

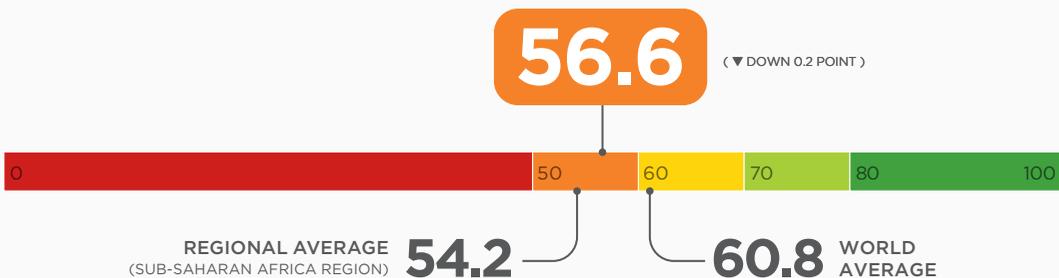
# MADAGASCAR

WORLD RANK: **114** | REGIONAL RANK: **15**  
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Madagascar's economic freedom score is 56.6, making its economy the 114th freest in the 2019 *Index*. Its overall score has decreased by 0.2 point, with declines in scores for **trade freedom** and **government integrity** exceeding improvements in **judicial effectiveness**, **fiscal health**, and **labor freedom**. Madagascar is ranked 15th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Madagascar is endowed with bountiful untapped natural resources and a mostly market economy, but it has not developed a capital market. The combination of a weak judicial system, convoluted administrative procedures, poor enforcement of contracts, and rampant government corruption impairs the business environment. The judicial system is underdeveloped. Improved financial governance would help the enforcement of laws against money laundering and strengthen supervision of the banking sector.

## ECONOMIC FREEDOM SCORE

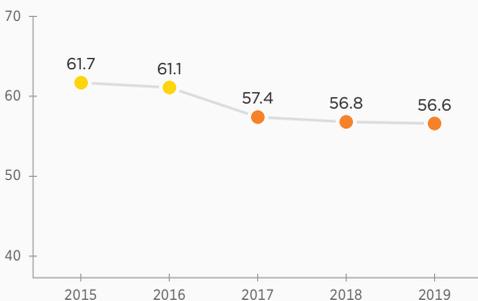


**RELATIVE STRENGTHS:**  
 Government Spending and Tax Burden

**HISTORICAL INDEX SCORE CHANGE (SINCE 1995):**  
 +5.0

**CONCERNS:**  
 Government Integrity and Judicial Effectiveness

## FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
 25.6 million

**GDP (PPP):**  
 \$39.7 billion  
 4.1% growth in 2017  
 5-year compound annual growth 3.4%  
 \$1,551 per capita

**UNEMPLOYMENT:**  
 1.8%

**INFLATION (CPI):**  
 8.1%

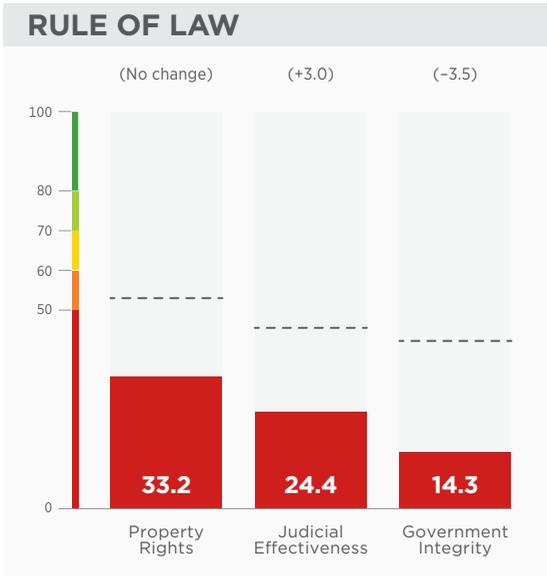
**FDI INFLOW:**  
 \$389.1 million

**PUBLIC DEBT:**  
 37.3% of GDP

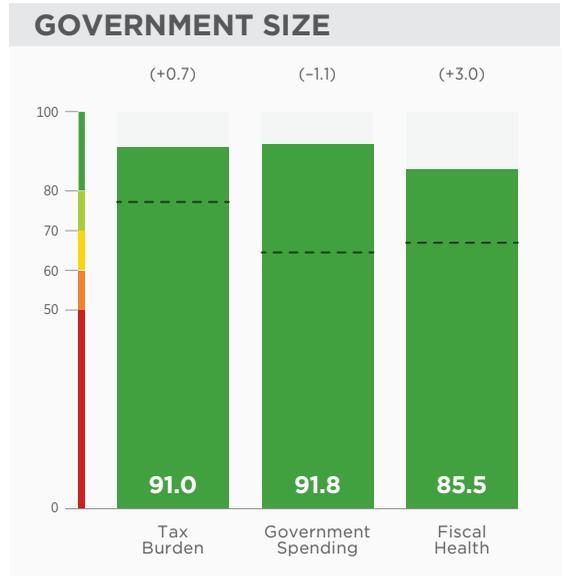
2017 data unless otherwise noted. Data compiled as of September 2018

**BACKGROUND:** Madagascar, a former French colony, has been rocked by military coups, political violence, and corruption for decades. After years of instability, Hery Rajaonarimampianina was elected president in 2014, and international donor assistance resumed. In 2018, protests against proposed changes in the election law forced Prime Minister Olivier Mahafaly Solonandrasana to resign. Former President Andry Rajoelina, who had overthrown former President Marc Ravalomanana in a 2009 coup, competed with him to succeed Rajaonarimampianina in a December 2018 runoff. Agriculture, forestry, and fishing are economic mainstays, but southern Madagascar is still recovering from sustained drought that brought about widespread hunger in 2016. Interruptions in the power supply caused by deficient infrastructure and natural disasters like cyclones are frequent.

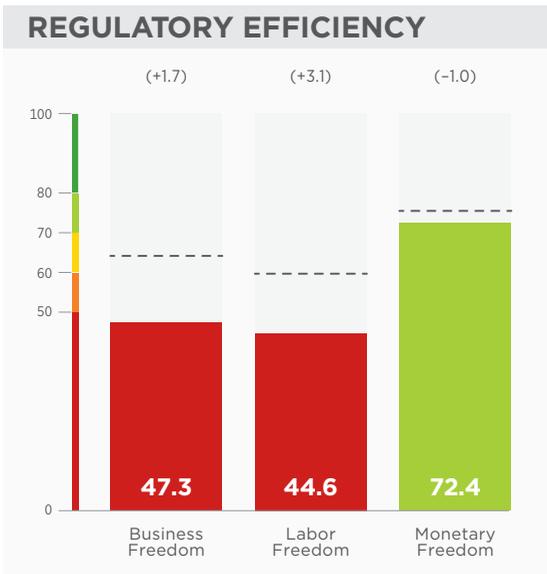
# 12 ECONOMIC FREEDOMS | MADAGASCAR



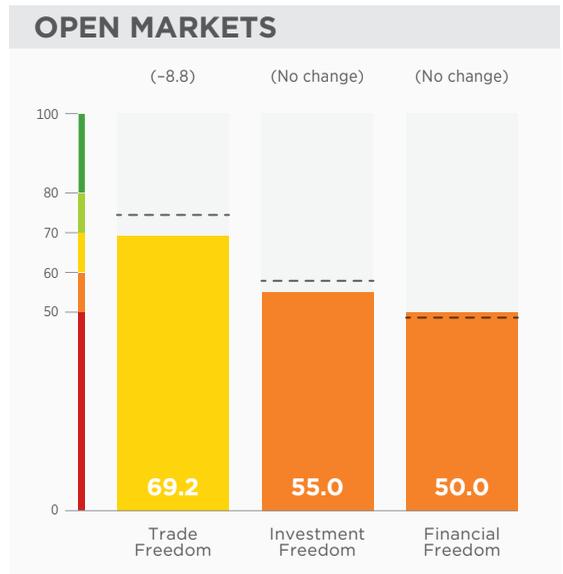
Madagascar has continued French colonial land tenure policies, with presumed state ownership of all land and central government control of all land titles. The judiciary is subject to executive influence. It is also corrupt, slow-moving, and inefficient. High levels of corruption exist in nearly all sectors, including the police, tax, customs, land, trade, mining, industry, environment, education, and health care.



The top individual income and corporate tax rates are 20 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 10.1 percent of total domestic income. Over the past three years, government spending has amounted to 16.6 percent of the country's output (GDP), and budget deficits have averaged 2.7 percent of GDP. Public debt is equivalent to 37.3 percent of GDP.



The overall climate for entrepreneurial activity is held back by a lack of political will for reform. Procedures for setting up a business have been simplified, but other regulatory requirements are generally costly. Labor regulations are outmoded, restrictive, and not conducive to development of a dynamic labor market. Despite some reforms, subsidies to the state-owned Jirama public power utility continue to drain public finances.



The combined value of exports and imports is equal to 74.5 percent of GDP. The average applied tariff rate is 7.9 percent. As of June 30, 2018, according to the WTO, Madagascar had 11 nontariff measures in force. Judicial and regulatory barriers deter foreign investment. State-owned enterprises distort the economy. About 18 percent of adult Malagasies have access to an account with a formal banking institution.