Madagascar’s economic freedom score is 60.5, making its economy the 99th freest in the 2020 Index. Its overall score has increased by 3.9 points because of higher scores for judicial effectiveness and property rights. Madagascar is ranked 8th among 47 countries in the Sub-Saharan Africa region, and its overall score is well above the regional average and approximately equal to the world average.

This year marks the return of Madagascar’s economy to the ranks of the moderately free after three years as mostly unfree. GDP growth has been on the upswing as well.

The government aims to maintain economic growth through a structural reform agenda that is intended to enhance investment capacity and reduce the fiscal risks of its state-owned electricity and water utilities. To achieve those goals, the government will need to strengthen the rule of law, make the labor market more flexible, and maintain political stability to boost investor confidence.

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**BACKGROUND**: Madagascar, a former French colony, has been rocked by military coups, political violence, and corruption for decades. In 2014, after years of instability, Hery Rajaonarimampianina was elected president, and international donor assistance was resumed. In 2018, protests against proposed changes in the election law forced the prime minister to resign. Andry Rajoelina, a former president installed by a coup, reclaimed the presidency in a December 2018 runoff election. His ruling coalition gained a working majority in May 2019 legislative elections. Madagascar produces 80 percent of the world’s natural vanilla. Agriculture, forestry, and fishing are economic mainstays. Interruptions in the power supply caused by deficient infrastructure and natural disasters like cyclones are frequent.

**POPULATION**: 26.3 million

**GDP (PPP)**:
- $42.9 billion
- 5.2% growth in 2018
- 5-year compound annual growth 4.0%
- $1,630 per capita

**UNEMPLOYMENT**: 1.7%

**INFLATION (CPI)**: 7.3%

**FDI INFLOW**: $349.1 million

**PUBLIC DEBT**: 39.7% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019
French colonial land tenure policies are still in effect, with presumed state ownership of all land and central government control of all land titles. The judiciary is subject to executive influence and suffers from corruption, slowness, and inefficiency. High levels of corruption exist in nearly all sectors, especially in the police and in the tax, customs, land, trade, mining, industry, environment, education, and health care administrations.

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 11.5 percent of total domestic income. Government spending has amounted to 16.8 percent of the country’s output (GDP) over the past three years, and budget deficits have averaged 2.0 percent of GDP. Public debt is equivalent to 39.7 percent of GDP.

Poor regulatory governance has a negative effect on the business climate, although construction permitting and credit access have been improved. A new system that randomly assigns judges to cases and allows them to manage cases electronically has improved the enforcement of contracts. Agriculture, fishing, and forestry employ roughly 80 percent of the population. The government plans to reduce spending on fuel and electricity subsidies.

The total value of exports and imports of goods and services equals 74.7 percent of GDP. The average applied tariff rate is 5.7 percent, and 11 nontariff measures are in force. The investment regime’s inefficiency and lack of transparency undermine prospects for dynamic growth in new investment. The relatively high cost of financing is a barrier to entrepreneurial growth in the private sector, particularly for small and medium-size firms.