Overview

Madagascar is strategically situated at the crossroads of Asia and Africa. Roughly 80% of the population lives in rural areas and works mostly in the agriculture sector, which is characterized by low productivity and low earnings. Agricultural households earn an average monthly income of 81,000 Ariary (30€).

A five-year political transition period combined with international economic shocks strongly hampered private and public investment, resulting in a low growth rate of 2.4% (est.) in 2013 compared to 7% in 2008. Export incomes from mining industry (nickel, titan, cobalt), textile and apparel, and food products (shrimp, vanilla) remained the main economic drivers. But projects in the education sector, such as an initiative to scale-up a successfully implemented vocational training portfolio based on the German model, have stalled.

The elections of the President of the Republic and the Parliament in 2013 were a major step toward a favorable framework for socio-economic revival. International technical and financial partners have resumed work with the country and place high expectations on the government to eliminate corruption and implement good governance practices. The government is currently tackling the issue of insecurity that resulted from a power vacuum during the transition period.

The lack of access to affordable and reliable energy is currently the biggest impediment to development both for households and companies. Less than 5% of the rural population have electricity coverage.

Madagascar has significant untapped potential for renewable energy (solar, wind and hydro). Off-grid facilities at a regional scale would have a positive social and environmental impact. Additionally, such projects would both create and boost economic activity, helping to ensure the eventual profitability in energy investment.

Madagascar is also a hotspot of biodiversity, with endemism rate above 80%. This reservoir of unique, valuable plants makes the country an outstanding location for the research, sourcing, and processing of green cosmetics and medicines. A rich diversity of natural resources and culture are a good opportunity for community-based ecotourism.

Market Data

Population
23.2 million (2014 est.)
Population living on less than $1.25/day 87.7% (2010)
Population living on less than $2/day 95.1% (2010)
GDP (nominal) $10.8 billion
Average GDP growth per year, 2009–2013 2.1%
GDP / per capita (PPP) $1,395
Unemployment rate 3.6%
Gini ranking 96 / 138
HDI ranking 151 / 186
CPI ranking 127/ 175

Data source: World Bank Data (2010)

Percentage of people living at less than USD 1.25 and USD 2.00 (PPP)

< US$ 2.00 95.1%
< US$ 1.25 87.7%

Household expenses per month in %

52% – Food
11% – Energy
8% – Housing
6% – Healthcare
5% – Cooking
4% – Education
3% – Water
11% – Others
mainly ceremonies like funerals or weddings

Total expenses 70 €

Data source: Fondation énergie pour le Monde, Enquête permanente auprès des Ménages INSTAT (2009)
Trends

How is the society going to develop?

There are currently 6 million young people in Madagascar aged 10-25. This number is expected to double by 2025.

Which sectors currently offer the greatest opportunities?

Great opportunities rely in taking advantage of the country’s natural resources: ecotourism, green cosmetics and medicine, livestock farming and agribusiness, and mining. With the installation of international submarine fiber-optic cables in 2009/2010, national backbone rolling-out and the availability of engineers and an easily trainable labor force, the sectors offer opportunities for ICT and mobile related activities. There is also a great demand for off-grid energy supply and low cost housing. Education and training for the BoP should be particularly considered.

Is the support by the government likely to change?

Tangible impact is expected from the new government, led by the President of the Republic, inaugurated in January 2014. The government is aware that the private sector plays a major role in development and is calling for a permanent dialogue through a dedicated Ministry.

What are future risks?

The main challenge for Madagascar in the future is preserving its natural diversity and becoming more resilient to natural disasters, which will only be more important due to climate change. The political landscape in Madagascar is complicated, but any seizure of power outside constitutional means is unlikely to happen.

Directory

Literature & web sites

- Opportunities and Challenges for inclusive and resilient Growth: Compendium for policy notes for Madagascar, May 2014 (full version in French only) | http://documents.worldbank.org

Contacts & support

- Economic Development Board of Madagascar: Interface between private sector and administration | www.edbm.gov.mg
- Embassy of Madagascar in Germany: Short description | www.botschaft-madagaskar.de

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Examples

SYMRISE, headquartered in Holzminden, is one of Madagascar’s biggest flavor and fragrance companies. In 2010 the company developed a sustainable direct sourcing program for vanilla to secure high-quality supply. Within two years, over 500 farmers were trained and certified by Rainforest Alliance and benefited from a 24% increase of their incomes. In 2014, SYMRISE joint forces with UNILEVER and began to scale their engagement by setting up a platform for farmer field schools and rural agriculture colleges that will impact 24,000 lives.

BHARTI AIRTEL is one of Africa’s largest telecommunication companies. When it entered the Malagasy market in 2007 (at that time ZAIN) the company based its expansion strategy on the acquisition of customers new to telecommunication. Zain extended the existing network infrastructure and developed shared phone programs (Village Phone). Today, Airtel has gained a 39% market share by providing innovative services such as mobile money transfer.

CEFOR, a microfinance institution of 100 employees based in Antananarivo, is offering small loans allowing around 5,000 vulnerable families to create and develop economic activities. Cefor secures the financial capacity of its clients by introducing a compulsory subscription to micro health insurance with symbolic membership fees between 0.2-0.5€/family/month.

BLUE VENTURE EXPEDITION, with headquarters in London, organizes high-quality marine expedition tourism that combines diving and volunteering in conservation and community projects in remote southern villages of Madagascar. Proceeds support projects that aim to empower communities in marine conservation and development, such as sea-cucumber aquaculture and fishery management.

SYMRISE

BHARTI AIRTEL

CEFOR

BLUE VENTURE EXPEDITION

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