

Madagascar

2012



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Madagascar

- The political crisis continued to affect Madagascar economically and socially in 2011 and gross domestic product (GDP) grew by a weak 0.6%. It should grow faster in 2012, by 2.4%, and in 2013, by 4.5%.
- The political crisis also slowed (and in some cases stopped) most public sector reforms. However, the budget deficit was contained at 1.3% of GDP in 2011 thanks to continuing spending austerity and should remain steady in 2012.
- Youth employment remains a big problem, with 5.9% of under-25s out of work, compared with an overall rate of 3.8%. Urban youths were more affected (8.9%) than those in the countryside (3.9%) but these low figures hide a rate of under-employment which is more explosive. The country has a national job support programme but the current political and institutional instability has prevented it from achieving its goals.

Overview

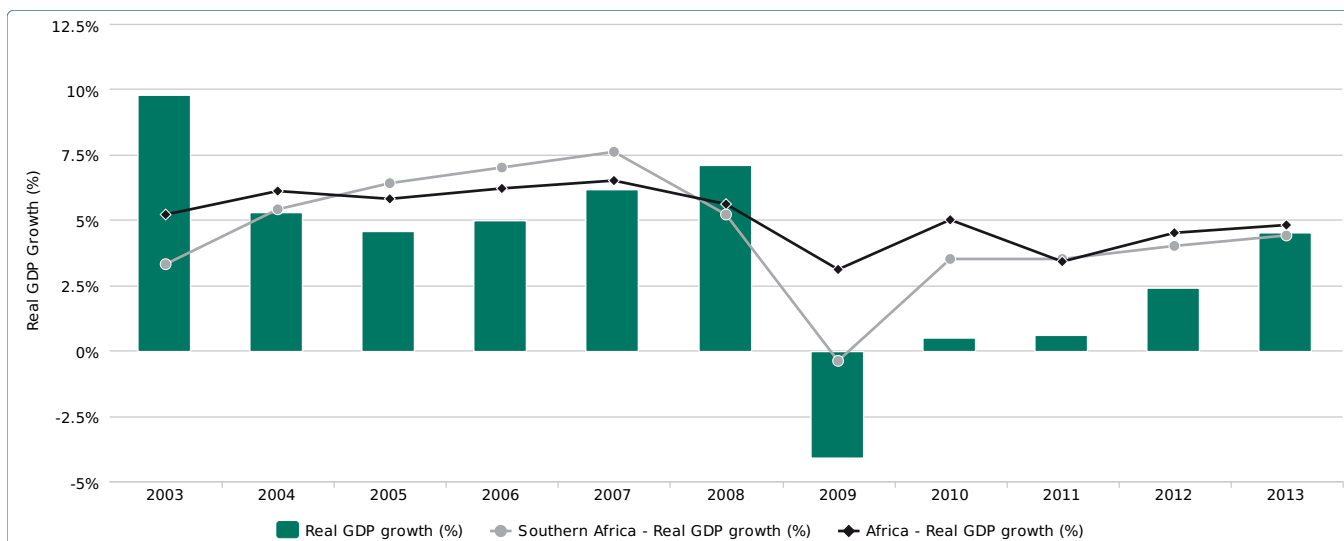
The political crisis continued in 2011, affecting the economy and society. Higher oil and food prices and poor rainfall also played their part and real GDP rose by only 0.6%, barely more than the 0.5% in 2010. The economy should expand, however, by 2.4% in 2012 and 4.5% in 2013, owing to hopes of a solution to the crisis after agreement on a road-map on 17 September 2011 and the strength of the mining sector. But the ongoing economic crisis in the euro area could undermine this momentum with a fall in demand for Madagascan goods and high unemployment in Europe that could reduce exports and affect the tourist industry.

Continuing austerity kept the budget deficit to 1.3% of GDP in 2011 and it should be about the same in 2012. Consumer price inflation was high at 9.5% in 2011 because of increases in oil and food prices. The current account deficit shrank from 9.7% of GDP in 2010 to 3.4% in 2011 because of revived goods exports and a drop in imports arising from less economic activity. The deficit is expected to widen slightly to 4.4% in 2012 and 4.7% in 2013 with the gradual resumption of imports of goods as the political situation normalises.

The weakness of the economy since the start of the political crisis has greatly affected living conditions and a 2010 household survey showed 76% of Madagascans were considered poor, up from 68% in 2005. The only Millennium Development Goal (MDG) the country will achieve is that for reducing the rate of HIV/AIDS.

The household survey showed unemployment was fairly low (3.8%) but under-employment very high (67.2%) because of unsuitable jobs or the number of hours worked. Young people are most affected by this joblessness pattern. The government has a national employment policy PNE (*Politique nationale d'emploi*) being implemented through a national employment support programme PNSE (*Programme national de soutien à l'emploi*), but the current political and institutional uncertainty has prevented it from achieving its goals. So practical steps to help young people enter the jobs market are little known about and, in any case, assessment of their results is difficult for lack of data. The mismatch between training and employers' needs, especially in the private sector, is a big problem and the process for seeking work is inefficient. With so many young people, getting them into jobs should be a major government concern and special programmes to do this should be launched when the political crisis is over.

Figure 1: Real GDP growth (Southern)



Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org/10.1787/888932619032>

Table 1: Macroeconomic Indicators

	2010	2011	2012	2013
Real GDP growth	0.5	0.6	2.4	4.5
Real GDP per capita growth	-2.4	-2.3	-0.5	1.7
CPI inflation	9.2	9.5	8.3	8.2
Budget balance % GDP	-0.9	-1.3	-1.3	-1.2
Current account % GDP	-9.7	-3.4	-4.4	-4.7

Figures for 2010 are estimates; for 2011 and later are projections.

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Recent Developments & Prospects

Table 2: GDP by Sector (percentage of GDP)

	2006	2010
Agriculture, forestry, fishing & hunting	27.5	28
Mining and quarrying	0.2	0.2
of which oil	-	-
Manufacturing	14.6	8.7
Electricity, gas and water	3.7	3.9
Construction	1.2	1.3
Wholesale and retail trade, hotels and restaurants	19.5	21
of which hotels and restaurants	-	-
Transport, storage and communication	10.5	11
Finance, real estate and business services	1.1	1.7
Financial intermediation, real estate services, business and other service activities	-	-
General government services	7.2	6.9
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Other community, social & personal service activities	-	-
Other services	14.5	17.3
Gross domestic product at basic prices / factor cost	100	100

Figures for 2010 are estimates; for 2011 and later are projections.

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The economy grew an estimated 0.6% in 2011, only slightly more than 2010 (0.5%) and was driven by the secondary sector (up 2.7% over 2010) and the tertiary (up 2.1%). The primary sector shrank by 2.3% because of poor agricultural output resulting from sparse rainfall and several hurricanes. Mining remained one of the economy's chief strengths and extractive industries grew 25.9%. The secondary sector's best performers were beverages, paper and food-processing and in the tertiary sector banking, telecommunications and transport, supported by tourism,[1] which recovered in 2011 with a 14.8% rise in visitors (from 196 052 to 225 055).

Overall investment fell to 14.9% of GDP in 2011 from 18.8% in 2010 as a result of of less development aid and the end of the building and installation phases of big mining projects. In real terms, the drop was 11.2% and also affected public and private investment (down 8% and 12% respectively). Total consumption by volume was slightly up (1.1%) but private consumption rose more (1.2%) than public (0.7%). Total consumption was 93% of GDP, down 2.7 percentage points from 2010, mainly because of private consumption dropping from 86.3% of GDP to 83.6%. Public consumption was steady at 9.5% of GDP (9.4% in 2010).

The signing of the road-map agreement to end the political crisis on 17 September 2011 and the vigorous mining sector should boost growth to 2.4% in 2012 and 4.5% in 2013. Foreign aid (which funds 70% of government investment) will not completely resume in 2012.[2] If planned voting for a new parliament and president in 2012 is clean and not challenged, more aid could return in 2013 and with it an improved business climate for the private sector. Mining will be the chief engine of growth in 2012 and 2013 with production

starting at the country's biggest mine, at Ambatovy. The tertiary sector will benefit from revived tourism. Agricultural production will remain modest in 2012 and 2013 because of low rainfall and frequent hurricanes.

Total investment is expected to grow 2.2% in 2012 (14.5% of GDP), and 8.6% (14.4%) in 2013. With spending on elections in 2012, estimated at MGA 45 billion (Madagascar ariary) or USD 22.5 million (US dollars), and after the economy has returned to normal in 2013, total consumption by volume should grow 1.3% in 2012 and 4.1% in 2013 to reach 93.7% of GDP.

[1] Tourism figures are from the *Tableau de bord de l'économie de Madagascar*, Institut National de la Statistique, January 2012.

[2] Aid will be needed however for the holding of elections.

Macroeconomic Policy

Fiscal Policy

With direct external funding of the government reduced, the government continued budgetary austerity in 2011, but the deficit still widened slightly to 1.3% of GDP (from 0.9% in 2010). Priorities were the ministries of finance, education, health, decentralisation and agriculture, which got about 60% of the budget.

Government revenue fell to 12.2% of GDP in 2011 from 13.3% in 2010 because of the drop in foreign aid and slower economic activity. Collection was 93.4% of the budgeted figure at the end of 2011 (96% for tax and 36.3% for non-tax). Total spending was 13.5% of GDP (14.1% in 2010). Budget restraints meant priority went to current spending (10.2% of GDP) over investment spending (3.3%). Average spending commitment in the general budget was 89.3% at the end of 2011, including 70.2% for investment. Higher world oil prices forced the government to subsidise oil companies^[3] to the tune of USD 33.7 million (0.4% of GDP) to keep pump prices steady, though not all of it was paid, which weakened the financial situation of many oil firms. The 2011 budget deficit was funded by disbursements from ongoing projects and by recourse to the banking system by auctioning treasury bonds.

The 2012 budget continues the policy of rigour, with tax breaks to encourage investment in renewable energy. Foreign aid will not have returned, except to help pay for elections, so total revenue (including grants) is estimated at 12.4% of GDP and total spending at 13.7%. The deficit will be about the same as 2011 (1.3% of GDP). Constitutional normality should be restored by 2013 and revenue increase to 13.1% of GDP and spending to 14.3%, with a budget deficit of 1.2% of GDP.

[3] These subsidies are general and not especially directed toward the poor.

Table 3: Public Finances (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Total revenue and grants	15.4	59.1	16	17.6	12.3	13.3	12.2	12.4	13.1
Tax revenue	10	10.7	11.4	13	10.7	10.8	9.9	9.8	9.7
Oil revenue	-	-	-	-	-	-	-	-	-
Grants	5.1	47.9	4.3	4.3	1.1	1	0.9	1.1	1.9
Total expenditure and net lending (a)	19.6	21.4	18.7	19.5	14.8	14.1	13.5	13.7	14.3
Current expenditure	11.4	11.2	11	10.9	10.5	10.1	10.2	10.4	10.9
Excluding interest	9.2	8.8	9.9	10.1	9.7	9.3	9.4	9.5	9.7
Wages and salaries	5.4	5.0	5.2	4.7	4.8	5.2	5.2	5.4	5.6
Interest	2.2	2.4	1.1	0.8	0.8	0.8	0.8	0.9	1.2
Primary balance	-2	40.0	-1.6	-1.2	-1.8	-0.1	-0.4	-0.4	0
Overall balance	-4.2	37.6	-2.7	-1.9	-2.5	-0.9	-1.3	-1.3	-1.2

Figures for 2010 are estimates; for 2011 and later are projections.

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Monetary Policy

Madagascar does not belong to any monetary union. The official job of the central bank (BCM) is to keep the currency stable at home and abroad. Despite the current crisis, the ariary was fairly steady in 2011 against major currencies because of the bank's intervention, with the euro (EUR) at an average of MGA 2 815.07 and the US dollar at MGA 2025.06. Monetary aggregates expanded during the year. The money supply (M3) grew 13.5%, with the increase in net external assets to a record USD 1.1 billion in December (the equivalent of about four months of imports). Despite the crisis, loans to the economy (chiefly medium and long term) were up an average 7%. The BCM's intervention rate (9.5%) has not changed since August 2009.

Inflation was an average 9.5% in 2011. Prices for local products rose more (7.5%) than for imports (5.5%) and semi-finished imports (3.4%). Food prices were up 9%, including rice (9.7%), which the government was forced to import to meet demand. Energy was 7.8% dearer because of higher world oil prices.

The government plans to continue cautious fiscal and monetary policies that should bring inflation down to 8.3% in 2012 and 8.2% in 2013.

Economic Cooperation, Regional Integration & Trade

Madagascar belongs to several regional groupings, including the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC) and the Indian Ocean Commission (IOC), but does little trade with them.^[4] In 2010, COMESA bought 4.6% of the country's total exports, SADC 5.85% and the IOC 3.33%. Of its total imports, 5.21% came from COMESA, 11.04% from SADC and 3.22% from the IOC countries. Madagascar has recently streamlined its customs and trade regulations and the World Bank's 2011 *Doing Business* report moved it up eight places for ease of cross-border trade, mainly thanks to better communication and co-ordination between customs and port operators, and customs clearance took only three days, compared with seven days in 2010.

Madagascar's current account improved significantly in 2011 with its deficit shrinking from 9.7% of GDP to 3.4%, thanks to a 4.2% increase in exports (to 16.1% of GDP) despite the crisis. The deficit should hold more or less steady in 2012 (4.4%) and 2013 (4.7%). Main exports^[5] in 2011 were (by value) food products (USD 352.9 million), mineral ore (USD 198.4 million) and shrimps (USD 66.7 million). Volume imports were down 0.8% (to 22.8% of GDP) and were mainly rice (USD 85.6 million), oil products (USD 595.5 million, 7% of GDP), sugar (USD 78.2 million) and food products (USD 294.9 million, 3.4% of GDP). Imports of capital goods were down 39.6% and cement 15.9%, as construction of major investment projects, especially in mining, was completed. The trade deficit thus improved, from 12.3% of GDP in 2010 to 6.7% in 2011. It should widen slightly in both 2012 and 2013 before stabilising at 7.3% in the two succeeding years.

The services deficit shrank slightly to 0.8% of GDP in 2011 (1.1% in 2010) as a result of healthy exports of transport and travel services. The current transfers deficit was steady at 4.6% of GDP (down 0.3 of a percentage point from 2010), because of private transfers, including by non-governmental organisations (NGOs). Foreign direct investment (FDI) amounted to SDR 438.7 million (special drawing rights), down 10% from SDR 486.6 million in 2010, owing to completion of big mining projects. Extractive industries continue to attract about 80% of FDI, with financial activity, construction and fuel distribution absorbing the rest. FDI in 2010 came mostly from Canada (30.3%), Japan (21.5%), South Korea (20.6%), France (9.1%) and China (7.6%). South Korea and China, who are emerging country partners of Madagascar, thus provided almost a third of such investment in 2010.

⁴ Data on trade with these regional groupings come from the report of the Indian Ocean Commission flagship survey, AfDB, October 2011.

⁵ Data on value exports and imports are from the *Tableau de bord de l'économie de Madagascar*, January 2012.

Table 4: Current Account (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Trade balance	-3.5	-10.2	-13.6	-20.2	-19.5	-12.3	-6.7	-7.3	-7.3
Exports of goods (f.o.b.)	17.2	17.5	16.8	13.9	12.3	12.3	16.1	14.7	13.7
Imports of goods (f.o.b.)	20.7	27.7	30.5	34.1	31.8	24.6	22.8	22	20.9
Services	-5.5	-2.2	-2.4	-4.1	-4.2	-1.1	-0.8	-0.9	-0.9
Factor income	-1.5	-1.5	-0.8	-0.5	-1.1	-1.2	-0.5	-0.6	-0.5
Current transfers	5.5	3.8	4.9	4.3	3.6	4.9	4.6	4.5	3.9
Current account balance	-4.9	-10.0	-11.9	-20.6	-21.1	-9.7	-3.4	-4.4	-4.7

Figures for 2010 are estimates; for 2011 and later are projections.

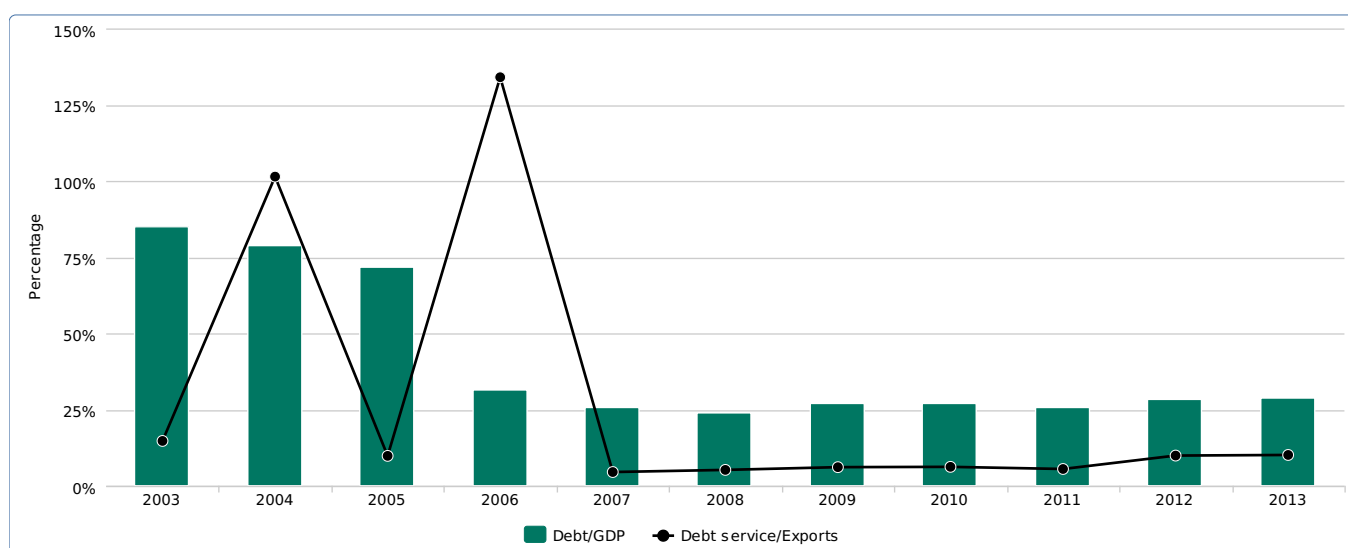
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Debt Policy

Since the start of the crisis, the chances of obtaining new loans from traditional lenders have been slim, so public debt is quite small. External debt was estimated in June 2011 at SDR 1 401.12 million (19.7% of GDP, down from 24.9% in 2010). Despite the crisis, the government has paid on time its external debt interest, which was MGA 174.65 billion (USD 61.26 million) at the end of 2011. The exact amount of arrears due on domestic debt at the end of 2011 was not known but the national business federation GEM (*Groupement des Entreprises de Madagascar*) said the government owed firms about MGA 7 billion (USD 3.4 million),^[6] mostly value added tax (VAT) refunds, at the end of August 2011. Government debt should remain quite low in 2012 and 2013.

[6] Settlement of these is among the short-term steps proposed by GEM as part of economic recovery measures.

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Figures for 2010 are estimates; for 2011 and later are projections.

StatLink  <http://dx.doi.org10.1787/888932619032>

Economic & Political Governance

Private Sector

In spite of the political and economic uncertainty since 2009, the business climate has recently improved somewhat. The country moved up seven places, to 137th overall among 183 countries in the World Bank 2012 *Doing Business* report, with its best score for ease of starting a business, for which it moved up a spectacular 50 places over the year to rank 20th in the world, after the government abolished the minimum capital required to set up limited companies but this did not have much impact and their number[7] actually fell 4% in 2011. However, the total of all firms created in 2011 rose 48% to 20 710 (from 13 977 in 2010). Individual firms were 52.1% of the total, with 21.6% in the capital, Antananarivo. Despite this, the investment climate remains difficult. Electricity supply is poor and blackouts frequent and the country scores badly in the *Doing Business* report for enforcing contracts, ease of closing firms, registering property and getting construction permits.

[7] See *Tableau de Bord de l'économie de Madagascar*, January 2012.

Financial Sector

The financial sector comprises 11 banks, seven financial establishments and 29 micro-finance institutions (three of which are currently suspended and awaiting reauthorisation to operate). Only two banks (Bank of Africa and BFV-Société Générale) are fairly well established outside the capital. Financial markets include the money market (interbank exchanges and open market) and treasury bond auctions. The central bank's intervention rate (9.5%) has been the same since August 2009 and the overall average weighted rate for auctioned treasury bonds was steady at 9.65% in June 2011 (9.6% in December 2010).

The political and economic crisis has affected the quality of the banks' portfolios. The proportions of non-performing loans and capital risk levels are fairly low but rising. Bad and disputed debts increased to 13.8% of gross loans at the end of June 2011 (from 11.9% in 2010).[8] The population's use of banks remains low (about 5%) and micro-finance institutions are used by 12%.

[8] See *Bulletin de la BCM*, June 2011.

Public Sector Management, Institutions & Reform

Because of the crisis, reforms to boost the private sector have slowed down, or even come to a halt, and the state controls, or still has shares in, energy, telecommunications, agro-industry and air transport companies. Government kept promises in August 2011 to ease the plight of those affected by the crisis by, among other things, directly importing rice, sugar, cooking oil and flour, to the discomfort of private importers. Business organisations have made proposals to the government for tackling the private sector's many problems. They include short and medium-term measures.[9]

The government has continued to implement the budget programme, procurement reforms, a hierarchical control system of spending, and better revenue collection. But the World Bank's September 2011 review of government spending noted problems in revenue collection, budget coverage, the spending chain, budget nomenclature, monitoring and the investment budget. It proposed several measures to encourage dialogue about public finance reform between the government and its partners as soon as suitable conditions were restored.

[9] Short-term measures include paying government arrears owed to private firms, a definitive solution to power cuts and setting up a frank dialogue between the government and the private sector. Medium-term ones include organising better economic transparency and drafting a policy of partnerships in mining investments.

Natural Resource Management & Environment

Madagascar has one of the world's greatest biodiversities and huge natural resources. But this natural heritage is threatened by deforestation and damage to natural areas, especially from the felling and illegal export of rosewood. About 30 000 rosewood and ebony logs have been seized by the environment ministry and loggers are thought to have about 200 000 more. The government banned all rosewood exports in March 2010 and in August 2011 ordered confiscation of all felled logs and had rosewood and ebony added to Appendix III of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). The confiscated logs are to be sold in 2012 in a transparent manner. The country's natural resources are also threatened by climate change. Its geographical position in the south-west Indian Ocean, one of the world's major hurricane areas, exposes it to storms, flooding and drought.

Careful management is needed of revenue earned from exploitation of its natural resources, especially mining, so that it benefits Madagascans. The government has joined the Extractive Industries Transparency Initiative (EITI) and was admitted as a candidate country in February 2008. This status was suspended in October 2011 until the political situation returned to normal. Extraction industry firms^[10] paid the government MGA 251.9 billion (USD 132 million, or 1.5% of GDP) between 2007 and mid-2010, according to an EITI audit. The budgetised non-tax revenue collected by the ministries of fisheries, mining and the environment was estimated at USD 7.9 million in 2011 (0.1% of GDP), so budget revenue from extraction of natural resources remains small but significant progress should be made in coming years.

[10] Qit Madagascar Minerals, Rio Tinto, Ambatovy and Kraoma SA.

Political Context

After several fruitless attempts to resolve the political crisis, progress seems to have been made since the signing on 17 September 2011 by almost all political groups^[11] of a road-map agreement to end the crisis, thanks to mediation by SADC. Measures to implement it have included the appointment of a consensus prime minister in October that year, formation of a transitional national unity government in November and enlargement of the two houses of the transitional parliament in December. An independent transitional elections commission was appointed in February 2012 and legislative and presidential elections will be organised with the help of the United Nations and the French-speaking international body, the *Organisation internationale de la francophonie* by December 2012. In view of this progress, some countries and international bodies^[12] have moved towards recognising the transitional government. But only the holding of transparent and credible elections can definitively end the crisis and allow the country to return to the international community and win entire recognition from its foreign partners.

[11] Only former President Didier Ratsiraka's party has not yet signed.

[12] The Swiss ambassador, the head of the European Union (EU) delegation and the UN Resident Coordinator have already presented certified copies of their credentials to the foreign minister, on respectively 29 November and 12 and 27 December 2011.

Social Context & Human Development

Building Human Resources

The political and economic crisis has helped make living conditions harder for Madagascans. A 2010 household survey showed 76% (including 82.2% in the countryside) of the population were regarded as poor, up from 68% in 2005. In 2008, the country had hopes of meeting three of the MDGs by the 2015 target date, but now only that for reducing HIV/AIDS[1] will be achieved.

The length of the crisis has undermined the healthcare system and its ability to meet people's needs. Infant mortality remains high (61 per 1 000 in 2010), as does child (under-five) mortality (92.8 per 1 000). The MDGs are respectively 31 and 56. Maternal mortality is 498 for 100 000 live births, while the MDG target is 127. Major budget restraints[14] and lack of staff closed 214 healthcare centres in January 2011. All these factors have caused the return of diseases that had been eradicated or were under control, such as plague, rabies and polio. The African Development Bank (AfDB) made a USD 1 million emergency grant in January 2012 for campaigns of vaccination against the three diseases.

The country seems on the way to the goal of universal education, with 74.3% net enrolment in 2010, but poor-quality teaching is a major problem. The primary school completion rate was 66% in 2010, far from the MDG of 100%. Ministry budget restrictions[15] undermined the education system and increased the cost of education to families by 30%. About 400 000 children were unable to enrol for the 2011-12 school year, and urban primary schools showed a 4.6% drop in enrolment in 2009-10.

Only 42% of the population had access to drinking water and 48% to proper sanitation in 2010. The MDGs targets are 65% and 71%.

[13] The disease affects 0.1% of the 15-24 age group. Prevention and treatment programmes are ongoing for this, tuberculosis and malaria, but coverage is small and getting smaller as funding to combat infectious diseases has dwindled because of the political crisis. The achievements so far are under serious threat.

[14] Because of the suspension of most direct aid to the government, the health budget was cut by 43% in 2010 and 14% in 2011, from the 2009 pre-crisis budget level. Due to regulation problems, only 66% of the 2010 one was committed.

[15] The education budget was cut 19% in 2010 and 8% in 2011, from the 2009 pre-crisis budget level.

Poverty Reduction, Social Protection & Labour

With no clear national policy during the current crisis, funding is allocated on the basis of priorities set by the transitional government. The 2011 budget earmarked 37% of the total for healthcare, education and food security. The 2012 budget expanded these priorities to include strengthening security of property and people, supporting agriculture and growth of energy supply and allocated about 40% to them.

To soften the effects of the social and political crisis on the most vulnerable sections of the population, various nationwide social protection programmes have been launched but cover very few people. The government announced measures in August 2011 to improve healthcare, education and food security. They included free higher and technical education; free materials for pupils in government schools; free treatment and medicine in public hospitals; cheaper surgical operations through subsidies and supply of the most common drugs; looking after homeless people; providing water to the poorest families; and maintaining subsidies to fuel companies to keep pump prices steady. It is hard to tell how far these measures have been implemented, in the absence of regular government reports. Judging by the substantial budget limitations in 2011 and 2012, many of them could just remain simply good intentions.

UN agencies are active in many areas, with targeted cash grants and food and also fortified nutrition for women and children.

Gender Equality

Madagascar has made significant efforts to promote gender equality, especially in the worldwide UNESCO-led Education For All campaign, compared with most sub-Saharan countries. The boy/girl ratio in primary schools in 2010 was 97.5% (92% in sub-Saharan Africa) and in secondary education 94.2% (79% in sub-Saharan Africa). The MDG for these two indicators is 100%. Ante-natal care is free but provision of contraception (26.1%) and the rate of births attended by qualified staff (43.9%) are not very high, especially in rural areas, according to the 2008-09 demographic and health survey.

In law women have equal rights with men but in practice discrimination persists. The government has taken steps since 2000 to promote women's rights but enforcement is difficult. Participation of women in economic activity is mostly informal and their presence in government institutions is low.

Thematic analysis: Promoting Youth Employment

Half of all Madagascans are under 20. The 2010 household labour market survey[16] showed unemployment was quite low (3.8%), but under-employment very high because of unsuitable jobs (42.2%) or the number of hours worked (25%), so more than 70% of the workforce are either unemployed or under-employed. Those between 15-24 make up 27.4% of the working population (28% in towns and 25% in the countryside). Young people (under 25) also suffer most from unemployment (5.9% compared with 3.8% overall), with more affected in towns (8.9%) than in rural areas (3.9%).

The international financial and local political crises are reckoned to have destroyed 336 000 jobs (84.7% of them in industry and the services and infrastructure sectors) and made about 90% of jobs precarious, according to the International Labour Organization (ILO).

The government has a national employment policy, the PNE, which is implemented through a national employment support programme, the PNSE, for 2007-11. These two are based on the strategic priorities of developing local skills (especially boosting the employability of vulnerable groups), encouraging sectors that generate jobs and improving the legal and institutional environment. Youth employment is also a focus of the country programme for decent work (PPTD) and regional job-promotion strategies (SRPE) in two areas (Vatovavy Fitovinany and Atsimo Andrefana). Several government bodies[17] deal with youth employment.

Government measures, through the ministry of the civil service, labour and social laws (MFPTLS), to help young people enter the labour market include: *i)* strengthening centralised job-seeking services; *ii)* reinforcing regional employment and training facilities; *iii)* seeking apprentice placement agreements; *iv)* organising employment and training advice and information services; *v)* exhibitions about employment staged in four provinces; *vi)* training in job-seeking techniques and vocational training as well as initial and continuous training; and *vii)* technical support for designing job and income-generating projects. Assessment of these measures is not always easy, for lack of data.

One-off measures to help young business people and provide skills training include a programme to support small rural firms and regional economies (PROSPERER Madagascar) set up in 2008 to help growth of small non-agricultural trades in rural areas and to involve 21 000 small businesses (MER). It provides skills apprenticeships to young people who want to create or find a job. UN agencies are also trying to help youth employment,[18] with job fairs (in Analamanga, Antsiranana and Mahajanga) supported by the ILO, and, through the United Nations Development Programme (UNDP), the establishment of four information, guidance and job and self-employment help centres for people and businesses hurt by the crisis, in the capital, Mahitsy, Toliary-ville and Saint Augustin (Toliary II).

The mismatch between training and the skills needs of employers is a big problem in hiring young people. Basic and university education, and government technical and vocational training[19] turn out graduates who are not always adapted for the labour market. About 94% of higher education graduates in 2009 qualified in education, literature, social and natural sciences, and healthcare. Only 4% were graduates in engineering and industrial production and processing even though these are skills highly sought after by the private sector.

A 2011 survey by the French Development Agency AFD (*Agence française de développement*)[20] found key potential employment sectors in Madagascar were tourism, agriculture, agro-industry, information technology, transport and construction. It said only 500 people in the whole country were studying agriculture and tourism, sectors that could provide the most jobs. The situation was the same in construction, with a chronic lack of qualified workers. Recruitment is even more difficult in non-strategic or non-priority sectors, leading some big firms to set up their own training facilities. Little attention is yet given to teaching methods at secondary and university level.

As the formal sector cannot absorb enough of the many less-qualified young people, the informal sector remains the focus for jobs and training. The current national crisis is enlarging the informal sector through growth of under-employment and bad working conditions, of which young people are the main victims.

Insufficient job creation to absorb the unemployed is a major obstacle, along with lack of information and communication between the job-seekers and interested employers. Hiring of young people in Madagascar is not so much about various costs and charges[21] and the current legal minimum wage. Rather, employers are very reluctant to hire people without experience or first-time job-seekers on long contracts. With more and more first-timers arriving on the job market,[22] employers are doing very little to help graduates and trainees.

Basic programmes to boost youth employment exist but have limited coverage. The job-seeking system has many flaws and the AFD survey noted the absence of a system to make people employable. Young people are often left to their own devices in this respect. The occasional employment fairs only target young graduates. Between 25% and 50% of young job-seekers are able to sign on with an employment agency. Private

employment firms help fewer than 10% of young people. Madagascar also has no system of unemployment benefit.

With so many young people, getting them into jobs should be a major concern for the government. Steps to be taken^[23] should include, in the short term, quickly ending the political crisis to stop further destruction of jobs and designing (as soon as the crisis is over) special youth employment programmes including vocational training, help in finding jobs, starting work, reintegration and retraining, as well as access to loans for self-employment. Medium-term measures should include rethinking the education and training system to strengthen links to the jobs market and launching a serious economic recovery programme targeting sectors most affected by the political and economic crisis, paying special attention to SMEs.

[16] Most the data on youth employment is taken from this survey. This section also draws on an assessment of the impact of the economic and political crises on employment published by the ILO and the UNDP in December 2011 and on the AFD April 2011 working document – *Métiers porteurs : le rôle de l'entrepreneuriat, de la formation et de l'insertion professionnelle à partir de l'analyse de trois pays*.

[17] These are the ministries of the civil service, labour and social law (MFPTLS); education (MEN); technical education and vocational training (METFP); higher education and scientific research; finance and the budget; the economy and industry; trade; population; youth and leisure (MJL), as well as the national monitoring centre for employment and vocational training (OMEF), the national committee to monitor job creation and poverty reduction, the national labour council, the tripartite regional employment councils, and various state agencies and training establishments.

[18] These efforts are explained in the December 2011 ILO/UNDP report.

[19] The country only has 63 government vocational training centres.

[20] AFD April 2011 working document, *op. cit.*

[21] Cost of dismissal, social security deductions and other charges, and uncertainty about wage costs because of unpredictable fulfilment of contracts.

[22] The 2010 World Bank report on the challenges of urbanisation in Madagascar put the number at about 300 000 a year in the main cities.

[23] These recommendations are partly inspired by those in the December 2011 ILO/UNDP report on promotion of decent work.

Notes

¹ Tourism figures are from the *Tableau de bord de l'économie de Madagascar*, Institut National de la Statistique, January 2012.

² Aid will be needed, however, for the holding of elections.

³ These subsidies are general and not especially directed toward the poor.

⁴ Data on trade with these regional groupings come from the report of the Indian Ocean Commission flagship

survey, AfDB, October 2011.

⁵ Data on value exports and imports are from the *Tableau de bord de l'économie de Madagascar*, January 2012.

⁶ Settlement of these is among the short-term steps proposed by the GEM as part of economic recovery measures.

⁷ See *Tableau de Bord de l'économie de Madagascar*, January 2012.

⁸ See *Bulletin de la BCM*, June 2011.

⁹ Short-term measures include paying government arrears owed to private firms, a definitive solution to power cuts and setting up a frank dialogue between the government and the private sector. Medium-term ones include organising better economic transparency and drafting a policy of partnerships in mining investments.

¹⁰ Qit Madagascar Minerals, Rio Tinto, Ambatovy and Kraoma SA.

¹¹ Only former President Didier Ratsiraka's party has not yet signed.

¹² The Swiss ambassador, the head of the European Union (EU) delegation and the UN Resident Coordinator have already presented certified copies of their credentials to the foreign minister, on respectively 29 November, and 12 and 27 December 2011.

¹³ The disease affects 0.1% of the 15-24 age group. Prevention and treatment programmes are ongoing for this, tuberculosis and malaria, but coverage is small and reducing, as funding to combat infectious diseases has dwindled because of the political crisis. The achievements so far are under serious threat.

¹⁴ Because of the suspension of most direct aid to the government, the health budget was cut by 43% in 2010 and 14% in 2011 from the 2009 pre-crisis budget level. Because of regulation problems, only 66% of the 2010 one was committed.

¹⁵ The education budget was cut 19% in 2010 and 8% in 2011 from the 2009 pre-crisis budget level.

¹⁶ Most the data on youth employment are taken from this survey. This section also draws on an assessment of the impact of the economic and political crises on employment published by the ILO and the UNDP in December 2011 and on the *Agence française de développement* (AFD) April 2011 working document – *Métiers porteurs : le rôle de l'entrepreneuriat, de la formation et de l'insertion professionnelle à partir de l'analyse de trois pays*.

¹⁷ These are the ministries of the civil service, labour and social law (MFPTLS); education (MEN); technical education and vocational training (METFP); higher education and scientific research; finance and the budget; the economy and industry; trade; population; youth and leisure (MJL), as well as the national monitoring centre for employment and vocational training (OMEF), the national committee to monitor job creation and poverty reduction, the national labour council, the tripartite regional employment councils, and various state agencies and training establishments.

¹⁸ These efforts are explained in the December 2011 ILO/UNDP report.

¹⁹ The country only has 63 government vocational training centres.

²⁰ AFD April 2011 working document, *op. cit.*

²¹ Cost of dismissal, social security deductions and other charges, and uncertainty about wage costs because of unpredictable fulfilment of contracts.

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