

MADAGASCAR

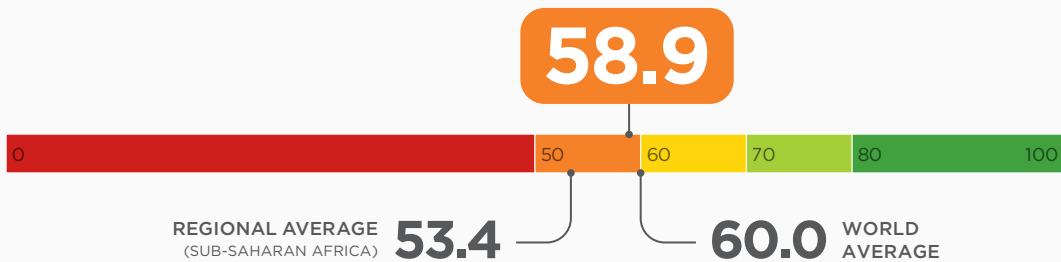
WORLD RANK: **98** REGIONAL RANK: **12**
ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

Madagascar's economic freedom score is 58.9, making its economy the 98th freest in the 2022 *Index*. Madagascar is ranked 12th among 47 countries in the Sub-Saharan Africa region, and its overall score is above the regional average but below the world average.

Madagascar registered sporadic economic growth from 2017 through 2019 and then suffered a contraction in 2020. Growth resumed in 2021. During those five years, economic freedom scores were generally on the low side but somewhat erratic. With score increases in **property rights** and **judicial effectiveness** outpacing a decline in **business freedom**, Madagascar has recorded a 1.5-point overall gain of economic freedom since 2017 and remains in the upper half of the "Mostly Unfree" category. Fiscal health is greatly improved, but **trade freedom** has deteriorated, and **government integrity** is abysmal.

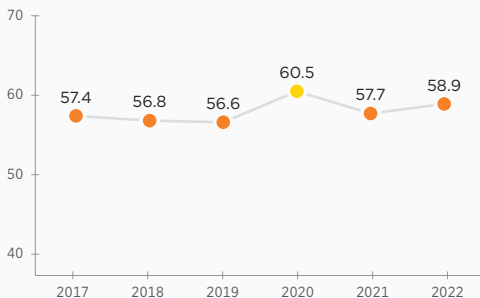
IMPACT OF COVID-19: As of December 1, 2021, 967 deaths had been attributed to the pandemic in Madagascar, and the government's response to the crisis ranked 148th among the countries included in this *Index* in terms of its stringency. The economy contracted by 4.2 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): +7.3

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
27.7 million

GDP (PPP):
\$44.1 billion
-4.2% growth
in 2020
5-year compound
annual growth 2.3%
\$1,599 per capita

UNEMPLOYMENT:
1.9%

INFLATION (CPI):
4.2%

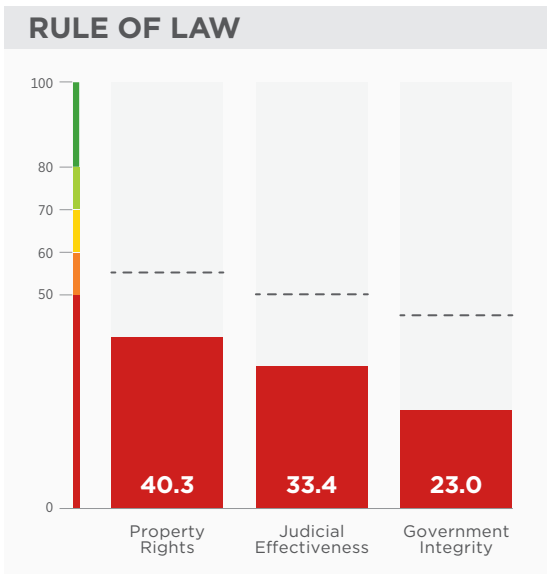
FDI INFLOW:
\$359.0 million

PUBLIC DEBT:
43.6% of GDP

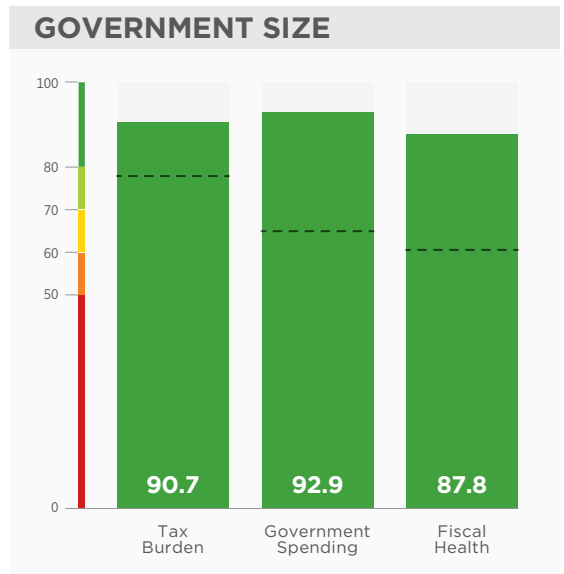
2020 data unless otherwise noted. Data compiled as of September 2021

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 majority in the lower house in 2019 and a majority in the upper house in 2020. 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 such as cyclones are frequent.

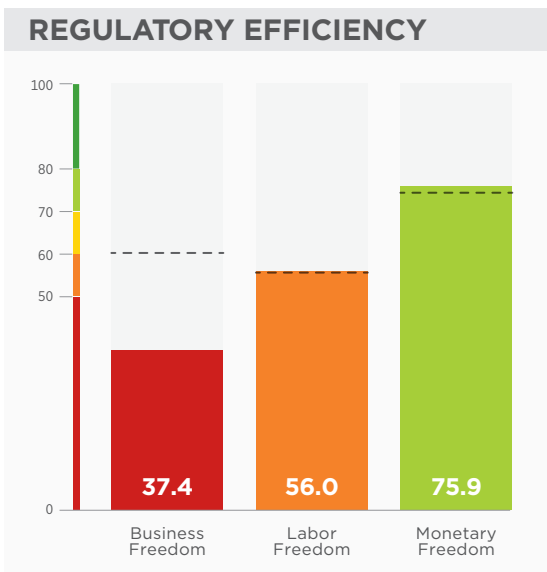
12 ECONOMIC FREEDOMS | MADAGASCAR



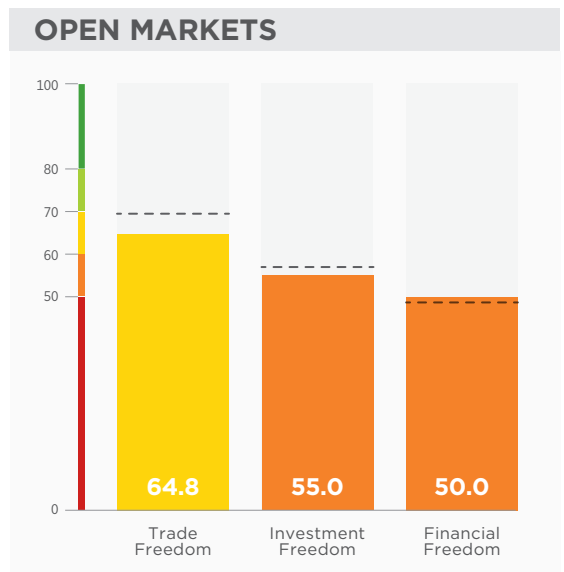
Property rights and interests are poorly respected because of corruption and the lack of material and technological resources. The registration system is cumbersome, complicated, and unreliable. The slow and inefficient judiciary lacks independence in practice and is perceived as corrupt. There is pervasive corruption in the police, tax authorities, customs, land administration, and many commercial sectors. Anticorruption efforts are weak.



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 11.4 percent of total domestic income. Government spending has amounted to 15.4 percent of total output (GDP) over the past three years, and budget deficits have averaged 2.3 percent of GDP. Public debt is equivalent to 43.6 percent of GDP.



The 2019 Plan Emergence de Madagascar aspires to revive business activity, but it lacks policy focus and transparency. Enforcement of contracts is lax. Labor laws, including those regulating child labor, are poorly upheld. The state funds subsidies in such key sectors as aviation, public utilities (water and electricity), ports, hotels, insurance, finance, mining, maintenance, and ship construction.



Madagascar has one preferential trade agreement in force. The trade-weighted average tariff rate is 10.1 percent, and 17 nontariff measures are in effect. The investment regime's inefficiency and lack of transparency curtail 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.