



Madagascar

Madagascar: Conclusion and Recommendations

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Chart 39: Policy recommendations

Recommendations

- Ensure political stability, improve governance and strengthen institutional capacity: through independent electoral bodies, anti-corruption measures, inclusive decision-making, (re)building investor confidence, robust monitoring and evaluation systems.
- Improve macroeconomic governance: through strengthened administration, compliance, spending discipline, efficiency, fiscal sustainability and managing inflation.
- Grow the economy and diversify: through reforms in agriculture, manufacturing and tourism, development of small and medium-sized enterprises, an improved business environment and increased food security.
- Invest in human capital: increase education and health expenditure, optimise resource allocation, invest in rural infrastructure, improve education, promote a demographic dividend, reduce child mortality, enhance safe water and improved sanitation access and address universal healthcare.
- Maximise opportunities under the AfCFTA and promote foreign direct investment (FDI): simplify trade procedures, facilitate access to regional markets, diversify into sustainable industries, improve the regulatory framework, support private sector-led initiatives in renewable energy, agro-processing and digital services and de-risk investments.
- Expand infrastructure development: mobilise capital, scale up investments in renewable energy (especially solar and hydro) and encourage private investment in renewable energy.

Chart 39 summarises the policy recommendations.

This report outlines Madagascar's current governance and development challenges and presents opportunities for how the country can reverse a trajectory marked by political instability, chronic poverty, economic crisis and uncertainty.

The Current Path analysis reveals that expected improvements are below Madagascar's potential. Economic growth prospects are sound, but given the many structural constraints as well as internal and external vulnerabilities, they are not sufficient for Madagascar to transition to inclusive growth and sustainable development, including significant progress in poverty reduction. Focusing on improving governance, investing in agriculture and human capital development will be key.

The priorities outlined as follows require targeted and coordinated actions.

Ensuring political stability and improving governance remain fundamental. Strengthening democratic institutions through independent electoral bodies can enhance the credibility of elections, while anti-corruption measures, inclusive decision-making and robust policy monitoring can bolster governance and institutional capacity. Rebuilding investor confidence is crucial for attracting foreign direct investment, supported by effective monitoring and evaluation systems that ensure policy effectiveness and adaptability to changing needs.

Improving macroeconomic governance is equally important. This includes optimising revenues by reducing tax exemptions, strengthening customs and tax administration, and ensuring greater compliance, particularly in the extractive industries. Reinforcing fiscal sustainability will require improved spending discipline, efficiency and targeting, alongside prudent management of inflation, especially food price inflation.

To stimulate growth and diversification, Madagascar should initiate reforms that create jobs and foster local value addition in agriculture, manufacturing and tourism. Supporting small and medium-sized enterprises (SMEs) through financial assistance, capacity-building programs and market access initiatives can strengthen domestic value chains. Adding value to raw materials will generate employment and stimulate local industries, while a more conducive business environment can attract FDI into infrastructure, manufacturing and services. Investing in agriculture remains essential to reduce food import dependency and improve food security.

Investing in human capital is central to the country's long-term transformation. Increasing education and health expenditure and improving resource allocation will strengthen outcomes in both sectors. Expanding rural infrastructure can enhance access to schools and healthcare, while targeted interventions are needed to reduce dropout and repetition rates, address gender disparities and support girls through measures such as school feeding programs and conditional cash transfers. Improving education quality, particularly at the primary level, will require investments in teacher training, recruitment and early grade learning assessments. Promoting a demographic dividend through expanded family planning services and access to contraceptives, alongside continued progress in reducing infant and under-five mortality, will be vital to achieving the Sustainable Development Goal targets of 12 and 26 deaths per 1 000 live births by 2030, respectively. Access to safe water and improved sanitation should be prioritised as key drivers of better health outcomes. Madagascar should uphold its commitment to universal healthcare for children under five, pregnant women and older persons, while strengthening the health system to tackle both communicable and rising non-communicable diseases.

Maximising opportunities under the African Continental Free Trade Agreement (AfCFTA) can enhance exports and better integrate Madagascar into regional and continental value chains. Simplifying trade procedures and improving access to regional markets will support greater integration and export growth within Africa. Diversifying into sustainable sectors such as eco-tourism will help the country remain competitive in a low-carbon global economy while improving its long-term trade balance. A better business environment, characterised by stronger regulatory frameworks, effective contract enforcement, reduced corruption and lower transport and energy costs, will attract private investment. Supporting private sector-led initiatives in renewable energy, agro-processing and digital services can further drive economic growth, while de-risking investments through public-private partnerships and targeted incentives will encourage both domestic and foreign investors.

Finally, expanding infrastructure development—across roads, ports, airports and energy systems—will be essential to unlock Madagascar's potential. Mobilising capital through concessional finance from development partners, improving public investment efficiency, enhancing domestic resource mobilisation and leveraging public-private partnerships will be key. Scaling up investments in renewable energy, particularly solar and hydro, can reduce fossil fuel dependence and boost sustainable growth. Encouraging private investment in renewable projects through incentives, risk-mitigation mechanisms and supportive regulatory frameworks will reinforce Madagascar's pathway towards inclusive, resilient and sustainable development.

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