IOA ACBR 2019

AFRICA COUNTRY BENCHMARK REPORT

Madagascar Profile

The giant island's ecosystem is one of the world's most unique, offering great tourism potential on an island otherwise known for vanilla production and political instability.

Image courtesy of Olivier Lejade

MADAGASCAR

#30 MADAGASCAR

OVERVIEW ANALYSIS

Madagascar is favoured by unique flora and fauna. Despite this, the island country failed to raise the standard of living for their largely impoverished population because of a paucity of commercially exploitable natural resources. Climate change is harming the nation perhaps more than any country on earth as tropical cyclones grow in strength and frequency, floods worsen and droughts exacerbate the food insecurity situation. Madagascar's unsettled political life means solutions to a myriad of problems are postponed as politicians prioritise power struggles. The back and forth presidencies of Marc Ravalomanana and Andry Rajoelina now finds Rajoelina president since election results in early 2019. Madagascar's troubles accounted for the descent of the overall country placement by five positions, to 30th.

KEY OPPORTUNITIES

- Governance stability may have been re-established with the conclusion of the national elections
- Madagascar has the essentials for a thriving tourism sector
- Expansion is possible in the mining and fishing industries

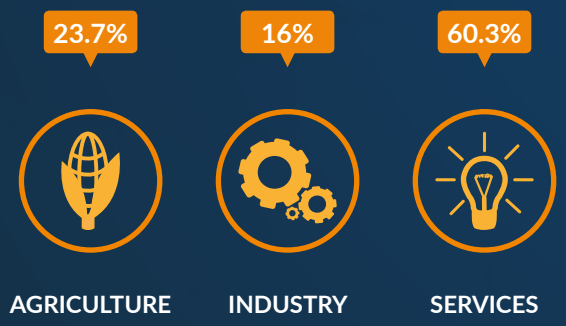
KEY CONCERNS

- Man-made deforestation and environmental degradation are serious problems
- Climate change has wrought a medley of weather calamities on the country
- National transportation and energy infrastructures are substandard

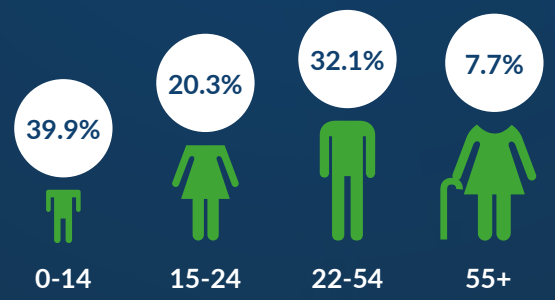
COUNTRY HIGHLIGHTS

PREDOMINANT RELIGION	PREDOMINANT LANGUAGE	POPULATION WITHOUT ELECTRICITY	LITERACY RATE	PRIMARY ELECTRICITY SOURCE
Christianity	French	77.1% (#43) ▲ 1	64.7% (#32) —	Hydroelectric

IMPORT/ EXPORT	EXTERNAL DEBT	ACTIVE CONFLICT	LAND SIZE	INTERNET PENETRATION
Petroleum/ Vanilla	US$ 2.725 billion (#3) ▼ 2	No	587,041 km² (#21)	4.7% (#48) ▼ 1



CONTRIBUTIONS TO GDP BY SECTOR



POPULATION AGE BREAKDOWN

Term:
19/01/2019 - present
5 years (2 term limit)

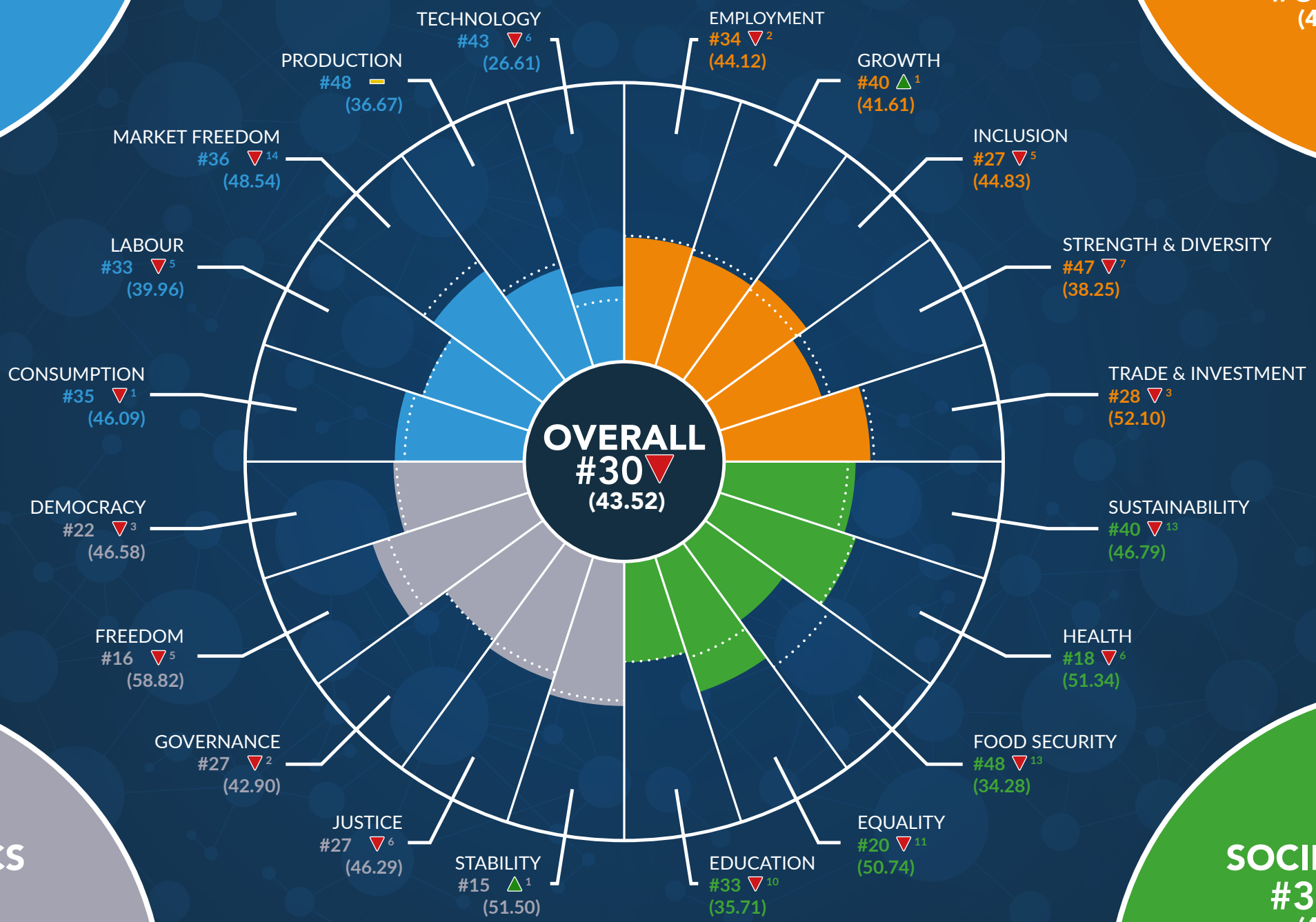
Political Party:
Young Malagasies Determined

Recent Electoral Information:
19/12/2018
2 587 035 Votes
55.66%
Voter turnout: 48.1%

President
Andry Rajoelina

NATIONAL GOVERNANCE

MADAGASCAR PERFORMANCE OVERVIEW



MADAGASCAR BUSINESS ANALYSIS

BUSINESS OVERVIEW

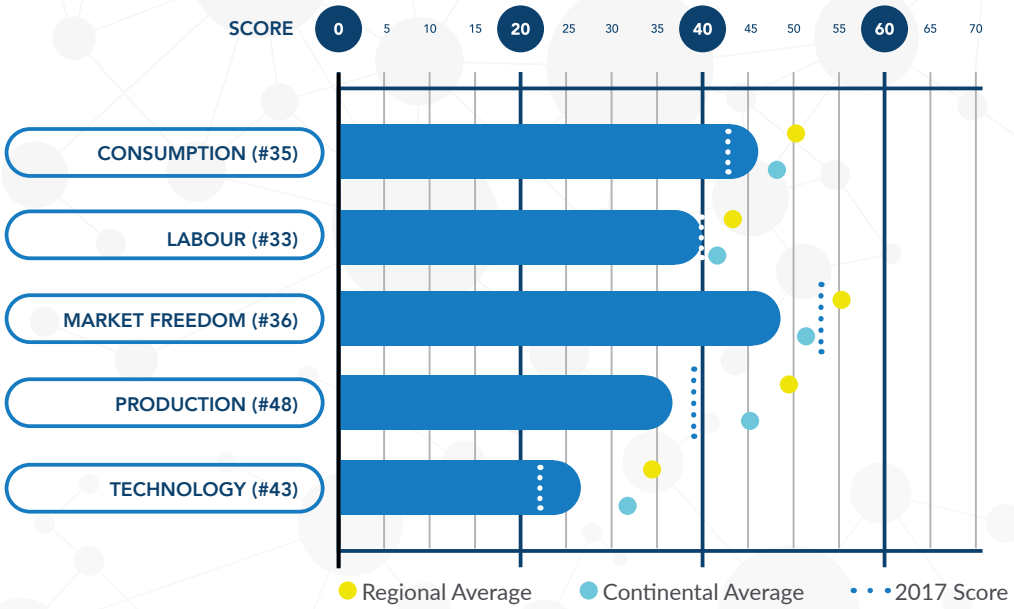
Madagascar's main export revenue earner, vanilla, has received a resurgence of interest from around the world as the demand for authentic vanilla has grown, providing a unique business opportunity. Vanilla pods are difficult to grow, and because Madagascar's climate is favourable to vanilla cultivation, the country provides 80% of the world's vanilla supply. However, theft of vanilla trees and climate change have devastated many farmers' crops.

Difficulties of doing business on the island include often dilapidated road infrastructures, regulatory problems, red tape, difficulty of obtaining credit and the long distance from the African mainland. Despite the need for self-sufficiency, Madagascar is dependent on imports.

Agriculture, including fishing and forestry, is the foundation of the economy. Fishing harvests can be increased through sustainable use of existing fisheries, and canning plants can be set up to maximise profits. Of the Malagasy workforce, eight out of 10 people labour in agriculture, which is responsible for a quarter of GDP. A sizeable majority (71%) of the island is used as grazing land. Wool has created a cottage industry of local fabrics and clothing. The colourful and unique woollen products that are exported can be further marketed so that this industry can expand.

Given the limited economic opportunities in the island and the difficulty of doing business in the country, Madagascar experienced a five-rank decline in the Business quadrant, dropping to 42nd place.

BUSINESS SCORES & RANKINGS



BUSINESS DATA COMMENTARY

Madagascar data availability

93.41%

REGIONAL AVERAGE	AFRICAN AVERAGE	CONTINENTAL RANK
87.41%	77.78%	#22

The lowest of all quadrants, Madagascar currently scores 93.41% for business data availability, thus ranking 22nd continentally. Despite being the lowest, this still exceeds both the regional average for Southern Africa, currently at 87.41%, as well as the continental average of 77.78%. Despite this relative wealth of data, Madagascar remains beset by an often corrupt and inefficient administration, thus limiting the potential for growth. In this regard, improved business data could be of great benefit.

BUSINESS STATISTICS

% POPULATION IN URBAN CENTRES	LABOUR FORCE IN MILLIONS	INDUSTRIAL PRODUCTION GROWTH	PRIME LENDING RATE
37.2% (#36)	13.4 million (#9)	4.8% (#20)	64% (#51)

% ADULTS WITH A BANK ACCOUNT	ANNUAL AIR PASSENGERS	MOBILE SUBSCRIPTIONS	NATIONAL 3G COVERAGE
17.87% (#39)	0.486 million (#20)	32.13 per 100 (#51)	63% (#22)

MADAGASCAR ECONOMIC ANALYSIS

ECONOMIC OVERVIEW

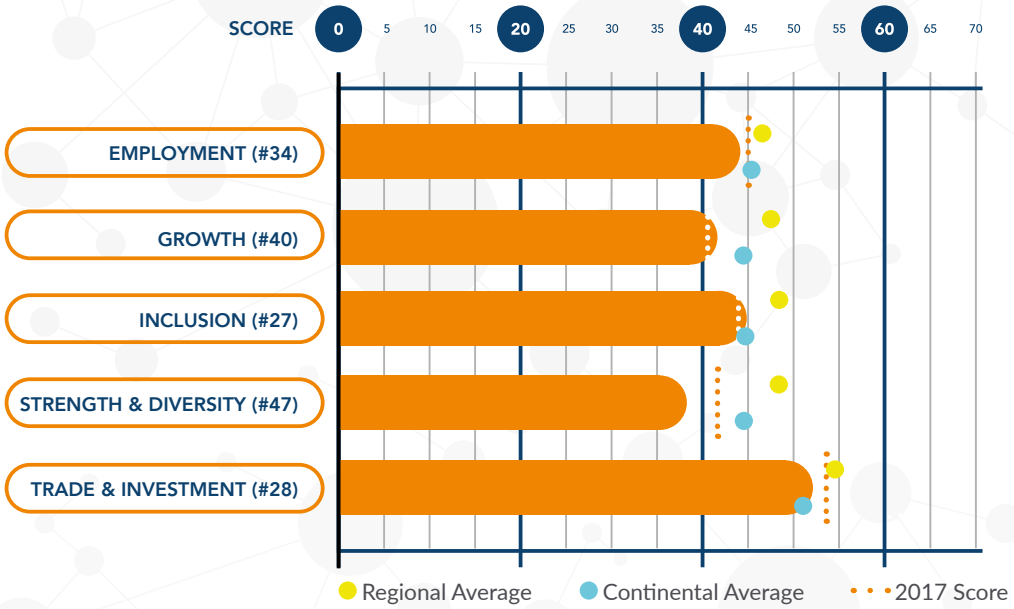
There is a lack of capital markets and a weak judicial system, which is of little use in the enforcement of contracts. Government corruption continues to be a drag on the economy. And yet signs of political stability, confirmed by free and fair elections in December 2018, have buttressed the continuing healthy GDP growth up from 2.3% in 2013 to 5% five years later in 2018.

Industrial growth alone was 5.2% in 2018, with the main contributors being cement, glassware, leather goods, meat processing, mining, seafood, soap, sugar and textiles. However, the economy is a net importer of goods required to meet consumer and industrial demands. In 2017, imports amounted to US$ 2.29 billion, while exports were valued at US$ 2.73 billion. France purchases 25% of Malagasy exports, followed by the US, who purchases 17%, and China at 7%.

The mining sector is primarily devoted to the excavation of chromite. Madagascar is the world's 10th-largest supplier of this ore, exporting 110,000 tonnes a year, all of which goes to China and Japan. Expanding the economy to raise living standards for the three-quarters of the population who live in poverty is the essential task of the latest presidency of Rajoelina.

Madagascar's stagnant economic situation is reflected in a descent of rank in the Economics quadrant by six positions to 36th place.

ECONOMIC SCORES & RANKINGS



ECONOMIC DATA COMMENTARY

Madagascar data availability

96.58%

REGIONAL AVERAGE	AFRICAN AVERAGE	CONTINENTAL RANK
87.18%	77.78%	#13

Madagascar also scores quite well on economic data availability, currently standing at 96.58% and ranking 13th continentally. This too compares favourably with the respective regional and continental scores of 87.18% and 77.78%. As of present, much of this data can be derived from the Madagascar open data portal sponsored by the African Development Bank, which provides a wide range of macroeconomic indicators. Furthermore, this is complemented by international financial institutions.

ECONOMIC STATISTICS

GDP PER CAPITA	UNEMPLOYMENT RATE	TRADE BLOC MEMBERSHIP	INFLATION RATE
US$ 1,600 (#42)	1.8% (#4)	AFTZ, COMESA, SADC	7.8% (#36)

GDP AT PPP	CURRENCY AND GOLD RESERVES	FDI NET INFLOWS	BUDGET SURPLUS (+) OR DEFICIT (-)
US$ 39.7 billion (#21)	US$ 1.37 billion (#21)	US$ 541 million (#23)	-2.3% (#11)

MADAGASCAR POLITICAL ANALYSIS

POLITICAL OVERVIEW

The international community welcomed a free, fair and violence-absent national election in 2018, with the first phase held in November and a runoff staged in December. Arch-rival former presidents Ravalomanana and Rajoelina competed, and Rajoelina was declared the victor this time. Rajoelina won 55.66% of votes versus 44.34% for Ravalomanana. The Southern African Development Community's (SADC) endorsement of the election results in January 2019 was a good sign that international co-operation will be forthcoming. The SADC suspended Madagascar's membership and imposed devastating trade and travel sanctions after a military coup d'état originally installed Rajoelina as president in 2009, when Ravalomanana was ousted. A strong central government must be focused on overcoming Madagascar's significant socio-economic problems, including widespread poverty and the island's geographical position in the path of eastward-headed climate change-strengthened Indian Ocean cyclones. Mitigating the impact of these storms requires the political will of strong, people-centric leadership. However, since independence from France in 1960, the country's politicians have been consumed with political power struggles. Ensuring that the military remains out of politics is also a national imperative. Madagascar dropped two positions in the Politics quadrant to 19th place. The uncertainty leading up to presidential elections accounted for the spell of political instability and concern abroad that a new political crisis was imminent. The worst-case scenario, a military coup d'état, did not materialise.

POLITICAL DATA COMMENTARY

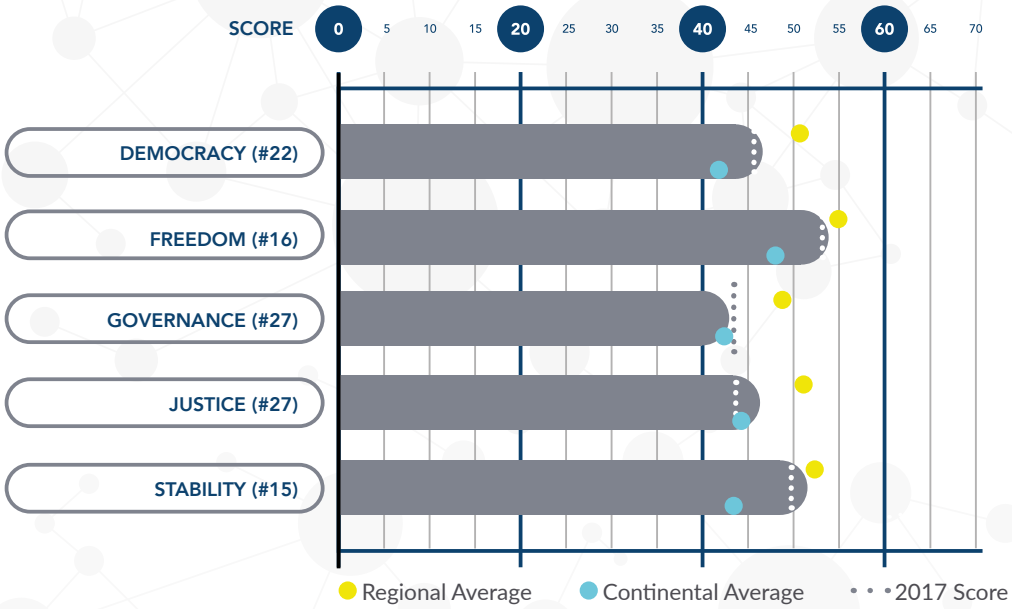
Madagascar data availability

97.16%

REGIONAL AVERAGE	AFRICAN AVERAGE	CONTINENTAL RANK
88.82%	82.86%	#15

The highest of all quadrants, Madagascar currently scores 97.16% for political data availability, thus ranking 15th continentally. This far exceeds the respective regional and continental averages of 88.82% and 82.86%. Given its tumultuous history of military coups and civil conflict, much attention has been received from the international community, particularly in light of vested donor interests in the national stability. As such, reliable political data can generally be sourced from a wide variety of sources.

POLITICAL SCORES & RANKINGS



POLITICAL STATISTICS

NUMBER OF POLITICAL PARTIES	MILITARY EXP AS % OF GDP	REFUGEE INFLOW	NUMBER OF RIGHTS
17 (#12)	0.6% (#6)	N/A (#N/A)	46 (#35)

DATE OF INDEPENDENCE	NET OFFICIAL DEVELOPMENT ASSISTANCE	WOMEN IN PARLIAMENT	CAPITAL PUNISHMENT
26/06/1960	US$ 622 million (#30)	19.2% (#27)	Abolished

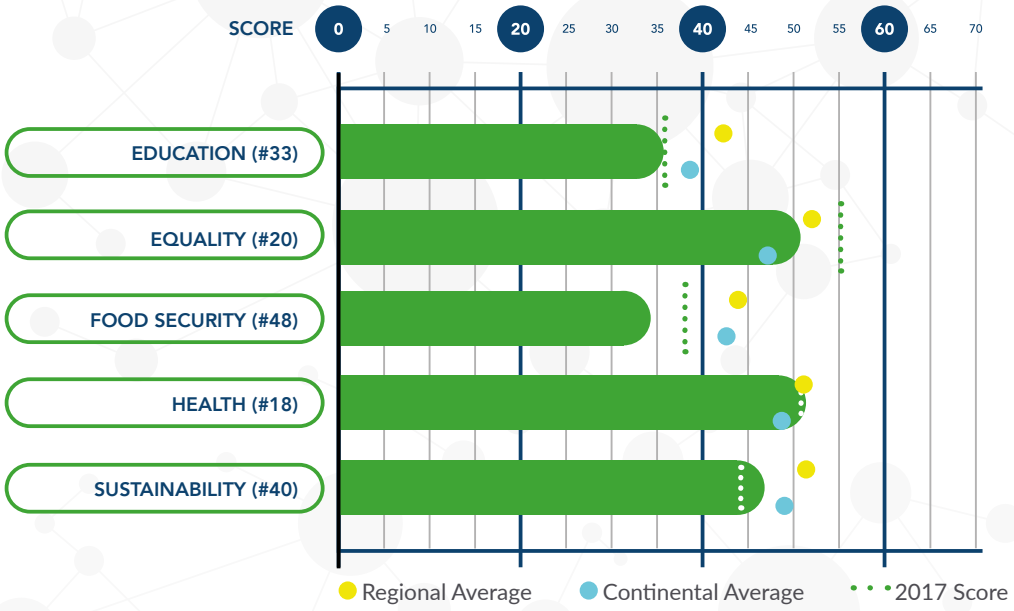
MADAGASCAR SOCIETAL ANALYSIS

SOCIETAL OVERVIEW

Although the Malagasy people constitute nearly the entire country's population, the ethnic group is divided into those in the highlands of the central plateau, where the capital, Antananarivo, is located, and those at the coast, who inhabit fishing villages and farmlands along Madagascar's tropical 4,828 km of coastline. There are many sub-cultures of the Malagasy who follow beliefs and lifestyles that give the country a diversity of cultural identities. Important similarities unify the people, like language and a traditional religious belief in the power of family ancestors, who beneficially intervene in the lives of their living descendants.

The Malagasy have the least access to sanitation in the world, with only 18% of the urban population and 9% of the rural population having toilets and running water. Consequently, bacterial diarrhoea and typhoid are major health threats, while dengue fever and malaria are common vector-borne diseases. There are also occasional outbreaks of the plague. Spending on national healthcare and education are inadequate, at 3% and 2.1% of GDP respectively. About two-thirds of Malagasy are literate. Due to poverty, 28% of children are child labourers and not in school. Madagascar experienced their most extreme position fall in the Society quadrant, descending 14 positions to 33rd place. The damages to Malagasy society caused by climate change, food insecurity and poverty have significantly reduced the islanders' already precarious quality of life, as reflected in decreased segment scores.

SOCIETAL SCORES & RANKINGS



SOCIETAL DATA COMMENTARY

Madagascar data availability

93.88%

REGIONAL AVERAGE	AFRICAN AVERAGE	CONTINENTAL RANK
84.54%	75.28%	#12

Due to ongoing political instability, comprehensive societal data collection can prove challenging in Madagascar. However, given the interest of international donors in seeing sustainable growth and development in the country, Madagascar's current score for societal data availability stands at 93.88%, thus ranking 12th continentally. As with the previous quadrants, this too squares favourably with the respective regional and continental averages of 84.54% and 75.28%.

SOCIETAL STATISTICS

POPULATION SIZE AND GROWTH RATE	LIFE EXPECTANCY	HIV PREVALENCE	SEXUALITY TOLERANCE
25,054,161 (#15) at 2.5% p.a (#16)	66.3 years (#10)	0.2% (#44)	Legal

ACCESS TO DRINKING WATER	HEALTH EXPENDITURE (% OF GDP)	PRIMARY EXPENDITURE (% OF EDU. TOTAL)	SOCIAL MEDIA PENETRATION
51.5% (#49)	5.24% (#31)	47.35% (#16)	6% (#36)

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