.
Example: Angola1975.
First country year in sample begins with year of independence. Earliest year in sample is 1956. All countries in sub-Saharan Africa are included except (a) those with populations below 1 million in 2012 (i.e. Cape Verde, Comoros, Djibouti, Equatorial Guinea, Sao Tome & Principe, and Seychelles), (b) countries whose data quality is too poor for inclusion in the Penn World Tables 9.0 Dataset (i.e. Eritrea, Somalia); and (c) countries that became independent too recently for analysis given the model (i.e. South Sudan).

EVENT2
Nominal/Ordinal;

T1, T2, T3, T4 = first four years following turnover (including year of turnover).
Example: Angola1979 is coded T1, Angola1980 is coded T2.

N = neither first year in sample nor first four years following turnover.

X = if first year in sample or last four years in sample (i.e. 2012, 2013, 2014, 2015),

PRET
Binary;
= 0 if EVENT2 = X
OR EVENT2 = N AND $EVENT_{t+1}$ = T1 OR $EVENT_{t+2}$ = T1 OR $EVENT_{t+3}$ = T1[272]
OR EVENT2 = T1 AND $EVENT_{t+1}$ = T1 OR $EVENT_{t+2}$ = T1 OR $EVENT_{t+3}$ = T1
OR EVENT2 = T2 OR T3 OR T4

= 1 in all other cases

[272] Or X if X would be T1.

POSTT

Binary;
= 0 if $PRET_{t-3} = 0$
= 1 if $PRET_{t-3} = 1$

SAMPLE

Binary;
= 0 if PRET = 0 AND POSTT = 0
= 1 if PRET = 1 OR POSTT = 1

TREAT

Binary;
= 0 if no turnover took place during the country year OR if turnover took place in which incoming leader did not end 4 consecutive years in power (e.g. if $EVENT2_{t+3} \neq T4$). *Example*: Benin1970 is coded 0 because the incoming leader, Hubert Maga, exited power in 1972 after 2 years.
= 1 $EVENT2_{t+3} = T4$

TREATDD

Binary;
= 1 if EVENT2 = T1 AND $EVENT2_{t+3} = T4$
= 1 if EVENT2 = T4
= 0 if conditions above are not met

Dependent Variable (DV)

CAPSTOCK

Source: Penn World Tables 9.0;
Continuous;
= RK^{NA} from PWT 9.0: "Capital stock at constant national prices, based on investment and prices of structures and equipment" (in millions of 2005 US $).

ICHANGE3

Source: Penn World Tables 9.0;
Continuous;
ICHANGE3 $= ((CAPSTOCK_{t+3} - CAPSTOCK_t) / CAPSTOCK_t) *100$

GDPWDI

Source: World Development Indicators;
Continuous;
= NY.GDP.MKTP.CD from WDI, GDP (current US$), "GDP at purchaser's prices is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. Data are in current U.S. dollars. Dollar figures for GDP are converted from domestic currencies using single year official exchange rates. For a few countries where the official exchange rate does not reflect the rate effectively applied to actual foreign exchange transactions, an alternative conversion factor is used."

Independent Variables (IVs)

LEADERB

Source: Archigos v4.1;
String;
= Last name of leader on January 1.

LEADERE

Source: Archigos v4.1;
String;
= Last name of leader on December 31.

TURN

Binary;
= 0 if LEADERB = LEADERE
= 1 if LEADERB ≠ LEADERE

CIVTOT

Source: Major Episodes of Political Violence (MEPV), 1946-2015;
Ordinal (0-10);
= CIVTOT from MEPV

CIVTOT	= "Total summed magnitude of all societal MEPV: CIVTOT = CIVVIOL + CIVWAR + ETHVIOL + ETHWAR."
CIVVIOL	= "…score of episode(s) of civil violence involving that state in that year."
CIVWAR	= "…score of episode(s) of civil warfare involving that state in that year."
ETHVIOL	= "…score of episode(s) of ethnic violence involving that state in that year."
ETHWAR	= "…score of episode(s) of ethnic warfare involving that state in that year."

LCIVTOT

= CIVTOT lagged one year

CIVTOT2

Source: Major Episodes of Political Violence (MEPV), 1946-2015;
Binary;
= 0 if CIVTOT = 0
= 1 if CIVTOT > 0

COUP

Source: Coup d'État Events, 1946-2015;
Binary;
= 0 if SCOUP1 *AND* FOROUTEX *AND* REBOUTEX *AND* ASSASSEX *AND* RESIGNEX = 0
= 1 if SCOUP1 *OR* FOROUTEX *OR* REBOUTEX *OR* ASSASSEX *OR* RESIGNEX = 1

SCOUP1	= "Successful Coups: Number of successful coups d'état that occurred in the year of record."
FOROUTEX	= "Ouster of Leadership by Foreign Forces: Indicator of the forced ouster of a ruling executive as a direct result of the invasion of the country by foreign armed forces (which may partner with local militias but take the lead in unseating the country's leadership)."

REBOUTEX = "Ouster of Leadership by Rebel Forces: Indicator of the forced ouster of a ruling executive as a direct result of armed action by rebel forces fighting against forces loyal to the regime (rebel leaders then assume regime leadership often resulting in a political, or socio-political, revolution)."

ASSASSEX = "Assassination of Executive: Indicator of the assassination of the ruling executive during the year of record (assassinations are perpetrated by persons acting outside the ruling elite and do not result in a substantive change in regime leadership)."

RESIGNEX = "Resignation of Executive Due to Poor Performance and/or Loss of Authority: Indicator of the coerced resignation of the ruling executive due to poor performance and accompanied by increasing public discontent and popular demonstrations calling for the ouster of the executive leadership; like assassinations, coerced resignations of an executive do not result in a substantive change in regime leadership (although they lead to new elections)."

EVIO

Source: Straus & Taylor(2012); data range 1990-2008;
Ordinal (0-3);
= VIOLEVEL from Straus & Taylor (2012): "Violence coding based on US State Department Human Rights Reports. Electoral violence is political violence 6 months before or three months after an election. A presidential and legislative election within three months of one another are coded as one single electoral period, with subsequent variables based on the presidential election. Violence related to an electoral period with both a presidential and legislative election is coded as being related to the presidential election."

EVIO2

Source: Extension of Straus & Taylor (2012) using US State Department Human Rights Reports;
Ordinal (0-3);
= VIOLEVEL (data extended to leaders not in Straus & Taylor (2012) sample)

EVIO3

Binary;
= 0 if EVIO1 ≤ 1
= 1 if EVIO1 ≥ 2

SECIN

Binary;
= 0 if TURN = 0 *OR* TURN =1 *AND* CIVTOT2 *AND* COUP *AND* EVIO2 = 0
= 1 if CIVTOT2 *OR* COUP *OR* EVIO2 = 1

POLITY2

Source: Polity IV Annual Time-Series, 1800-2015;
Ordinal (-10 to 10);
= POLITY2 from Polity IV: "Revised Combined Polity Score: This variable is a modified version of the POLITY variable added in order to facilitate the use of the POLITY regime measure in time-series analyses."

POLITY = "Combined Polity Score: The POLITY score is computed by subtracting the AUTOC score from the DEMOC score; the resulting unified polity scale ranges from +10 (strongly democratic) to -10 (strongly autocratic)."

LPOLITY2
= POLITY2 lagged one year

POL2CHANGE
Source: Polity IV Annual Time-Series, 1800-2015;
Discrete;
= $POLITY2_t - POLITY2_{t-1}$

REGIN
Binary;
= 0 TURN = 0 or if absolute value of POL2CHANGE ≤ 1
= 1 if POL2CHANGE > 1 or POL2CHANGE < -1

EDU
Sources: Akyeampong & Gates (2012), various news sources;
String;
= school attended by LEADERE (highest education level)

EDU2
Source: Besley and Reynal-Querol (2011);
Ordinal (1-8);
= EDUCATIONCONTINUOUS from Besley and Reynal-Querol); scale and data taken from Ludwig (2002): illiterate (1), no formal schooling (2), primary school (3), high or trade school (4), technical or special (5), undergraduate school (6), graduate school (7), and doctorate (8).

EDU3
Source: extension (and revision) of Besley and Reynal-Querol (2011) using Akyeampong & Gates (2012), various news sources;
Ordinal (1-8);
= EDU2 (data updated and revised by Scharf with reference to EDU data)

EDU4
Ordinal (1-4)
= 1 if EDU3 = 1 OR 2 OR 3 (illiterate *OR* no formal schooling *OR* primary school)
= 2 if EDU3 = 4 OR 5 (high or trade school *OR* technical or special)
= 3 if EDU3 = 6 (undergraduate school)
= 4 if EDU3 =7 *OR* 8 (graduate school *OR* doctorate)

MIL
Sources: Akyeampong & Gates (2012), various news sources;
String;
= highest pre-leadership military rank attained by LEADERE

MIL2
Binary;
= 0 if LEADERE did not hold pre-leadership military rank (minimum: officer)

= 1 if LEADERE held pre-leadership military rank (minimum: officer)

EXEC

Sources: Akyeampong & Gates (2012), various news sources;
String;
= highest private sector position held prior to presidency by LEADERE

EXEC2

Binary;
= 0 if LEADERE did not hold executive-level private sector position
= 1 if LEADERE held executive level private sector position

ADIN[273]

Binary;
= 0 if EDU4 of LEADERE < EDU4 of LEADERB *OR* (EDU4 of LEADERE = EDU of LEADERB *AND* MIL2 of LEADERE ≤ MIL2 of LEADERB *AND* EXEC2 of LEADERE ≤ EXEC2 of LEADERB)
= 1 if EDU4 of LEADERE > LEADERB *OR* (EDU4 of LEADERE = EDU of LEADERB *AND* MIL2 of LEADERE > MIL2 of LEADERB *OR* EXEC2 of LEADERE > EXEC2 of LEADERB)

ETHNIC

Source: Fearon, Kasara, and Laitin (2007): "This dataset contains the ethnicity of the head of state for 162 countries from 1945 to 1999. The ethnic categories are as defined in Fearon (2003) and the list of leaders and tenure dates is taken from Goemans et al (2004)."
String;
= GROUP from Fearon, Kasara, and Laitin (2007), of LEADERE

ETHNIC2

Sources: Extension of Fearon, Kasara, and Laitin (2007) using Akyeampong & Gates (2012) and various news sources;
String;
= ETHNIC1 (data extended to leaders not in Fearon, Kasara, and Laitin (2007) sample)

PARTY

Sources: Akyeampong & Gates (2012), various news sources;
String;
= name of political party of which LEADERE is a member

NETIN

Binary;
= 0 if ETHNIC2 of LEADERB = ETHNIC2 of LEADERE *OR* PARTY of LEADERB = PARTY of LEADERE
= 1 if ETHNIC2 of LEADERB ≠ ETHNIC2 of LEADERE *AND* PARTY of LEADERB ≠ PARTY of LEADERE

PROCIN

[273] In cases where LEADERB did not hold office for a full year (i.e. LEADERB ≠ LEADERE for one CYEAR), LEADERE is compared to the most recent LEADERB who held office for a full year for the purposes of ADIN, NETIN, LEADIN, INTOT1, and INTOT2.

Ordinal (0-2)
= 0 if TREAT = 0
= SECIN + REGIN if TREAT = 1

LEADIN
Ordinal (0-2)
= 0 if TREAT = 0
= ADIN + NETIN if TREAT = 1

INSTACOMPONENT
Ordinal (0-1);
= 0 if TREAT = 0
= if TREAT = 1, then = (SECIN + REGIN + ADIN + NETIN)/4

INSTACOMPONENTB
Ordinal (0-1);
= (SECIN + REGIN + ADIN + NETIN)/4

INSTACOMPONENTC
Ordinal (0-4);
= 0 if TREAT = 0
= if TREAT = 1, then = SECIN + REGIN + ADIN + NETIN

INSTACOMPONENTDD
Ordinal (0-1);
= INSTACOMPONENT if TREAT = 1
$\text{INSTACOMPONENT}_{t-3}$ if $\text{TREAT}_{t-3} = 1$
= 0 if $\text{TREAT}_{t-3} = 0$

INSTACOMPONENTNA
Ordinal (0-1);
= INSTACOMPONENT if TREAT = 1
= $\text{INSTACOMPONENT}_{t-3}$ if $\text{TREAT}_{t-3} = 1$
= NA if $\text{TREAT}_{t-3} = 0$

Control Variables

TREND
Discrete;
= integer assigned to each year of sample in increasing order to capture time trend
Example: 1956 = 0, 1957 =1, etc.

EYEAR
Source: Africa Elections Database (extended through 2015)
Binary;
= 0 if no election for highest political office took place *OR* election took place but without multiple candidates or parties *OR* election for highest political office took place but inauguration took place in subsequent year

= 1 if competitive election (multi-party or multi-candidate) for highest political office took place *OR* inauguration took place for an election held during the previous year

TENURE

Discrete;
= the number of years in power (partial or complete) LEADERB has at the beginning of a given country year; if a leader came to power during the previous country-year, his tenure would be coded 1 during the next country-year.

LNTENURE

Continuous;
= LN(TENURE)

GDP

Source: Penn World Tables 9.0;
Continuous;
= $RGDP^0$ from Penn World Tables 9.0: "Output-side real GDP, using prices for final goods exports and imports that are constant across countries and over time."

LNGDP

Source: Penn World Tables 9.0;
Continuous;
= LN(GDPPWT)

LGROWTH

Source: Penn World Tables 9.0;
Continuous;
= $((GDPPWT_{t+1} - GDPPWT_t) / GDPPWT_t) * 100$

POP

Source: Penn World Tables 9.0;
Continuous;
= POP from Penn World Tables 9.0.

LNPOP

Source: Penn World Tables 9.0;
Continuous;
= LN(POP)

POSTCOLDWAR

Binary;
= 0 if TREND < 36: TREND = 36 corresponds to the year 1991.
= 1 if TREND ≥ 36

Data Processing

PROSCOREL

Continuous (0-1);

= Fitted values of logit model: $\Pr\left(treat_{i,t} = 1 \middle| X_{i,t}\right) = logit^{-1}\ (\alpha + eyear_{i,t}\beta_1 + lcivtot1_{i,t}\beta_2 + lpolity2_{i,t}\beta_3 + lgrowth_{i,t}\beta_4 + lntenure_{i,t}\beta_5 + postcoldwar_{i,t}\beta_6 + d_{ccode})$

PAIRMATCH

Binary;
= 0 if not included (see below)
= 1 if included (as treatment or control) in pair match

PAIRMATCHDD

Binary
= 0 if not included (see above)
= 1 if included (as treatment or control) in pair match or if country-year$_{t+3}$ is included in pair match

Appendix C.

Code

```
library(dplyr)
library(tidyr)
library(stargazer)
library(MASS)
select <- dplyr::select

raw_data <- read.csv("turnover_database_33.csv")
names(raw_data) <- tolower(names(raw_data)) #lowercase var names

sample_dat <- raw_data %>%
  mutate(cyear = trimws(cyear, which = c("both")),
        year = as.numeric(substr(cyear, nchar(cyear)-4+1, nchar(cyear))),
        country = substr(cyear, 1, nchar(cyear) - 4)) %>%
  select(-proscorel, -pairmatch, -pairmatchdd, -postt)

rm(raw_data)
insample_data <- sample_dat %>%
  filter(pret == 1) %>%
  select(sample, cyear, country, year, treat, eyear, lcivtot, lpolity2, lgrowth, lntenure, coldwar, ccode, instacom
ponent, ichange3) %>%
  na.omit()

turn_logit <- glm(treat ~  eyear + lcivtot + lpolity2 + lgrowth + lntenure + coldwar + ccode , data = insample_d
ata, family = binomial, na.action = )

summary(turn_logit)
#
# Call:
# glm(formula = treat ~ eyear + lcivtot + lpolity2 + lgrowth +
#     lntenure + coldwar + ccode, family = binomial, data = insample_data)
#
# Deviance Residuals:
#     Min       1Q   Median       3Q      Max
# -1.8208  -0.4268  -0.2935  -0.2025   2.9998
#
# Coefficients:
#             Estimate Std. Error z value Pr(>|z|)
# (Intercept) -5.04570    1.33986  -3.766 0.000166 ***
# eyear        1.88307    0.29864   6.305 2.87e-10 ***
# lcivtot      0.42840    0.10483   4.087 4.38e-05 ***
# lpolity2     0.06230    0.03138   1.986 0.047074 *
# lgrowth     -2.51934    0.88082  -2.860 0.004234 **
# lntenure    -0.23751    0.17089  -1.390 0.164582
# coldwar     -0.53093    0.32145  -1.652 0.098603 .
# ccodeBDI     4.13439    1.35473   3.052 0.002275 **
# ccodeBEN     3.76090    1.39397   2.698 0.006976 **
# ccodeBFA     4.12152    1.38738   2.971 0.002971 **
# ccodeBWA     2.73637    1.43744   1.904 0.056957 .
# ccodeCAF     3.75475    1.35772   2.765 0.005684 **
# ccodeCIV     3.59456    1.39397   2.579 0.009919 **
```

```
# ccodeCMR    2.20983    1.61722   1.366 0.171802
# ccodeCOD    1.90134    1.29383   1.470 0.141685
# ccodeCOG    4.37982    1.37674   3.181 0.001466 **
# ccodeETH    1.78655    1.31533   1.358 0.174385
# ccodeGAB    2.94704    1.46753   2.008 0.044626 *
# ccodeGHA    3.80274    1.41751   2.683 0.007303 **
# ccodeGIN    2.86148    1.45916   1.961 0.049874 *
# ccodeGMB    1.42536    1.62910   0.875 0.381609
# ccodeGNB    3.47025    1.50500   2.306 0.021121 *
# ccodeKEN    2.59308    1.42941   1.814 0.069665 .
# ccodeLBR    4.33031    1.38720   3.122 0.001799 **
# ccodeLSO    3.02284    1.43056   2.113 0.034596 *
# ccodeMDG    3.63117    1.39555   2.602 0.009269 **
# ccodeMLI    3.19514    1.41359   2.260 0.023802 *
# ccodeMOZ    2.22037    1.34632   1.649 0.099103 .
# ccodeMRT    3.60448    1.40492   2.566 0.010299 *
# ccodeMUS    2.54547    1.45483   1.750 0.080176 .
# ccodeMWI    3.12448    1.46274   2.136 0.032676 *
# ccodeNAM    2.24707    1.66309   1.351 0.176652
# ccodeNER    4.29651    1.40301   3.062 0.002196 **
# ccodeNGA    4.04147    1.31240   3.079 0.002074 **
# ccodeRWA    2.43938    1.42309   1.714 0.086503 .
# ccodeSDN    0.68045    1.48675   0.458 0.647188
# ccodeSEN    2.56208    1.44833   1.769 0.076895 .
# ccodeSLE    4.24368    1.35619   3.129 0.001753 **
# ccodeSWZ    3.06018    1.63470   1.872 0.061204 .
# ccodeTCD    2.52576    1.28219   1.970 0.048852 *
# ccodeTGO    3.43175    1.39628   2.458 0.013980 *
# ccodeTZA    3.45839    1.40126   2.468 0.013585 *
# ccodeUGA    2.32662    1.38006   1.686 0.091817 .
# ccodeZAF    3.34904    1.35908   2.464 0.013732 *
# ccodeZMB    2.83757    1.46410   1.938 0.052611 .
# ccodeZWE    1.70589    1.57179   1.085 0.277782
# ---
# Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
#
# (Dispersion parameter for binomial family taken to be 1)
#
#     Null deviance: 742.58  on 1125  degrees of freedom
# Residual deviance: 588.86  on 1080  degrees of freedom
# AIC: 680.86
#
# Number of Fisher Scoring iterations: 6
insample_data$proscorel <- turn_logit$fitted.values

summary(insample_data$proscorel)
#      Min.   1st Qu.    Median      Mean   3rd Qu.      Max.
# 0.0007988 0.0274487 0.0541019 0.1021314 0.1204440 0.9134716
rm(turn_logit)
```

```
library(MatchIt)
```

```
matchnn <- matchit(treat ~ proscorel + eyear + lcivtot + lpolity2 + lgrowth + lntenure + coldwar, data = na.o
mit(insample_data), method = "nearest")
summary(matchnn)
#
# Call:
# matchit(formula = treat ~ proscorel + eyear + lcivtot + lpolity2 +
#     lgrowth + lntenure + coldwar, data = na.omit(insample_data),
#     method = "nearest")
#
# Summary of balance for all data:
#           Means Treated Means Control SD Control Mean Diff eQQ Med
# distance        0.2580        0.0844     0.0976    0.1736  0.1022
# proscorel       0.2651        0.0836     0.1041    0.1815  0.1396
# eyear           0.4000        0.0979     0.2974    0.3021  0.0000
# lcivtot         0.9652        0.5846     1.5757    0.3806  0.0000
# lpolity2       -1.1391       -3.6320     5.4668    2.4929  2.0000
# lgrowth         0.0088        0.0353     0.0886   -0.0265  0.0120
# lntenure        1.8193        2.2081     0.6546   -0.3888  0.2240
# coldwar         0.4957        0.4036     0.4909    0.0921  0.0000
#           eQQ Mean eQQ Max
# distance    0.1707  0.5579
# proscorel   0.1792  0.4295
# eyear       0.2957  1.0000
# lcivtot     0.3739  3.0000
# lpolity2    2.4870  6.0000
# lgrowth     0.0306  0.7340
# lntenure    0.4027  1.3860
# coldwar     0.0957  1.0000
#
#
# Summary of balance for matched data:
#           Means Treated Means Control SD Control Mean Diff eQQ Med
# distance        0.2580        0.2375     0.2138    0.0204  0.0003
# proscorel       0.2651        0.2469     0.1982    0.0182  0.0141
# eyear           0.4000        0.4261     0.4967   -0.0261  0.0000
# lcivtot         0.9652        0.7826     1.7858    0.1826  0.0000
# lpolity2       -1.1391       -1.0435     6.0239   -0.0957  0.0000
# lgrowth         0.0088        0.0118     0.1112   -0.0031  0.0070
# lntenure        1.8193        1.8499     0.6707   -0.0306  0.3050
# coldwar         0.4957        0.4696     0.5013    0.0261  0.0000
#           eQQ Mean eQQ Max
# distance    0.0217  0.1282
# proscorel   0.0217  0.1040
# eyear       0.0261  1.0000
# lcivtot     0.2174  2.0000
# lpolity2    0.4783  2.0000
# lgrowth     0.0253  0.6700
# lntenure    0.3851  1.0990
# coldwar     0.0261  1.0000
#
# Percent Balance Improvement:
#           Mean Diff.  eQQ Med eQQ Mean eQQ Max
# distance     88.2215  99.6634  87.2844 77.0159
# proscorel    89.9973  89.8842  87.9118 75.7746
# eyear        91.3641   0.0000  91.1765  0.0000
```

```
# lcivtot      52.0268   0.0000  41.8605 33.3333
# lpolity2     96.1630 100.0000  80.7692 66.6667
# lgrowth      88.3692  41.6667  17.2913  8.7193
# lntenure     92.1311 -36.1607   4.3638 20.7071
# coldwar      71.6727   0.0000  72.7273  0.0000
#
# Sample sizes:
#           Control Treated
# All          1011     115
# Matched       115     115
# Unmatched     896       0
# Discarded       0       0
matchnnmatrix <- matchnn$match.matrix
matchnn_data <- match.data(matchnn)

treated <- as.numeric(row.names(matchnnmatrix))
control <- as.numeric(matchnnmatrix[,1])
paired_df <- data.frame("treated" = treated,
                        "control" = control)
matchnn_data[["rowname"]] <- as.numeric(rownames(matchnn_data))

matchnn_data <- left_join(matchnn_data, paired_df, by = c("rowname" = "treated"))
control_values <- matchnn_data %>% filter(treat==0) %>%
  select(rowname, ichange3)

matchnn_pairs <- left_join(matchnn_data, control_values, by = c("control" = "rowname")) %>%
  mutate(ichange3_treat = ichange3.x,
         ichange3_control = ichange3.y) %>%
  filter(!is.na(ichange3_control))

paired_df$treated <- factor(paired_df$treated,
                     levels = levels(as.factor(matchnn_data$rowname)),
                     labels = matchnn_data$cyear)
paired_df$control <- factor(paired_df$control,
                       levels = levels(as.factor(matchnn_data$rowname)),
                       labels = matchnn_data$cyear)

rm(matchnn)

paired_df
#             treated         control
# 1        Angola1979     Burundi2011
# 2         Benin1972     Lesotho1968
# 3         Benin1991    Botswana1989
# 4         Benin1996      CongoK2011
# 5         Benin2006 BurkinaFaso1991
# 6      Botswana1980    Tanzania1972
# 7      Botswana1998 CotedIvoire1976
# 8      Botswana2008     Senegal1967
# 9   BurkinaFaso1966     Burundi2009
# 10  BurkinaFaso1974 SouthAfrica1982
# 11  BurkinaFaso1983  Mauritania1997
# 12  BurkinaFaso1987 SierraLeone1972
# 13      Burundi1966        Togo1998
# 14      Burundi1976     GuineaC1962
```

```
# 15     Burundi1987       Mali1962
# 16     Burundi1996   Botswana1969
# 17     Burundi2005     CongoK2006
# 18    Cameroon1982    GuineaB1993
# 19         CAR1966     Gambia2011
# 20         CAR1981 Madagascar1989
# 21         CAR1993 SierraLeone1962
# 22         CAR2003 BurkinaFaso1962
# 23        Chad1975       Togo1973
# 24        Chad1982 Mozambique2009
# 25        Chad1990      Niger1969
# 26 CotedIvoire1993   Cameroon2001
# 27 CotedIvoire2000    Burundi1994
# 28 CotedIvoire2011       Mali2008
# 29      CongoB1963 SierraLeone1963
# 30      CongoB1969     Rwanda1963
# 31      CongoB1979    Burundi1980
# 32      CongoB1992      Benin2011
# 33      CongoB1997     Rwanda1964
# 34      CongoK1965    Senegal1962
# 35      CongoK1997     Rwanda1965
# 36      CongoK2001     CongoB1985
# 37    Ethiopia1977   Botswana1994
# 38    Ethiopia1991     Uganda1965
# 39       Gabon1967   Tanzania1978
# 40       Gabon2009     Zambia1968
# 41      Gambia1994     Gambia2003
# 42       Ghana1972    Senegal1988
# 43       Ghana1981 BurkinaFaso2010
# 44       Ghana2001    Lesotho2007
# 45     GuineaB1980       Togo1975
# 46     GuineaB2005       Mali2007
# 47     GuineaC1984       Togo2000
# 48     GuineaC2010 Mozambique1990
# 49       Kenya1978     Gambia2002
# 50       Kenya2002 SierraLeone2011
# 51     Lesotho1986      Ghana1991
# 52     Lesotho1993    Senegal1993
# 53     Lesotho1998      Kenya2007
# 54     Liberia1971 Madagascar1968
# 55     Liberia1980   Botswana2003
# 56     Liberia1990    Liberia1985
# 57     Liberia1997    Burundi1995
# 58     Liberia2006      Benin2001
# 59  Madagascar1975 Madagascar1962
# 60  Madagascar1997    Nigeria1971
# 61  Madagascar2002    Lesotho1970
# 62  Madagascar2009     Uganda1963
# 63      Malawi1994     Angola1989
# 64      Malawi2004    Liberia1975
# 65        Mali1968    GuineaB1988
# 66        Mali1992 SouthAfrica1974
# 67        Mali2002 BurkinaFaso2005
# 68  Mauritania1980     Malawi1999
# 69  Mauritania1984   Mauritius1988
```

```
# 70   Mauritania2008    Ethiopia2000
# 71    Mauritius1982    Botswana1984
# 72    Mauritius1995  Mozambique1982
# 73    Mauritius2005       Mali1997
# 74   Mozambique1986 SierraLeone1977
# 75   Mozambique2005     Burundi1982
# 76      Namibia2005    Ethiopia1986
# 77        Niger1974  Mozambique1976
# 78        Niger1987  Madagascar1981
# 79        Niger1999 SouthAfrica2004
# 80        Niger2011 SierraLeone2002
# 81      Nigeria1966     Nigeria1989
# 82      Nigeria1979     Liberia2011
# 83      Nigeria1985     Namibia2009
# 84      Nigeria1993     Nigeria1970
# 85      Nigeria1999     Lesotho2002
# 86      Nigeria2010      CongoB2009
# 87       Rwanda1973      Zambia1980
# 88       Rwanda1994      CongoB2002
# 89      Senegal1981 CotedIvoire1978
# 90      Senegal2000     GuineaB1994
# 91  SierraLeone1968        Chad2006
# 92  SierraLeone1985  Mauritania1966
# 93  SierraLeone1992  Mauritania1992
# 94  SierraLeone1998         CAR1999
# 95  SierraLeone2007     GuineaB2009
# 96  SouthAfrica1958 SouthAfrica1970
# 97  SouthAfrica1966  Madagascar1982
# 98  SouthAfrica1978       Ghana1987
# 99  SouthAfrica1989     Nigeria2003
# 100 SouthAfrica1994 SouthAfrica1984
# 101 SouthAfrica1999      CongoB1986
# 102 SouthAfrica2009     Burundi2010
# 103       Sudan1989     Namibia1994
# 104   Swaziland1986 BurkinaFaso2002
# 105    Tanzania1985      CongoK1986
# 106    Tanzania1995     GuineaC2003
# 107    Tanzania2005      Uganda1996
# 108        Togo1963      Angola1991
# 109        Togo1967    Zimbabwe1984
# 110        Togo2005       Niger1961
# 111      Uganda1971    Tanzania2011
# 112      Uganda1986        Togo1993
# 113      Zambia1991     GuineaB1976
# 114      Zambia2002       Benin1982
# 115    Zimbabwe1979     Lesotho2003
insample_data[["pairmatch"]] <- ifelse(insample_data$cyear %in% matchnn_data$cyear, 1, 0)
```

```
descriptive1 <- insample_data %>%
```

```
  select(eyear, lcivtot, lpolity2, lgrowth, lntenure, coldwar, instacomponent, ichange3, proscorel)

stargazer(descriptive1, type = "text")
#
# =======================================================
# Statistic       N    Mean  St. Dev.   Min     Max
# ---------------------------------------------------
# eyear         1,126 0.129   0.335     0      1
# lcivtot       1,126 0.623   1.610     0      7
# lpolity2      1,126 -3.377  5.560    -10     10
# lgrowth       1,126 0.033   0.103   -1.158   0.540
# lntenure      1,126 2.168   0.714    0.000   3.738
# coldwar       1,126 0.413   0.493     0      1
# instacomponent 1,126 0.043   0.147    0.000   1.000
# ichange3      1,126 13.120  14.745  -10.900 128.900
# proscorel     1,126 0.102   0.131    0.001   0.913
# ---------------------------------------------------
instability <- sample_dat %>% select(cyear, secin, regin, adin, netin, procin, leadin)

descriptive2 <- insample_data %>%
  select(cyear, treat, ichange3, proscorel) %>%
  filter(treat == 1)
descriptive2 <- left_join(descriptive2, instability)

stargazer(descriptive2, type = "text")
#
# ============================================
# Statistic  N  Mean  St. Dev.   Min    Max
# ------------------------------------------
# treat     115 1.000  0.000      1     1
# ichange3  115 9.972  10.377  -10.900 66.500
# proscorel 115 0.265  0.209    0.011  0.913
# secin     115 0.730  0.446     0     1
# regin     115 0.400  0.492     0     1
# adin      115 0.409  0.494     0     1
# netin     115 0.426  0.497     0     1
# procin    115 1.130  0.755     0     2
# leadin    115 0.835  0.712     0     2
# ------------------------------------------
pl20 <- descriptive2 %>% filter(procin == 2 & leadin == 0)
pl21 <- descriptive2 %>% filter(procin == 2 & leadin == 1)
pl22 <- descriptive2 %>% filter(procin == 2 & leadin == 2)

pl10 <- descriptive2 %>% filter(procin == 1 & leadin == 0)
pl11 <- descriptive2 %>% filter(procin == 1 & leadin == 1)
pl12 <- descriptive2 %>% filter(procin == 1 & leadin == 2)

pl00 <- descriptive2 %>% filter(procin == 0 & leadin == 0)
pl01 <- descriptive2 %>% filter(procin == 0 & leadin == 1)
pl02 <- descriptive2 %>% filter(procin == 0 & leadin == 2)

library(stargazer)

pro_lead <-
  rbind(cbind(" ", "", "leadin = 0", "leadin = 1", "leadin = 2"),
```

```
	cbind("procin = 2", "N. Obs. =", nrow(pl20), nrow(pl21), nrow(pl22)),
	cbind(" ", "Mean ichange3 =", signif(mean(pl20$ichange3), digits = 4), signif(mean(pl21$ichange3), digits
= 4), signif(mean(pl22$ichange3), digits = 4)),
	cbind(" ", "Mean proscorel =", signif(mean(pl20$proscorel), digits = 2), signif(mean(pl21$proscorel), digi
ts = 2), signif(mean(pl22$proscorel), digits = 2)),
	cbind("procin = 1", "N. Obs. =", nrow(pl10), nrow(pl11), nrow(pl12)),
	cbind(" ", "Mean ichange3 =", signif(mean(pl10$ichange3), digits = 4), signif(mean(pl11$ichange3), digits
= 4), signif(mean(pl12$ichange3), digits = 4)),
	cbind(" ", "Mean proscorel =", signif(mean(pl10$proscorel), digits = 2), signif(mean(pl11$proscorel), digi
ts = 2), signif(mean(pl12$proscorel), digits = 2)),
	cbind("procin = 0", "N. Obs. =", nrow(pl00), nrow(pl01), nrow(pl02)),
	cbind(" ", "Mean ichange3 =", signif(mean(pl00$ichange3), digits = 4), signif(mean(pl01$ichange3), digits
= 4), signif(mean(pl02$ichange3), digits = 4)),
	cbind(" ", "Mean proscorel =", signif(mean(pl00$proscorel), digits = 2), signif(mean(pl01$proscorel), digi
ts = 2), signif(mean(pl02$proscorel), digits = 2)))


stargazer(pro_lead, type = "text", align = TRUE)
#
# ============================================================
#                          leadin = 0 leadin = 1 leadin = 2
# procin = 2    N. Obs. =        8         22        11
#          Mean ichange3 =    11.6      8.764     9.227
#          Mean proscorel =    0.22      0.27      0.41
# procin = 1    N. Obs. =        18        24        6
#          Mean ichange3 =    9.689      7.05      6.917
#          Mean proscorel =    0.28      0.27      0.33
# procin = 0    N. Obs. =        14        8         4
#          Mean ichange3 =    13.11      16.18      15.4
#          Mean proscorel =    0.13      0.21      0.3
# ------------------------------------------------------------
```

```
difmerge <- insample_data %>% select(cyear, pairmatch, proscorel)
match_dif_data <- left_join(sample_dat, difmerge, by = "cyear")

match_dif_data[["cyeartplus3"]] <- paste(match_dif_data$country, (as.numeric(match_dif_data$year)) + 3, sep
= "")

match_dif_data[["cyeartminus3"]] <- paste(match_dif_data$country, (as.numeric(match_dif_data$year)) - 3, s
ep = "")

cyearpairt3 <- match_dif_data %>% select(cyearpair = cyear, pmt3 = pairmatch, prettminus3 = pret)

match_dif_data <- left_join(match_dif_data, cyearpairt3, by = c("cyeartminus3" = "cyearpair"))


match_dif_data[["pairmatchdd"]] <- with(match_dif_data, ifelse(pairmatch == 1 | pmt3 == 1, 1, 0))

match_dif_data[["pairmatchdd"]][is.na(match_dif_data[["pairmatchdd"]])] <- 0
match_dif_data[["pairmatch"]][is.na(match_dif_data[["pairmatch"]])] <- 0
pairmatchsample <- match_dif_data %>% filter(pairmatchdd == 1) %>%
```

```
  select(cyear, cyeartminus3, pairmatch, pret, prettminus3, treat, treatdd, capstock, eyear, lcivtot, lpolity2, lgro
wth, lntenure, coldwar, instacomponentdd)

summary(pairmatchsample$treatdd)
#    Min. 1st Qu.  Median    Mean 3rd Qu.    Max.
#  0.0000  0.0000  0.0000  0.4793  1.0000  1.0000

pairmatchsample[["postt"]] <- with(pairmatchsample, (ifelse(prettminus3 == 1, 1, 0)))
pairmatchsample[["postt"]][is.na(pairmatchsample[["postt"]])] <- 0

pairmatchsample %>% select(cyear, pret, postt, pairmatch, treat, treatdd, cyeartminus3)

#
# Call:
# lm(formula = capstock ~ treatdd + postt + treatdd * postt, data = pairmatchsample)
#
# Residuals:
#     Min      1Q  Median      3Q     Max
# -158031 -106849  -92195  -47958 1903230
#
# Coefficients:
#              Estimate Std. Error t value Pr(>|t|)
# (Intercept)    159491      34313   4.648 4.39e-06 ***
# treatdd        -51278      43848  -1.169    0.243
# postt          -42397      40685  -1.042    0.298
# treatdd:postt   50106      55968   0.895    0.371
# ---
# Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
#
# Residual standard error: 285000 on 455 degrees of freedom
# Multiple R-squared:  0.003384,    Adjusted R-squared:  -0.003187
# F-statistic: 0.515 on 3 and 455 DF,  p-value: 0.6722
pairdif1 <- lm(capstock ~ treatdd + postt + treatdd*postt + eyear + lcivtot + lpolity2 + lgrowth + lntenure + co
ldwar, data = pairmatchsample)
summary(pairdif1)
#
# Call:
# lm(formula = capstock ~ treatdd + postt + treatdd * postt + eyear +
#     lcivtot + lpolity2 + lgrowth + lntenure + coldwar, data = pairmatchsample)
#
# Residuals:
#     Min      1Q  Median      3Q     Max
# -348022 -132326  -41980   14216 1811358
#
# Coefficients:
#              Estimate Std. Error t value Pr(>|t|)
# (Intercept)    127162      45165   2.816  0.00508 **
# treatdd        -19171      43196  -0.444  0.65739
# postt           27063      43626   0.620  0.53535
# eyear           83761      34486   2.429  0.01554 *
# lcivtot         30896       7298   4.233 2.79e-05 ***
# lpolity2        13749       2606   5.277 2.05e-07 ***
# lgrowth         50211     104452   0.481  0.63096
# lntenure        -9257      20246  -0.457  0.64773
# coldwar        -59579      31380  -1.899  0.05825 .
```

```
# treatdd:postt     1860      62774   0.030  0.97637
# ---
# Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
#
# Residual standard error: 271100 on 449 degrees of freedom
# Multiple R-squared:  0.1103,  Adjusted R-squared:  0.09244
# F-statistic: 6.183 on 9 and 449 DF,  p-value: 3.099e-08
pairdif2 <- lm(capstock ~ instacomponentdd + postt + instacomponentdd*postt + eyear + lcivtot + lpolity2 + l
growth + lntenure + coldwar, data = pairmatchsample)
summary(pairdif2)
#
# Call:
# lm(formula = capstock ~ instacomponentdd + postt + instacomponentdd *
#     postt + eyear + lcivtot + lpolity2 + lgrowth + lntenure +
#     coldwar, data = pairmatchsample)
#
# Residuals:
#     Min      1Q  Median      3Q     Max
# -368557 -134896  -44497   17356 1798699
#
# Coefficients:
#                        Estimate Std. Error t value Pr(>|t|)
# (Intercept)              138908      41832   3.321 0.000972 ***
# instacomponentdd         -60723      75727  -0.802 0.423054
# postt                     31067      37280   0.833 0.405090
# eyear                     82218      34323   2.395 0.017010 *
# lcivtot                   30433       7285   4.178 3.54e-05 ***
# lpolity2                  13833       2595   5.330 1.55e-07 ***
# lgrowth                   50900     104220   0.488 0.625513
# lntenure                 -13558      18766  -0.722 0.470382
# coldwar                  -58713      31268  -1.878 0.061066 .
# instacomponentdd:postt   -26755     109458  -0.244 0.807007
# ---
# Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
#
# Residual standard error: 270500 on 449 degrees of freedom
# Multiple R-squared:  0.114,   Adjusted R-squared:  0.0962
# F-statistic: 6.417 on 9 and 449 DF,  p-value: 1.362e-08

sampledifdata <- match_dif_data %>%
  select(sample, cyear, cyeartminus3, pairmatch, pret, prettminus3, treat, treatdd, capstock, eyear, lcivtot, lpoli
ty2, lgrowth, lntenure, coldwar, instacomponentdd) %>%
  filter(sample == 1)

sampledifdata[["postt"]] <- with(sampledifdata, (ifelse(prettminus3 == 1, 1, 0)))

sampledifdata[["postt"]][is.na(sampledifdata[["postt"]])] <- 0

summary(sampledifdata$postt)
#    Min. 1st Qu.  Median    Mean 3rd Qu.    Max.
#  0.0000  0.0000  1.0000  0.7325  1.0000  1.0000
sampledifnocontrols <- lm(capstock ~ treatdd + postt + treatdd*postt, data = sampledifdata)
summary(sampledifnocontrols)
#
# Call:
```

```
# lm(formula = capstock ~ treatdd + postt + treatdd * postt, data = sampledifdata)
#
# Residuals:
#    Min      1Q  Median      3Q     Max
# -112487  -73740  -52391   -9189 1939507
#
# Coefficients:
#             Estimate Std. Error t value Pr(>|t|)
# (Intercept)    86085      10916   7.886 5.88e-15 ***
# treatdd        22128      21197   1.044    0.297
# postt          -5267      12432  -0.424    0.672
# treatdd:postt  12976      28442   0.456    0.648
# ---
# Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
#
# Residual standard error: 189700 on 1535 degrees of freedom
#   (1 observation deleted due to missingness)
# Multiple R-squared:  0.003254,	Adjusted R-squared:  0.001306
# F-statistic:  1.67 on 3 and 1535 DF,  p-value: 0.1715
sampledif1 <- lm(capstock ~ treatdd + postt + treatdd*postt + eyear + lcivtot + lpolity2 + lgrowth + lntenure + coldwar, data = sampledifdata)
summary(sampledif1)
#
# Call:
# lm(formula = capstock ~ treatdd + postt + treatdd * postt + eyear +
#     lcivtot + lpolity2 + lgrowth + lntenure + coldwar, data = sampledifdata)
#
# Residuals:
#    Min      1Q  Median      3Q     Max
# -228422  -75230  -28836   16852 1891219
#
# Coefficients:
#             Estimate Std. Error t value Pr(>|t|)
# (Intercept)   60520.6    16897.4   3.582 0.000352 ***
# treatdd       -6451.7    21247.5  -0.304 0.761438
# postt           252.4    15266.0   0.017 0.986809
# eyear         58198.2    16293.3   3.572 0.000365 ***
# lcivtot       21689.1     2949.0   7.355 3.11e-13 ***
# lpolity2       6466.5      943.5   6.854 1.04e-11 ***
# lgrowth       33154.4    48129.0   0.689 0.491013
# lntenure      10021.3     9140.3   1.096 0.273082
# coldwar       -1376.5    11018.8  -0.125 0.900599
# treatdd:postt 34356.5    32235.4   1.066 0.286682
# ---
# Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
#
# Residual standard error: 182400 on 1528 degrees of freedom
#   (2 observations deleted due to missingness)
# Multiple R-squared:  0.08246, Adjusted R-squared:  0.07706
# F-statistic: 15.26 on 9 and 1528 DF,  p-value: < 2.2e-16
sampledif2 <- lm(capstock ~ instacomponentdd + postt + instacomponentdd*postt + eyear + lcivtot + lpolity2 + lgrowth + lntenure + coldwar, data = sampledifdata)
summary(sampledif2)
#
# Call:
```

```
# lm(formula = capstock ~ instacomponentdd + postt + instacomponentdd *
#     postt + eyear + lcivtot + lpolity2 + lgrowth + lntenure +
#     coldwar, data = sampledifdata)
#
# Residuals:
#     Min      1Q  Median      3Q     Max
# -234774  -75520  -28972   15985 1881189
#
# Coefficients:
#                          Estimate Std. Error t value Pr(>|t|)
# (Intercept)              70495.48   16337.25   4.315 1.70e-05 ***
# instacomponentdd        -36040.22   42020.18  -0.858 0.391199
# postt                     4960.57   14396.61   0.345 0.730469
# eyear                    59106.98   16226.31   3.643 0.000279 ***
# lcivtot                  21768.28    2945.39   7.391 2.40e-13 ***
# lpolity2                  6455.99     943.71   6.841 1.13e-11 ***
# lgrowth                  29392.03   48078.43   0.611 0.541069
# lntenure                  4646.11    8647.85   0.537 0.591169
# coldwar                     28.35   10987.16   0.003 0.997941
# instacomponentdd:postt  39591.62   62434.47   0.634 0.526090
# ---
# Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
#
# Residual standard error: 182500 on 1528 degrees of freedom
#   (2 observations deleted due to missingness)
# Multiple R-squared:  0.08193, Adjusted R-squared:  0.07653
# F-statistic: 15.15 on 9 and 1528 DF,  p-value: < 2.2e-16
```

Appendix D.

Model tables

D.1

Linear regression models, unmatched data

	Dependent variable:									
	ichange3									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
treat	-3.876***						-0.644	-4.013**	-4.442**	-2.994
	(1.500)						(2.665)	(1.838)	(1.851)	(1.869)
instacomponent		-5.579*								
		(3.063)								
procin			-2.749**		-2.379					
			(1.085)		(1.464)					
leadin				-2.648**	-0.679					
				(1.340)	(1.806)					
secin						-5.462**	-4.488			
						(2.427)	(3.059)			
regin						2.278		0.357		
						(3.040)		(2.772)		
adin						1.008			1.428	
						(2.562)			(2.738)	
netin						-2.455				-2.179
						(2.833)				(2.750)
eyear	0.861	0.556	0.720	0.604	0.786	0.704	0.826	0.850	0.801	0.904
	(1.435)	(1.433)	(1.424)	(1.432)	(1.436)	(1.436)	(1.435)	(1.438)	(1.440)	(1.437)
lcivtot	0.538**	0.499*	0.540**	0.501*	0.537**	0.596**	0.581**	0.540**	0.542**	0.534*
	(0.273)	(0.272)	(0.273)	(0.272)	(0.273)	(0.275)	(0.274)	(0.273)	(0.273)	(0.273)
lpolity2	0.140	0.137	0.132	0.132	0.132	0.136	0.136	0.140	0.140	0.137
	(0.088)	(0.088)	(0.088)	(0.088)	(0.088)	(0.088)	(0.088)	(0.088)	(0.088)	(0.088)
lgrowth	27.986***	28.429***	27.547***	27.908***	27.460***	27.603***	27.647***	28.045***	28.027***	27.601***
	(4.207)	(4.206)	(4.228)	(4.230)	(4.236)	(4.245)	(4.211)	(4.234)	(4.209)	(4.235)
lntenure	-0.438	-0.333	-0.489	-0.409	-0.503	-0.580	-0.537	-0.432	-0.436	-0.498
	(0.653)	(0.651)	(0.656)	(0.655)	(0.658)	(0.659)	(0.656)	(0.654)	(0.653)	(0.657)
coldwar	1.413	1.454	1.516	1.543	1.527	1.414	1.416	1.402	1.402	1.477
	(1.015)	(1.016)	(1.015)	(1.016)	(1.016)	(1.020)	(1.015)	(1.019)	(1.016)	(1.018)

Constant	12.995***	12.633***	12.989***	12.741***	13.028***	13.271***	13.192***	12.988***	13.000***	13.107***
	(1.467)	(1.457)	(1.468)	(1.463)	(1.472)	(1.478)	(1.472)	(1.469)	(1.467)	(1.474)
Observations	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126
R^2	0.058	0.055	0.058	0.055	0.058	0.060	0.060	0.058	0.058	0.058
Adjusted R^2	0.052	0.049	0.052	0.049	0.051	0.052	0.053	0.051	0.051	0.052
F Statistic	9.785*** (df = 7; 1118)	9.278*** (df = 7; 1118)	9.745*** (df = 7; 1118)	9.367*** (df = 7; 1118)	8.538*** (df = 8; 1117)	7.175*** (df = 10; 1115)	8.840*** (df = 8; 1117)	8.556*** (df = 8; 1117)	8.590*** (df = 8; 1117)	8.637*** (df = 8; 1117)
Note:	*p<0.1; **p<0.05; ***p<0.01									

D.2

Linear regression models, matched data

	Dependent variable:									
	ichange3									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
treat	-2.293						0.155	-2.091	-2.746	-1.050
	(1.510)						(2.357)	(1.760)	(1.760)	(1.779)
instacomponent		-2.442								
		(2.859)								
procin			-1.740*		-1.402					
			(0.992)		(1.227)					
leadin				-1.664	-0.684					
				(1.184)	(1.461)					
secin						-3.093	-3.390			
						(2.100)	(2.509)			
regin						1.232		-0.510		
						(2.463)		(2.266)		
adin						1.191			1.102	
						(2.061)			(2.193)	
netin						-2.806				-2.955
						(2.282)				(2.249)
eyear	0.484	0.575	0.616	0.717	0.663	0.494	0.573	0.505	0.391	0.574
	(1.931)	(1.937)	(1.926)	(1.933)	(1.932)	(1.933)	(1.928)	(1.937)	(1.943)	(1.929)
lcivtot	-0.742*	-0.782*	-0.709	-0.775*	-0.723*	-0.619	-0.621	-0.749*	-0.733*	-0.759*
	(0.430)	(0.432)	(0.430)	(0.430)	(0.432)	(0.442)	(0.439)	(0.432)	(0.431)	(0.430)
lpolity2	0.311**	0.313**	0.297**	0.303**	0.296*	0.304**	0.304**	0.308**	0.313**	0.300**
	(0.151)	(0.151)	(0.151)	(0.151)	(0.151)	(0.151)	(0.150)	(0.152)	(0.151)	(0.150)
lgrowth	13.312***	13.359***	12.325**	12.486**	12.169**	12.071**	12.654**	13.120**	13.399***	12.053**
	(5.089)	(5.107)	(5.113)	(5.129)	(5.133)	(5.171)	(5.103)	(5.170)	(5.100)	(5.170)
lntenure	-0.187	-0.158	-0.380	-0.330	-0.406	-0.569	-0.408	-0.211	-0.181	-0.443
	(0.907)	(0.911)	(0.914)	(0.916)	(0.918)	(0.925)	(0.920)	(0.916)	(0.909)	(0.927)
coldwar	-0.607	-0.657	-0.422	-0.431	-0.356	-0.549	-0.673	-0.537	-0.637	-0.279
	(1.915)	(1.923)	(1.919)	(1.927)	(1.927)	(1.952)	(1.912)	(1.945)	(1.919)	(1.928)
Constant	13.667***	13.006***	13.679***	13.324***	13.785***	14.325***	13.976***	13.675***	13.704***	13.966***
	(2.140)	(2.089)	(2.105)	(2.084)	(2.121)	(2.147)	(2.148)	(2.145)	(2.145)	(2.149)

Observations	230	230	230	230	230	230	230	230	230	230
R^2	0.093	0.087	0.096	0.092	0.097	0.108	0.100	0.093	0.094	0.100
Adjusted R^2	0.064	0.058	0.068	0.063	0.064	0.067	0.068	0.060	0.061	0.067
F Statistic	3.253*** (df = 7; 222)	3.007*** (df = 7; 222)	3.373*** (df = 7; 222)	3.202*** (df = 7; 222)	2.969*** (df = 8; 221)	2.644*** (df = 10; 219)	3.086*** (df = 8; 221)	2.841*** (df = 8; 221)	2.869*** (df = 8; 221)	3.072*** (df = 8; 221)

Note: *p<0.1; **p<0.05; ***p<0.01

D.3

Linear regression models, unmatched data, clustered standard errors

	Dependent variable:									
	ichange3									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
treat	-2.438**						-0.172	-2.330	-3.362**	-2.237
	(1.192)						(2.067)	(1.479)	(1.651)	(1.428)
instacomponent		-2.472								
		(2.131)								
procin			-1.862**		-2.272**					
			(0.755)		(0.897)					
leadin				-1.112	0.747					
				(0.739)	(0.818)					
secin						-4.056**	-3.194			
						(1.695)	(2.220)			
regin						0.448		-0.279		
						(2.093)		(1.822)		
adin						1.895			2.273	
						(1.583)			(1.971)	
netin						-0.565				-0.503
						(1.541)				(1.541)
eyear	1.401	1.135	1.377	1.150	1.312	1.226	1.373	1.412	1.309	1.412
	(0.936)	(0.915)	(0.934)	(0.918)	(0.923)	(0.895)	(0.926)	(0.928)	(0.910)	(0.944)
lcivtot	-0.173	-0.212	-0.182	-0.217	-0.182	-0.141	-0.142	-0.176	-0.175	-0.176
	(1.227)	(1.223)	(1.226)	(1.220)	(1.228)	(1.241)	(1.231)	(1.229)	(1.230)	(1.230)
lpolity2	-0.189	-0.200	-0.186	-0.198	-0.185	-0.185	-0.185	-0.189	-0.188	-0.189
	(0.271)	(0.272)	(0.270)	(0.272)	(0.270)	(0.270)	(0.270)	(0.271)	(0.270)	(0.271)
lgrowth	15.842***	16.171***	15.464***	15.959***	15.543***	15.616***	15.597***	15.794***	15.896***	15.754***
	(3.094)	(3.091)	(3.008)	(3.046)	(2.997)	(3.158)	(3.033)	(3.104)	(3.122)	(3.037)
lntenure	-1.618	-1.556	-1.657	-1.585	-1.640	-1.687	-1.676	-1.621	-1.614	-1.632
	(1.473)	(1.481)	(1.477)	(1.485)	(1.478)	(1.493)	(1.480)	(1.475)	(1.473)	(1.487)
Observations	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126
R^2	0.386	0.385	0.386	0.385	0.386	0.387	0.387	0.386	0.387	0.386
Adjusted R^2	0.327	0.325	0.327	0.325	0.327	0.326	0.327	0.326	0.327	0.326
Note:	All models include country and year fixed effects with errors clustered at the country level. * p<0.1; ** p<0.05; *** p<0.01									

D.4

Difference-in-difference models

	Dependent variable:					
	capstock					
	(1)	(2)	(3)	(4)	(5)	(6)
treatdd	-51,278.420	-19,171.050		22,127.700	-6,451.739	
	(43,848.270)	(43,195.910)		(21,197.240)	(21,247.510)	
instacomponentdd			-60,723.210			-36,040.220
			(75,727.280)			(42,020.180)
postt	-42,397.190	27,063.060	31,067.070	-5,267.415	252.444	4,960.570
	(40,684.610)	(43,625.770)	(37,279.700)	(12,431.790)	(15,266.050)	(14,396.610)
eyear		83,760.970**	82,218.100**		58,198.200***	59,106.980***
		(34,486.170)	(34,322.890)		(16,293.270)	(16,226.310)
lcivtot		30,895.580***	30,432.520***		21,689.070***	21,768.280***
		(7,298.218)	(7,284.811)		(2,949.036)	(2,945.394)
lpolity2		13,748.910***	13,833.290***		6,466.497***	6,455.986***
		(2,605.671)	(2,595.133)		(943.531)	(943.706)
lgrowth		50,210.990	50,899.800		33,154.370	29,392.030
		(104,451.600)	(104,219.700)		(48,128.970)	(48,078.430)
lntenure		-9,257.040	-13,557.710		10,021.290	4,646.115
		(20,246.330)	(18,765.780)		(9,140.291)	(8,647.849)
coldwar		-59,578.910*	-58,713.330*		-1,376.530	28.354
		(31,379.780)	(31,268.300)		(11,018.750)	(10,987.160)
treatdd:postt	50,106.010	1,860.401		12,976.240	34,356.510	
	(55,968.010)	(62,773.680)		(28,441.510)	(32,235.390)	
instacomponentdd:postt			-26,755.190			39,591.620
			(109,457.800)			(62,434.470)
Constant	159,491.200***	127,162.100***	138,907.900***	86,085.090***	60,520.620***	70,495.480***
	(34,312.760)	(45,164.880)	(41,832.220)	(10,916.200)	(16,897.440)	(16,337.250)
Observations	459	459	459	1,539	1,538	1,538
R^2	0.003	0.110	0.114	0.003	0.082	0.082
Adjusted R^2	-0.003	0.092	0.096	0.001	0.077	0.077
F Statistic	0.515 (df = 3; 455)	6.183*** (df = 9; 449)	6.417*** (df = 9; 449)	1.670 (df = 3; 1535)	15.259*** (df = 9; 1528)	15.152*** (df = 9; 1528)
Note:	*p<0.1; **p<0.05; ***p<0.01					

Appendix E.

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E.1.

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