



Surviving or Thriving ?

The study "SURVIVING OR THRIVING: Efficiency level of generation units and Its Determinants in Madagascar: a heterogeneous sector" has shown that the current efficiency level of informal production units in Madagascar are still very low. With the same factors of production they are currently using, they could increase by more than 60% of their production level. On the one hand, too narrow market dominated by low household purchasing power is the main obstacles to the development of these activities. On one side, supply constraints such as difficult access to credit and lack of training affect negatively the efficiency level.

- Given this significant potential for growth, the informal production units deserve specific development policies to promote their activities and improve employment both in quality and quantity. Efforts should ensure to improve demand conditions in order to increase efficiency and production levels.
- Encourage the grouping of operators in this sector to expand opportunities by enhancing the image and credibility of their products, increasing their capacity to meet large orders, facilitating the negotiation and integration in formal networks (domestic market and direct export), ensuring good management of competition through the establishment of mutual trust and reduction of transaction costs
- Promote income redistribution biased toward the poor (tax policy, social policy, agricultural development policy), principal Informal Sector's product applicants
- Target private investment toward specific sectors in order to limit competition between the formal and the informal sector and to make them more complementary
- Promote the integration of micro-enterprises in the internal and external value chains by directing investment towards Informal Sector products' applicants channels, developing preferential purchasing and subcontracting and establishing stronger direct links with formal sector and government institutions
- Focus on targeted training, appropriate technology and selective granting microcredits programs to improve product quality and promote new products and innovations. They must be based on sectorial analyses of development potential and market saturation levels.



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