WORLD RANK: **112** | REGIONAL RANK: **17**

ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

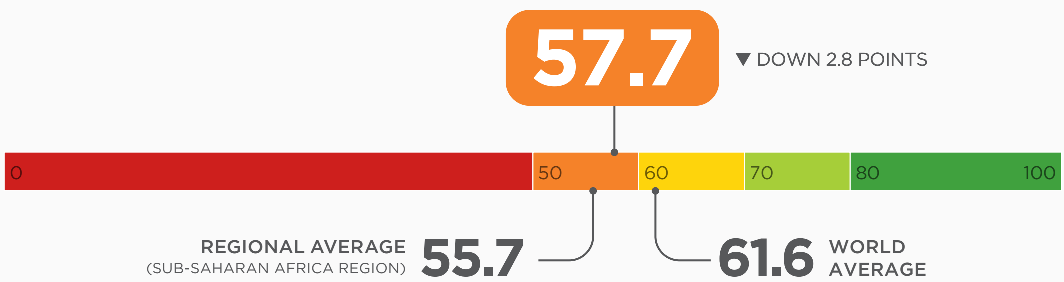
MADAGASCAR

Madagascar's economic freedom score is 57.7, making its economy the 112th freest in the 2021 *Index*. Its overall score has decreased by 2.8 points, primarily because of a decline in **judicial effectiveness**. Madagascar is ranked 17th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

This year, Madagascar's economy sank back into the ranks of the mostly unfree, which is not encouraging for a country that is among the poorest in the world. To achieve greater economic freedom, the government would have to reduce the fiscal risks of its state-owned electricity and water utilities, strengthen the rule of law, make the labor market more flexible, and establish political stability.

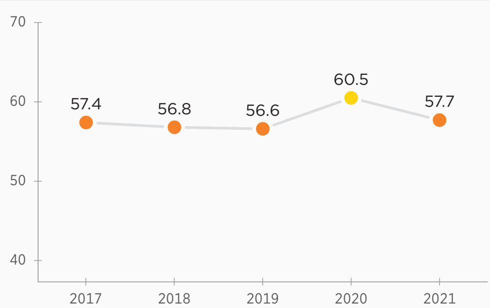
IMPACT OF COVID-19: As of December 1, 2020, 251 deaths had been attributed to the pandemic in Madagascar, and the economy was forecast to contract by 3.2 percent for the year.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +6.1

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
27.0 million

GDP (PPP):
$52.9 billion
4.8% growth in 2019
5-year compound annual growth 4.1%
$1,714 per capita

UNEMPLOYMENT:
1.8%

INFLATION (CPI):
5.6%

FDI INFLOW:
$227.3 million

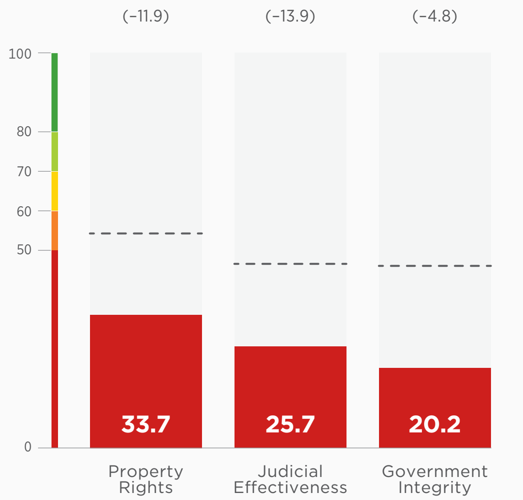
PUBLIC DEBT:
38.4% of GDP

2019 data unless otherwise noted. Data compiled as of September 2020

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, and his ruling coalition gained a 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.

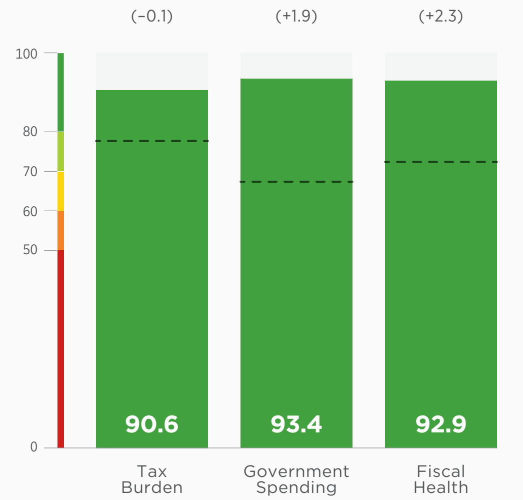
12 ECONOMIC FREEDOMS | MADAGASCAR

RULE OF LAW



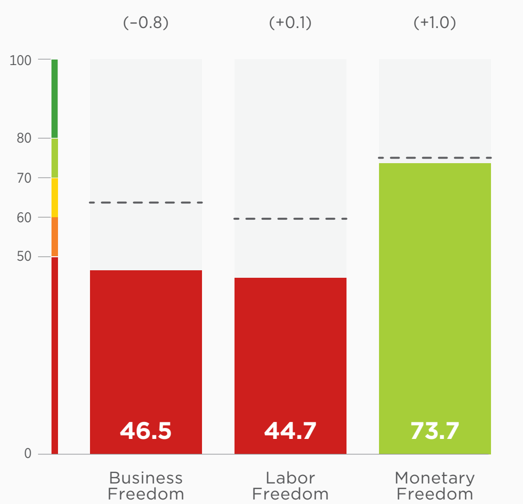
Madagascar has continued French colonial land tenure policies with presumed state ownership of all land and central government control of all land titles. The judiciary is subject to executive influence and corrupt, slow, and inefficient. High levels of corruption exist in nearly all sectors including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

GOVERNMENT SIZE



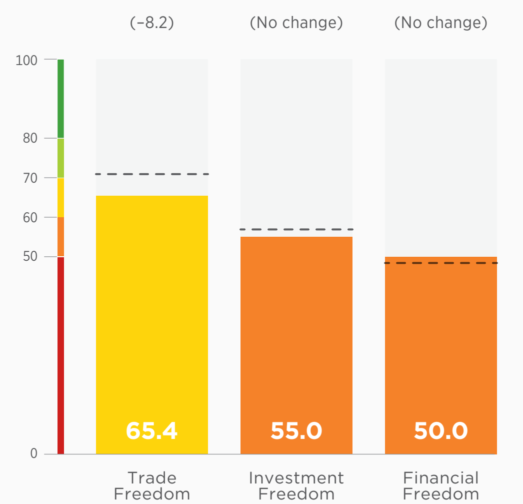
The top individual income and corporate tax rates are 20 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 11.9 percent of total domestic income. Government spending has amounted to 14.8 percent of total output (GDP) over the past three years, and budget deficits have averaged 1.6 percent of GDP. Public debt is equivalent to 38.4 percent of GDP.

REGULATORY EFFICIENCY



Business freedom remains significantly repressed. Construction permitting has become more complex and expensive. Few reliable labor statistics are available. The worst forms of child labor persist, and many workers experience very poor working conditions. According to the IMF, no fuel subsidies have been paid by the government since implementation of the revised fuel price structure in June 2019.

OPEN MARKETS



Madagascar has one preferential trade agreement in force. The trade-weighted average tariff rate is 9.8 percent, and 14 nontariff measures are in effect. Judicial and regulatory barriers deter foreign investment. State-owned enterprises distort the economy. Less than 20 percent of adult Malagasies have access to an account with a formal banking institution. In 2020, mandatory deposit limits were eased to encourage banks to defer delayed loan payments.