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# Tourism in Madagascar: Foster Destination Awareness to Support the Growing Ecotourism Cluster

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**Abstract:** This study provides an assessment of tourism in Madagascar. It begins with an overview of the country background and an assessment of its recent economic performance before turning to an examination of the country's competitiveness. Then, it looks at the world tourism market dynamism before honing in on the cluster in Madagascar. The final section presents a set of recommendations to improve the competitiveness of the cluster.

**Key words:** Tourism, cluster, competitiveness, Madagascar

## INTRODUCTION

Madagascar is located in the Indian Ocean, 400 km off the Eastern Coast of Africa across the Mozambique Channel, just south of the Equator. Over 1580 km long and 570 km wide, Madagascar is the world's fourth largest island. Last geological vestige of the great continental drift baptized Gongwana, Madagascar like to cultivate the mystery of its origins. The island is suggested as a divine creation; its surface of 592000 km scare marries with the strange shape of a left foot (which the satellite islands would be the toes), like the antique print of facetious giant.

The history of Madagascar falls under the great adventure of the commercial exchanges which are tied, as of 10th century, between the various states and kingdoms which border the Western Indian Ocean, then considered like an internal sea. The island constitutes itself in several kingdoms, whose unification is completed with the 18th century under merina monarchy of Andrianampoinimerina. It starts, consequently, of the diplomatic relations with the Western world, whose adventures make it become French colony during 1896-1960. Since, it returned to autonomy (June 26, 1960), Madagascar chose the model of Western parliamentary democracy and starting from half of 20th century, its contemporary history reforms to the economic and political chronicles of the modern world, the last change marking the turning point toward the liberalism economic.

Madagascar is concentrating with the Bantoues, Arabic and European of melting pot civilization, whose foundation, attested per navigators and certified by the archaeologists, towards the end of the first Christian decade. Reference marks of this cultural melting pot: the Malagasy language etymology and morphology are common to all the inhabitants in spite of its dialectal alternatives and a distributed population, starting from the French annexation of 1896, in 18 ethnos groups, but various common marks of civilization; that are rice, the zebu, the circumcision, the report/ratio with the ancestors testify in favor of homogeneous human groups. Their companies were defined compared to the respective environment of their establishment, are thus certainly more numerous in their structuring.

Nature is characterized by a whole of varied ecosystems, sheltering hope particular of which the degree of endemicity is 80% for fauna and 90% for the flora, each area has its landscape specificity to discover. A fauna characteristic dissociates that of the large continent close-by by the absence to large wild animal. The invertebrates count more than 100 000 species among which the famous Comet, the largest butterfly of the world; reptiles and batrachians: chameleons and lizards emblematic or frogs with the unexpected colors; pink flamingos, eagle serpent occupy their spaces with dignity when dolphins and humpback whales enchant the seas. The marine animal-life is not remains about it; it is often enough to a simple mask to distinguish it in its natural elements. Numbers these animals are threatened, like the erased tortoise and profit, thus, of a very strict protection. Lastly, the famous Lemurs, whose groups shelter the last survivors of their species. Among them, the Indri Indri, this distinguishes by its size from both its brothers. Ornithologists' paradise, with of 285 species an avifauna of which 110 are endemic. The birds more often nest in the forests, in particular those humid of the East and the aquatic sites of the littoral for the large gatherings. An extraordinary f lora sometimes still sheltered by primary

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forests, among which counts more than thousand varieties of orchids, 38 groups of aloe of which Aloe Vaombe with the extraordinary bunches of scarlet flowers which illuminate all the landscape dried up around.

Victim of the rural migration, nearly 75% among Malagasy however still resides in the campaigns. A durable and equitable development could pass by the development of their environment natural, as well economic, artisanal as cultural. The intervention of tourism interdependent of the safeguarding of this environment and respectful of the men, could contribute to improve these living conditions.

## MADAGASCAR ECONOMIC PERFORMANCE

In spite of favorable geoclimatic, rich natural resource endowments and rich ecotouristic of the country, the standard of living of its population is one of weakest in the world with GPD per capita (PPP) USD $946 in 2006. Madagascar knew a growth of the GDP higher than the demographic growth, with a peak of 6% in 2001 (Fig. 1).

This performance is stopped by the political crisis of 2002 which resulted in a fall of 12.7% of the GDP. The year 2003 is a year of recovery recording a GDP growth of 9.8%. This growth decelerates during the following three years to be stabilized around 5%: 5.3% in 2004, 4.6% in 2005 and 4.9 in 2006. This imputable deceleration is that of secondary sector whose, growth rate, higher than 7% before crisis, fell down to 3% in 2005 and 3.7% in 2006. The post crisis growth is thus drowned by the tertiary sector and, by the Construction branches, Telecommunication and Banks.

It is estimated that to reach the Millennium Challenge Goal, Madagascar should have an economic growth rate higher than 7% per year for long period. In Madagascar, it appears that the following macro constraints restrain growth: volatility of exchange rate, a restrictive monetary policy in a prolonged way, a prolonged restrictive finance public management and a low level of Investment.

This poor performance has multiple causes, which can be divided into two categories: problems associated with the high cost of finance and problems related to low returns to economic activity. The high cost of finance relates to both inadequate access to international finance and weak local finance. Foreign direct investment reached a peak of $93 million in 2001, but even this constituted barely more than 2% of GDP. For the broader period stretching back to 1975, FDI comprised only 0.6% of GDP, well below the average in the comparison group of countries (1.8%). This was the result of the combination of policies that restricted trade, the country's isolated location and relative lack of conditions that would attract

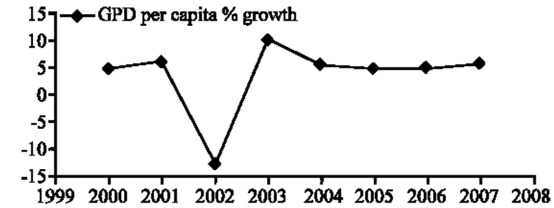


Fig. 1: Madagascar GPD per capita growth

large investments. Domestic savings did not compensate for this international isolation, as the domestic savings rate was a meager 5.3% of GDP, barely half of the comparison group's average of 10.4%. Banks were thus starved of capital, as seen in an average lending interest rate over the period of 27.4% (more than two and a half times the real interest rate), which in turn choked off investment: gross capital formation was only 11.9% of GDP for the period, well below the comparison group's average of 17.6%.

The business environment is described in more detail below, which paints a picture of an economy suffering at the hands of a constraining microeconomic context. Finally, the country's total factor productivity is poor, although not considerably out of line with other countries in sub-Saharan Africa. In the words of a World Bank-sponsored Investment Climate Assessment,

Cross-country regression results show that when Malagasy firms are compared as a group (including EPZs http://www.madagascar-tourisme.com/?q=tonga_soa_bienvenue_welcome_madagascar) with other countries, their performance is on par with Uganda, Tanzania, Senegal and Kenya, better than Zambia, but worse than Mali. However, when we distinguish between Madagascar EPZ firms and others and then compare the non-EPZ firms with enterprises elsewhere, we see that non-EPZ enterprises only perform at par with firms in Uganda and Tanzania. They have lower productivity compared with firms in Senegal, Mali and Kenya (World Bank, 2005).

Decomposing Total Factor Productivity, the same study found very low labor productivity, as seen in the fact that the average value-added of a Malagasy worker is only $1,453, well below almost all of those in the group of comparison countries used by the study. Capital intensity is also quite low, even when compared to countries such as Tanzania and Zambia.

Amidst this sea of problems, there is some good news. The political instability that began in late 2001 and continued through much of 2002 was devastating for the economy, GDP shrunk by 12.7% but resulted in the coming to power of a government that has embraced reform and significantly opened the economy. The new government has succeeded in improving its ratings in the index of economic freedom significantly: by 2 points (in 2005 from a baseline in 2000) in monetary policy, by 3 points in trade policy and by 1.075 in fiscal burden. As discussed below, a number of key dimensions of the business environment have also improved. Moreover, the country is increasingly benefiting from trade agreements, particularly the US African Growth and Opportunity Act and the European Union everything but arms scheme, which are opening up protected markets in developed countries.

## NATIONAL COMPETITIVENESS

Given the earlier, it is hardly surprising that an analysis of the competitiveness diamond in Madagascar reveals a number of deficiencies. These conditions suggest the difficulties that face businesses as they try to operate in Madagascar, helping to explain the poor economic performance in recent decades (Fig. 2). Moreover, several of the plusses in the diamond are recent developments: the reformist government only came to power in 2002 and it is responsible for a new campaign to brand the country as Madagascar naturally, which in turn has helped boost the ecotourism cluster.

Unfortunately, the recent improvements to the business environment have yet to shift the country's overall competitiveness rating: the Global Competitiveness Report's Business Competitiveness Index ranks Madagascar 97th of the 116th countries assessed. This is considerably better than the country's rank of 112th in GDP per capita at PPP but still dismal. Madagascar has only be ranked since 2003 and despite some improvements in microvariables (Table 1), the overall picture has not changed much in this period, as seen when the country is compared to a consistent set of 93 countries ranked over each of the past three years:

A more nuanced picture of the country's competitiveness emerges by looking at microvariable data. In recent years progress has been made in relation to the factor conditions and the context for firm strategy and rivalry. Nine of the 16 microvariables related to factor conditions in Madagascar improved by at least 5 places in the ranking from 2003 to 2005 (among the consistent set of 93 countries) and in 6 of the 16 the jump was at least 10 places. Three of the 6 microvariables related to the context for firm strategy and rivalry improved by at least 5 spots, one (prevalence of trade barriers) shooting up by an impressive 30 places.

The improvements are primarily in the areas of government getting out of the way of business and improving the security situation. For example, on the extent of bureaucratic red tape, prevalence of trade barriers and favoritism in decisions of government officials microvariables, Madagascar scores well above both its overall position and its GDP per capita at PPP ranking, coming in 49th, 59th and 62nd, respectively. Similarly, reliability of police services (56th), intellectual property protection (62nd) and judicial independence

Table 1: Competitiveness index

| | 2003 | 2004 | 2005 |
|---|---|---|---|
| Business competitiveness index | 86 | 82 | 83 |
| National business environment | 85 | 83 | 82 |
| Company Operation and strategy | 85 | 83 | 87 |

| Context for firm strategy and rivalry | Factor conditions | Demand conditions | Related/ supporting industry |
|---|---|---|---|
| | | **Advantages** | |
| + Reformist government<br>+ Low tariffs<br>+ Madagascar Naturally branding strategy<br>± Medium cost bureaucratic business regulatory requirement | ± IGO funded investment capital | + Historical ties to French markets | + Growing ecotourism cluster<br>+ Growing agricultural cluster<br>+ Growing fishing cluster |
| | | **Disadvantages** | |
| - Limited presence of foreign multinational limits competition and the upgrading of local capabilities<br>- Legacy of French colonialism | - Pour basic workforce skills<br>- Shortage of managerial and advanced technical skills<br>- Significant barrier for smaller companies to obtain credit<br>- Distance from major markets<br>- Widespread weaknesses in the physical and communications infrastructure due to low investment and/or market distortion | - Small market; most can't afford more than basic means<br>- Weak standard-setting and regulatory organizations<br>- Public procurement rules inconsistently applied | - Few effective cluster except for agriculture; most are focused on narrow industries within the full potential breadth of cluster |

Fig. 2: National diamond

(65th) are all relative strengths. These findings are borne out by comparative data from other assessments of the business environment. In the World Bank's Doing Business survey, Madagascar is considerably better than the averages for sub-Saharan Africa for starting a business (which takes an average of 38 days and costs 54% of GNI per capita, against regional averages of 64 days and 215%), for protecting investors (in an index of 1-10, with 10 representing the best investor protection, Madagascar scores 5.7, as opposed to a regional average of 5; this figure ranks the country 41st in the world, its highest score by far and ahead of Germany, Sweden and Switzerland) and for enforcing contracts (which take 280 days and costs 23% of debt, against regional averages of 439 days and 42%) (World Bank, 2006b). In the Index of Economic Freedom's assessment of government intervention (in which a lower scores indicates less government intervention), Madagascar scores an impressive 1.5, ahead even of the US (2.0) (Heritage Foundation, 2005). In a set of World Bank governance indicators, the country's regulatory quality scores 0.10, well above the average for the group of comparison countries described above of −0.43.

However, although the government has taken important steps to free up the economy and create the fertile conditions for business, the private sector has yet to take advantage of these conditions. The Global Competitiveness Report microvariables on related and supporting industries are particularly discouraging, as rankings for both local supplier quality and local supplier quantity fell more than five spots between 2003 and 2005. The intensity of local competition actually fell seven places between 2003 and 2005, to an uninspiring 79th. The Company Operations and Strategy microvariables also suggest that the private sector is not yet taking advantage of the improved policy microeconomic environment, as only 3 of 12 microvariables improved by at least 5 spots (and one fell by that amount).

There appear to be several explanations for this. Part of the problem is clearly demand conditions, as both of the microvariable scores here were poor (buyer sophistication: 88; prevalence of demanding regulatory standards: 86) and were stagnant from 2003-2005. The World Bank's for financial market sophistication. The Enterprise survey showed that more than three-quarters of firm had to rely on internal financing for investment, with only 11.8% getting bank financing. Similarly, infrastructure is still a constraint in this large, mountainous island. Only 12% of roads are paved (World Bank, 2006a) and although the overall infrastructure quality microvariable in the Global Competitiveness Report has improved in recent years, it is still ranked 80Enterprise survey provides another part of the explanation: nearly 70% of firms list access to/cost of financing as a major or very severe constraint to doing business in Madagascar (http://www.go2mada.com/actualites.php?idActu=2.). This is also seen in the Global Competitiveness Report data, in which Madagascar is ranked a poor 85th for local equity market access and 80th, the same as the port infrastructure quality indicator. Telephone/fax infrastructure quality comes in even worse, ranking 83rd globally. Firms reported electricity outages on 77 days a year, costing 6.6% of sales (World Bank, 2006c).

## THE WORLD TOURISM MARKET

In this study, we review the dynamic of tourism global market to ass the viability of sector tourism in Madagascar and its growing clusters. Because of limited local demand in Madagascar, tourism sector is almost entirely depending on export.

Although, 2005 was certainly a tumultuous year, international tourism has fared amazingly well. Despite various terrorist attacks and natural disasters, such as the aftermath of the Indian Ocean tsunami and an extraordinarily long and strong hurricane season, the recovery, which started in 2004, continued firmly through 2005. Even though the disruptions experienced definitely left traces locally in the short-term, they did not substantially alter the global or regional traffic flows. Based on detailed results for a large number of destinations included in the January issue of the UNWTO World Tourism Barometer the number of international tourist arrivals in 2005 is estimated at 808 million, up from 766 million in 2004. This corresponds not only to an increase of 5.5%, but also means a consolidation of the bumper growth achieved in 2004 (+10%). Although growth was more moderate, it still almost 1.5 percentage points above the long-term average annual growth rate of 4.1% (UNWTO, 2005). Figure 3 illustrates this trend.

When looking at the results by region (Fig. 4), Africa led the way in 2005, with growth estimated at 10%. Growth was stronger in Sub-Saharan Africa (+13%) with particularly remarkable results for Kenya (+26% between January and October compared with the same period of the previous year) following an already buoyant 2004

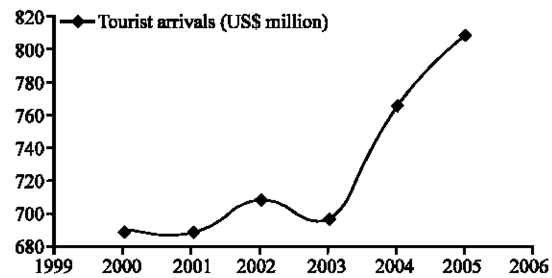


Fig. 3: International tourist arrivals (US$ million) World Tourism Organization (WTO)

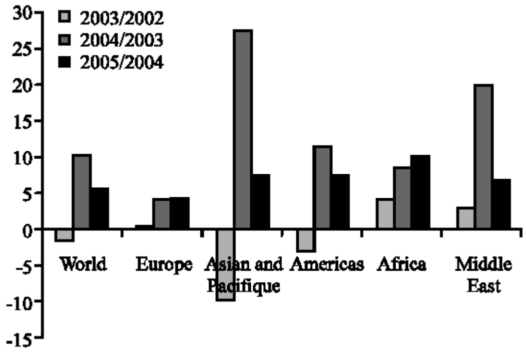


Fig. 4: World and regions inbound tourism, international tourist arrivals (change, %)

and Mozambique (+37% Jan-Sep). South Africa (+11% Jan-Aug) as well as the island destinations of Seychelles (+7%), Mauritius (+6%) and Madagascar (+17.42% (EDBM local data)) all improved on their 2004 results. In North Africa growth continued, but at a more moderate pace, with Tunisia recording an increase of 8% between January and November and Morocco 5% for the full year.

Growth in Asia and the Pacific averaged 7%, following the exceptional post-SARS rebound in 2004 (+27%). North-East Asia (+10%) emerged as the most dynamic subregion with the strongest performers being Taiwan (PR. of China) (+15% Jan-Oct), China (+13% Jan-Nov) and Japan (+9% Jan-Nov). In South-East Asia (+4%), Oceania (+4%) and South Asia (+4%), results overall were more modest and above all rather mixed. Cambodia (+35% Jan-Nov), Lao PDR (+27% Jan-Sep), Vietnam (+18%), the Philippines (+14% Jan-Oct) and India (+13%) nevertheless managed to report remarkable growth. Among the countries affected by the December 2004 tsunami tragedy, the Maldives reported a 39% decrease up to November although the rate of decline has eased in the last months. Arrivals to Indonesia were down by nearly 9%, as the country suffered also from the October Bali bombing. Sri Lanka reported only a slight 0.4% drop, although this result may in part be attributed to the large number of Sri Lankan expatriates who visited the country in the aftermath of the tsunami and to the flow of aid workers. As for Thailand, although overall data up to June shows a 6% decline, arrivals at the Bangkok airport registered 4% growth in the period through October.

In the Americas, growth reached 6% with North America (+4%) and the Caribbean (+5%) slightly below the regional average. Of the major destinations, the United States continued the recovery started in 2004 (+8% Jan-Sep), while Mexico (+8% Jan-Nov) and Cuba (+13% Jan-Nov) still showed above-average increases, even after having suffered the impact of last year's devastating hurricanes. Destinations in Central America (+14%) and South America (+13%), on the other hand, can look back on a very positive year. The strongest growth was reported by Venezuela (+23%) and Colombia (+22%), while Argentina, Brazil, Chile, Paraguay, Peru, Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua all recorded, or were on their way to record, growth rates of between 10-20%.

Following the very strong performance over the past couple of years, the Middle East seems to have entered a more moderate phase of growth, with the increase for 2005 estimated at 7%. Egypt (+6%), Dubai (United Arab Emirates) (+7% Jan-Sep) and Jordan (+5%) are all close to the regional average, while Bahrain (+11% Jan-Sep), Saudi Arabia (+21% Jan-Jun) and Palestine (+45% Jan-Sep, albeit from a small base) are on their way to exceeding it. Available data, however, is rather limited and the picture could certainly still change.

Europe recorded relatively modest growth of 4%, which is still one percentage point above the long-term trend of the region. This result can be considered very encouraging given the rather weak economy in some of its major intra-regional source markets. Moreover, due to Europe's already very large base of over 400 million arrivals, in absolute terms it recorded the largest increase corresponding to some 18 million arrivals. Growth was strongest in Northern Europe (+7%), boosted by the United Kingdom (+10% Jan-Nov), which was seemingly not notably affected by the London bomb attacks. International tourist arrivals in Southern and Mediterranean Europe are increased by 6%. Turkey was the star performer in this subregion with an increase of 20%, adding 3.4 million arrivals and passing the 20 million mark. Furthermore, Spain (+6%), Croatia (+7% Jan-Nov), Israel (+26% Jan-Oct) and Serbia and Montenegro (+27% Jan-Oct) also recorded respectable results. Western Europe and Central and Eastern Europe grew by 2 and 4%, respectively. In Central and Eastern Europe, the Baltic states, Latvia (+20%), Lithuania (+15% Jan-Sep) and Estonia (+7% Jan-Nov) stood out, while, in Western Europe, the best results came from Germany (+6% Jan-Nov) and Switzerland (+6% Jan-Nov).

However, when looking in the percentage market share of tourist arrivals 2005, the Europe led with 54.9% of share followed by Asia and Pacific 19.3%, Americas 16.5% and Africa and Middle East with 4.5 and 4.8% of share, respectively. This 4.5% market share of Africa spreads as follow: North Africa 36.8%; West Africa 10.1%; Central Africa 2.1%; East Africa 21.1% with which Kenya 3.2%, Mauritius 2.3% and Madagascar 0.6%; and Southern Africa 29.8%. In spite of the led in growth of international tourist arrivals 2005 in Africa, Africa, as Madagascar, still has a meager share of global tourism market.

## TOURISM CLUSTER IN MADAGASCAR

**Tourism cluster in madagascar's economy:** Tourism is an important feature of Madagascar's economy. Tourism was the second largest source of export receipts in 2004, with $75.82 million behind the agricultural product ($203.13 million) (Fig. 5). Tourism to Madagascar has grown rapidly in recent years, but the tourism cluster remains in its early stages of development. A survey of tourism-related websites shows that Madagascar is regarded in the travel community as a wild, adventurous and undeveloped destination, with poor infrastructure for visitors. Nevertheless, investment in the cluster is growing quickly, including construction of new hotels. With EU support, a public-private tourism Institute For Collaboration (IFC) has been created (the Office National du Tourisme de Madagascar, ONTM), although the government has considered disengaging from this to allow industry to work alone and although ONTM is charged with tourism promotion, it has no funds to carry this out. The World Bank assesses that despite its raw potential, the tourism cluster faces numerous constraints including limited flights and problems securing land for development; it has recommended creating clusters of excellence to improve competitiveness.

The agricultural products remain the largest exports of Madagascar, Vanilla only represent 17.19% of the exports in 2005. Vanilla has long been Madagascar's largest export earner, but its dominant position has been eroded in recent years due to a switch to lower-quality vanilla by the final consumer and purchasers of vanilla (IMF, 2005). Fishing and fishing products is the sector in which Madagascar enjoys both its largest share of world exports and its fastest growing share; Madagascar is Africa's largest exporter of shrimp and globally has ranked as high as 12th after a bumper year in 2002 (it slipped back to 21st in 2004 after a bad year). Fishing and fishing products cluster is relatively sophisticated and mature compared to others in Madagascar in that it has a defined identity, a track record of success and appears to be deepening, as manifested by the efforts of an active institution for collaboration, Groupement des Aquacultures et des Pêcheurs de Crevettes de Madagascar (GAPCM). In a country where jobs are scarce, the cluster is a significant source of formal employment: Rojat *et al.* (2004) estimate that the wild capture and aquaculture parts of the cluster provide 9,000 direct jobs (4,000 and 5,000, respectively). Labor in the fisheries sector is relatively productive: although only 1.13% of the workforce is employed in fishing, (World Bank, 2005), shrimp exports alone comprise nearly 4% of GDP.

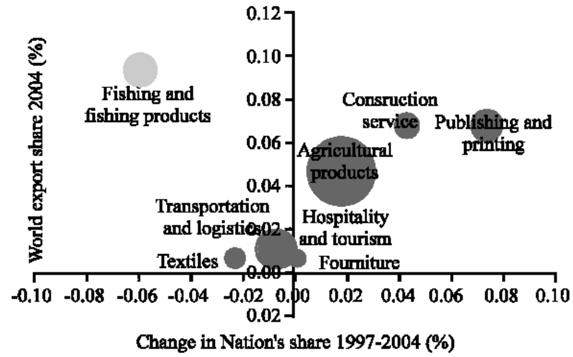


Fig. 5: Madagascar Exports Portfolio by cluster (Prof. Michael E. Porter, International Cluster Competitiveness Project, Institute for Strategy and Competitiveness, Harvard Business School; Richard Bryden, Project Director)

The textile cluster has been growing rapidly in recent years, but it exists largely within dedicated export-processing zones, is relatively unsophisticated and is completely dependent upon trade preferences for its success. It competes solely on the basis of cheap labor with other low-labor-cost countries and labor productivity in the cluster is low. Preferences were seriously eroded in 2005 with the expiration of the GATT Multi-Fiber Agreement; expiring provisions of the US African Growth and Opportunity Act in 2007 and 2015 are also likely to impact the cluster.

**Madagascar tourism national plan:** According to the Madagascar Naturally or Vina, the General Politic of the State for the culture and tourism has defined the following priorities:

- Revitalize the tourism sector.
- Fight against sexual tourism.
- Facilitate investments procedures.
- Elaborate the national politics of tourism.

The Document de Strategie de Réduction de la Pauvreté (Strategy of Poverty Reduction Document) has placed the tourism sector among the five main sectors as a leverage for the national economy to create jobs, reduce poverty and improve the population's standard of living. The Tourism Master Plan demonstrates how unfavorable conditions today can be transformed into real opportunities and strengths in the future.

The politic of the Ministry of Transportation and Tourism aims to sustain the growth in the sector, while managing the consequences and the evolution in the short, mid and long terms. Tourism plays a very important role in the fight against poverty: it generates wealth by creating accommodation facilities and jobs; it also contributes to the State's fiscal earnings. It is then important to support its development not only in the international arena but also in the domestic part. Make tourism leverage to a sustainable development with direct benefits for the community whilst preserving the environment.

The development of the tourism activities must be achieved in respect to the laws in order to:

- Preserve the cultural and natural patrimony of the country.
- Assure the durability of its exploitation in the tourism area.
- Develop human and institutional capabilities in consideration of the cultural development.
- Reorganize and increase tourism revenue for all concerned actors.
- Encourage the upturn of the tourism sector.
- Promote the destination Madagascar.

To achieve these goals, the following strategy has been adopted:

- Promote a system of human and material securitization.
- Promote a large basis of economic growth.
- Create rural areas dedicated to tourism on the main tourist sites.
- Exploit the impact of the DreamWorks' movie Madagascar" in the promotion.

Madagascar has an enormous potential to attract the special interest market which is booming (circuits, culture and sites, sport and adventures). In the long term, business tourism will increase the product diversity. This segment will present numerous job opportunities and will be a source of revenue. The national tourism, as a new type of tourism to be developed in Madagascar, will contribute to local communities' development.

**Government measures to promote investment in tourism in Madagascar:** Conscious of the growth of the world tourism market and the potential growing of tourism cluster in Madagascar, the government offer investment opportunity in the sector. The number of tourists reached 311,700 in 2006; this number increased by 94.73% within 6 years and reflects the exceptional potential of the sector in Madagascar. However, this important figure of the demand needs to be supported by an adequate supply especially in terms of quality and number of accommodations. Having an uncommon touristic capital that makes it quite competitive, the country offers a great investment opportunity in the sector.

The government has taken measures to promote investments in tourism in Madagascar. It consists of:

- The possibility for foreign investors to acquire lands. In the tourism sector, investment of USD 500,000 or more, the maximum surface is 25,000 $m^2$ or 2.5 ha. Derogations can be given depending on the importance of the investment.
- The creation of the Economic Development Board of Madagascar (EDBM) which has the mission to conceive and coordinate the implementation of the national politics in terms of foreign investments in Madagascar and its impacts on the economic, trade and social fields. The EDBM aims to facilitate and accelerate the treatment of the investments projects in the tourism sector: shortened time of files treatment to 04 days from the application date and significantly facilitated procedures.
- The reorganization of the exploitation of the State hotels. The reorganization consists of: transferring the management and exploitation to development-oriented professionals and establishment of a hotel with an international standard.
- The establishment of the RFT (Tourism Land Reserves) to facilitate and securitize the tourism investors access to lands. TLRs main goals are: to facilitate land access for a total land securitization; to assure a sustainable tourism development; to contribute to the development of suburban zones in fighting against poverty.

**Public-private tourism Institute For Collaboration (IFC) to promote the cluster:** The Office National du Tourisme de Madagascar (ONTM) or Madagascar National office of Tourism is an association recognized of public utility according to the decree N° 2004-863 the 17/09/2004. It is a platform of dialogue of the private operators and playing the interface between the Public Administration and the private sector. ONTM has mission to develop the image of Madagascar and to improve notoriety of Madagascar like tourist destination, to ensure the promotion of the Madagascar destination and to increase the tourist flows and receipts. Its principal resources are: fiscal tax by room and night; financial supports of partners principally EU and its proper activities. Although, the government has considered disengaging from this to allow industry to work alone and although ONTM is charged with tourism promotion, it has no funds to carry out this destination promotion internationally like paying an assertion in international large coverage magazine or assisting an international fair and saloon of tourism.

Created at the end of the General meeting Constitutive of September 12, 2002, GO TO MADAGASCAR or Groupement des Operateurs TOuristiques de MADAGASCAR is a duties professional organization, which regroup its members around the same objectives: to defend the interests of the sector, to give a quality control label to the profession and to respect the rules of deontology and ethics. GO TO MADAGASCAR calls upon the engagement of its members; not simply financial commitments, but a real technical and intellectual implication. GO TO MADAGASCAR brings together all the professionals recognized in their trade, without distinction, actors in the development of tourism in Madagascar. Go TO MADAGASCAR have participated many workshop with neighbors like South Africa, Mauritius and Reunion.

## CONCLUSION AND RECOMMENDATIONS

Tourism to Madagascar has grown rapidly in recent years, but the tourism cluster remains in its early stages of development. Madagascar is regarded in the travel community as a wild, adventurous and undeveloped destination, with poor infrastructure for visitors. Nevertheless, investment in the cluster is growing quickly, including construction of new hotels. Public-private tourism Institute For Collaboration (IFC) has been created ONTM and GO TO MADAGASCAR, although the government has considered disengaging from this to allow industry to work alone and although ONTM is charged with tourism promotion, it has no funds to carry this out. It has recommended creating clusters of excellence to improve competitiveness.

The growth of the tourism cluster presents a unique opportunity for the other clusters. A considerable number of the tourists are attracted by the country's unique flora and fauna and so form a ripe market for food products or other packages that are branded as eco-friendly. Co-marketing initiatives could expose tourists to the quality of Malagasy other products, seeding foreign markets when these consumers return to their home countries.

To upgrade, Madagascar should target high-end tourists from specific country markets and sub-segment to select the most appropriate or profitable customer segments for the cluster. Madagascar should identify discrete and profitable psychographic segments beyond income and location, e.g., Honeymooners, Extreme Vacationers, Total Experience, Regionally based expatriates, etc. Create a unique targeted value proposition for each of the selected segments and tailor marketing messaging and channel partner work accordingly.

To improve packaging options, further increase length of stay and draw niche premium travelers, develop options and attractions outside game reserves and beaches in the form of cultural and archaeological activities. These new products could be marketed to tour operators through site visits, international tourist fairs and travel literature.

Government should support ONTM to market multiple in-country destinations awareness to potential tourists by developing an international marketing campaign, showcasing complementary activities at international tourism fairs and advertising complementary activities at popular sites.

Madagascar should create incentive programs for training to stimulate demand from private enterprises. These would include voucher schemes providing partial payment, improvements in existing training institutes' curricula and the creation of specialized schools developed with the larger hotels and tour operators. The government should also improve access to business education through partnerships with foreign universities or by developing a reputable business school in Madagascar.

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