INVESTOR'S GUIDE

MADAGASCAR

INITIATIVE EMERGENCE MADAGASCAR

EDBM

His Excellency

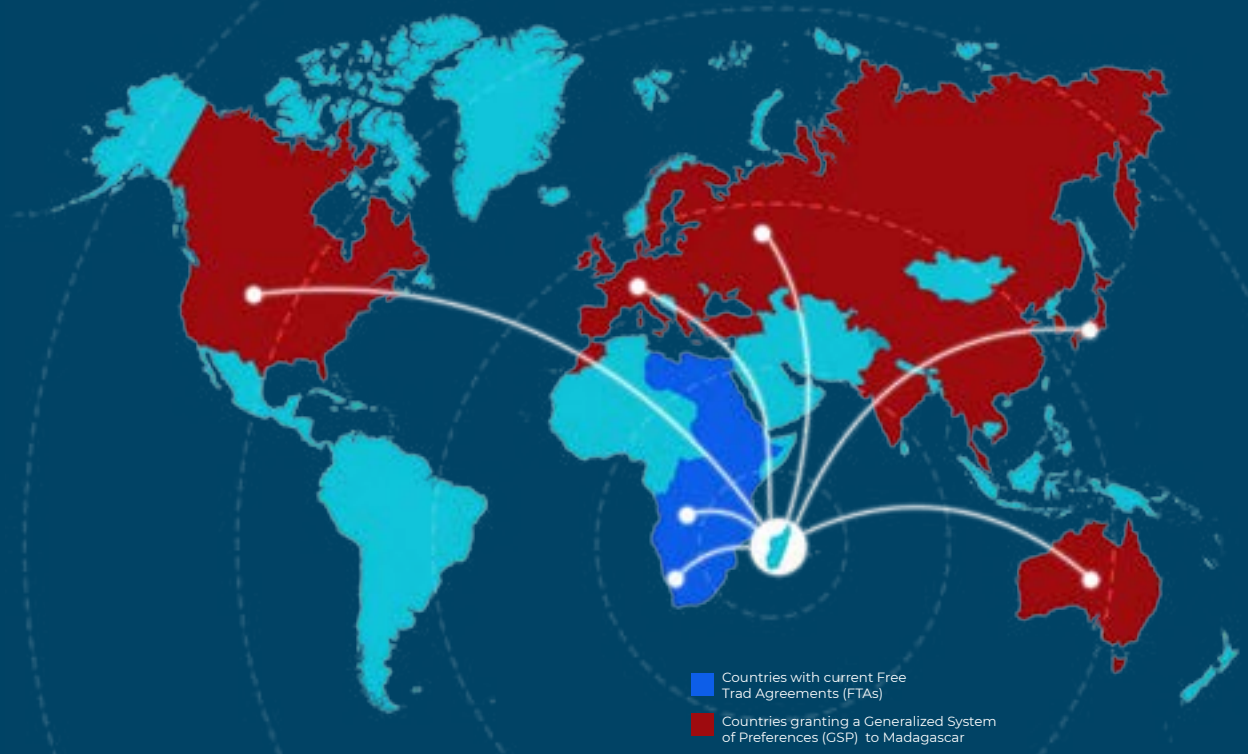
Andry Nirina RAJOELINA

President of the Republic of Madagascar

“Aware of the delay suffered by Madagascar for over 50 years, we have to recognize that the development long-awaited and hoped for by the population has not yet been forthcoming.

That is why I founded the INITIATIVE for the EMERGENCE of MADAGASCAR (IEM), which will be a platform for consultation bringing together national and international experts, committed personalities, strategic and financial partners, investment funds as well as all people of goodwill, with a view to providing concrete solutions to each problem.

I.E.M. will bring key ideas, major projects,real growth drivers, for the development ofkey sectors of the economy impacting thestandard of living of the population, in orderto transform our vision into action.We are all convinced that Madagascar is a landfull of opportunities, and that its people deserve a better future.Together, we will make possible the Emergence of Madagascar. »”



A STRATEGIC HUB FOR YOUR BUSINESS

Centrally positionned and connected with major global economies

+50 COUNTRIES

Current Free Trade Agreements (FTAs) and Generalized System of Preferences (GSP) granted to Madagascar

+600 MILLION

Potential consumers in 34 African countries

PREFERENTIAL CUSTOMS ARRANGEMENTS FACILITATING ACCESS TO US AND EUROPEAN UNION MARKETS.

7 REASONS TO INVEST IN MADAGASCAR

1. POTENTIAL ACCESS TO A GLOBAL MARKET OF MORE THAN 600 MILLION CONSUMERS IN 34 AFRICAN COUNTRIES THROUGH STRATEGIC POSITIONING AT THE GATES OF AFRICA

Madagascar is a member of the SADC (Southern African Development Community), the Common Market for Eastern and Southern Africa (COMESA), the Indian Ocean Commission (IOC) and the Indian Ocean Rim Association (IORA), regional free trade organizations totaling more than 600 million potential consumers. Investing in Madagascar will give investors access - in addition to the competitive advantages of the country - to these high-potential free trade zones. In July, Madagascar signed the Tripartite Free Trade Agreement (TFTA), which combines SADC, COMESA, and the East African Community (EAC), which included 57% of the total African population.

2. PREFERENTIAL CUSTOMS ARRANGEMENTS TO FACILITATE ACCESS TO US AND EUROPEAN MARKETS

The eligibility of Madagascar to the African Growth and Opportunities Act (AGOA) with the United States and the signing of the EPA (Economic Partnership Agreement) with the European Union allow companies in the country to export to these markets without customs duties. This is reflected in a strong trade dynamic between Madagascar and the two countries, with Madagascar exports to the United states amounting 624 million USD in 2018 and to the European Union 1.17 billion USD.

3. MULTIPLE INVESTMENT OPPORTUNITIES IN HIGH POTENTIAL AREAS

Through a bold sectoral strategy geared towards promoting sectors with strong comparative advantages, Madagascar offers a range of opportunities in tourism, agribusiness, mining, textiles, ICT, renewable energy, infrastructure.

4. COMPETITIVE FACTOR COST

Madagascar has many competitive advantages, including labor costs, the cost of electricity (0.07 US$/kWh with fixed premium 15.66 US$/kWh in 2018) and water (0.37 US$/m3 in 2018). For industrial use, lease price for industrial sites (2.00 US$/sqm/ month), availability of «natural» materials and inputs at low cost, ease of exploitation of resources (eg.: open pit mines, natural conditions for agriculture and infrastructure), etc. Also, investors can take advantage of the value of the Internet connection, which ranks second in terms of speed in Africa.

5. A LEGAL AND TAX FRAMEWORK FOR INVESTMENT

Madagascar is implementing significant legal, procedural and administrative reforms aimed at facilitating business practices and encouraging local and foreign investment. By 2016, more than 20 reforms have been implemented in the areas of business law, trade justice, import-export, business start-up, facilitation of credit, taxation, etc. Various laws favoring investments have been promulgated, in particular the Law on Free Zones and Companies, which allows freehold companies to benefit from exemptions from customs duties and VAT on imports ; and Income Taxes for the first 15 years.

6. COMMITMENT BY THE MALAGASY GOVERNMENT TO STRUCTURAL PROJECTS AFFECTING INFRASTRUCTURES AND RENEWABLE ENERGY SOURCES

Beyond the achievements of its own, the Malagasy Gouvernment relies on Public-Private Partnerships. Several ambitious infrastructure projects are being implemented in the telecommunications sector, with the installation of more than 12,000 km of fiber optic network over 14,000km of radiorelay networks. The energy sector includes several projects for the construction of hydroelectric power plants, including Volobe's 500 million US$, generating 110 MW. The next stage of the creation of Special Economic Zones, one dedicated specifically to the textile industry (an integrated industrial zone of + 100ha) will favor the construction of infrastructures necessary for the emergence of growth poles.

7. AN ISLAND RICH IN NATURAL RESOURCES

Madagascar is endowed with potential mining, agricultural, energy, fisheries. Particularly dense and varied, which only need to be exploited. The uniqueness and richness of its biodiversity (the biodiversity rate is 90% (# 1 in Africa), and the endemicity rate is the highest in the world) are also an asset for tourism investments.

I. MADAGASCAR

POLITICAL SYSTEM
Republic with semi-Parliamentary double command regime.Multiparty.

RELIGIONS
Christianity (41%)
Traditional religion (52%)
Islam (7%)

WEATHER CONDITIONS
May to October : winter
(15 to 26°C in the coastal regions and 4 to 20°C in the central)

November to April : summer
(20 to 37°C in the coastal regions and 15 to 30°C in the central)

OFFICIAL NAME
Madagascar

COUNTRY'S AREA
587 041 sqm

OFFICIAL LANGUAGES
-Malagasy-
-Français-

TELEPHONE CODE
+261

MAIN EXPORTS
Textiles, mining products, fishproducts, annuity products (vanilla, cloves,...)

CURRENCY
Ariary (MGA)

25.5 MILLION
inhabitants
(est., World Bank, 2017)

TIME ZONE
EAT (UTC +3)

II. ECONOMIC AND SOCIAL CONTEXT

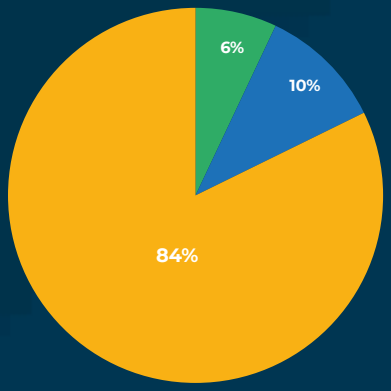
1. ECONOMIC ENVIRONMENT

Major macroeconomic aggregates (2016-2017)

	2016	2017
GNI PER CAPITA	US $ 400	
GDP GROWTH	4.2%	4.1%
INFLATION RATE (AVERAGE ANNUAL VARIATION)	7%	8.3%
FDI FLOWS (US $ million)	451	389
FDI STOCKS (US $ million)	5 582	6 582

Source : World Bank

SECTOR BREAKDOWN (2017)



Source : UNCTAD (2017)

COMPANIES CREATED AT EDBM

2016	2017	2018
1 066	1 343	1 348

+21%

*Greenfield investments correspond to the creation of subsidiaries ex-nihilo by the parent company.
** Gross fixed capital formation (GFCF) is an indicator measuring the sum of investments, mainly material, made during a year.

2. TRADE

TOP 5 MAIN PRODUCTS EXPORTED AND IMPORTED BY MADAGASCAR :

EXPORTED PRODUCTS 2018

- VANILA **855**
- TEXTILE **487**
- Nickel **428**
- Cobalt **226**
- CLOVES **149**
- OTHERS **853**

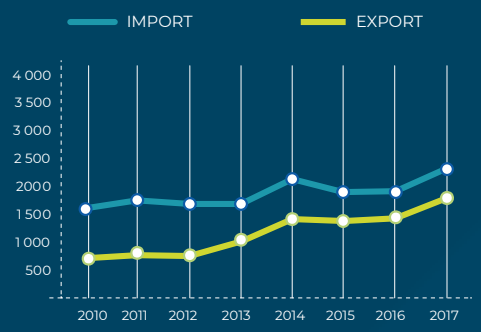
TOTAL 2 998

IMPORTED PRODUCTS 2018

- MINERAL FUELS AND MINERAL OILS **682**
- ELECTRICAL MACHINERY AND EQUIPMENT **190.1**
- MACHINERY AND MECHANICAL APPLIANCES **316**
- CEREALS **246**
- VEHICLES **245**
- OTHERS **2 228**

TOTAL 3 927

EVOLUTION OF IMPORT-EXPORT
(MADAGASCAR & WORLD) US$ M



Malagasy goods exports doubled from 2010 to 2017. This increase was due to growth in several sectors : apparel, agriculture, mining, etc.

Source : UNCOMTRAD

MADAGASCAR'S PRODUCTS WITH POTENTIAL

3. INFRASTRUCTURES

JIRAMA (Jiro sy Rano Malagasy or Malagasy water and electricity) is the major water and electricity supply company in Madagascar, but there are three other dealers. Regulation, control and monitoring of the sector are provided by ORE (Office de Régulation de l'Electricité or Electricity Regulation Office).

ELECTRICITY (FOR LONG USE IN 2018)

15.66 US$	0.07 US$	64.17 USD/kWh
Fixed premium	Energy price	Royality fee (monthly)

WATER 2018

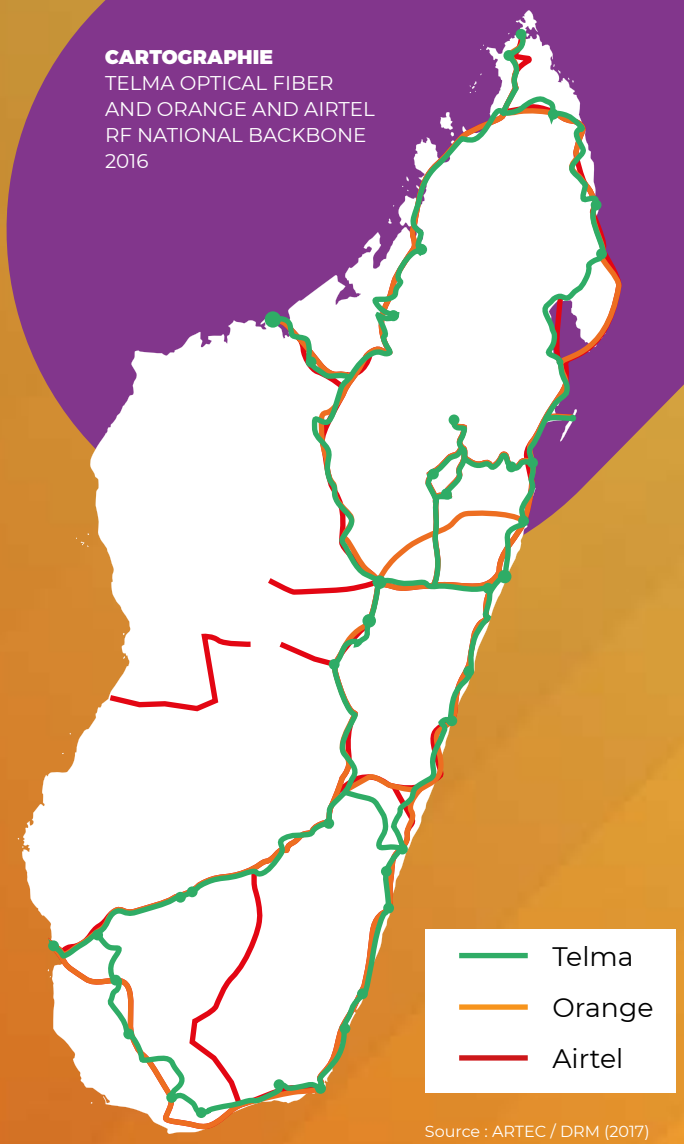
Small consumer ≤ 1000 m3	
1st installment < 10m³ /month	0.13 US$/m³
2nd installment > 10m³ /month	0.35 US$/m³
Large consumer > 1000m3	0.37 US$/m³

TELECOMMUNICATION

The market for mobile telephony and Internet are growing. If the mobile phone industry had 9 426 996 subscribers in 2016 (1 045 888 in 2006), the one for internet has 1 491 186 subscribers (10 742 in 2006).

Four operators are present in this sector: Telma, Orange, Airtel and Blueline. The ARTEC (Autorité de Régulation des Technologies de Communication or Regulatory Authority for Communication Technologies) ensures the regulation, control and monitoring of telecommunications

- Telephone coverage rate : **86%**
- Mobile telephony penetration rate : **39.89%**
- Internet penetration rate : **6.30%**



CARTOGRAPHIE
TELMA OPTICAL FIBER AND ORANGE AND AIRTEL RF NATIONAL BACKBONE 2016

Source : ARTEC / DRM (2017)

LONG-HAUL CONNECTIONS

AIR TRANSPORT

9 INTERNATIONAL AIRLINES

serve Madagascar with regular, direct flights to 10 countries across 3 continents.

Long Haul fligths

- Ethiopian Airlines
- Kenya Airways
- Turkish Airlines
- South Africa Airways
- Air Austral
- Air France
- Air Madagascar
- Neos S.p.A
- Meridiana

Regional flights

- Ethiopian Airlines
- Madagasikara Airways
- Air Madagascar
- Ewa Air
- Air Mauritius
- Ab Aviation
- Air Austral
- South Africa Airways

Domestic flights

- Madagasikara Airways
- Air Madagascar
- Civair
- Sky Services

There are 12 airports, of which 6 are international which can accomodate variety of large commercial aircraft including Airbus and Boeing.

SEA AND RIVER TRANSPORT

11 SEAPORTS IN MADAGASCAR

including 5 container terminals. The first port of entry is Toamasina then the other ports of national interest like Taolagnaro, Toliara, Mahajanga, and Antsiranana.
The secondary ports are: Nosy-Be, Antsiranana, Manakara, Mananjary, Morondava, Vohémar.

Ehoala port in Taolagnaro is the second deepwater port in the Indian Ocean region. It has modern infrastructures and facilities, with ISO 9001 and 14001 certification and has the ISPS (International Ship and Port Security) safety standard.

The APMF (Agence Portuaire, Maritime et Fluviale) is the authority responsible for the regulation of the port, sea and river subsector in the Big Island.

5. FINANCIAL SECTOR

EXCHANGE REGULATIONS

Any natural or legal person, whether resident or not, is authorized to open an account in foreign currency on the books of the local primary banks.

An account in foreign currency can be fed either by transfers received directly from the foreigner, or by payments in travelers' check or bank. Payments in cash shall be made in accordance with the laws and regulations in force.

The currencies paid must be convertible and acceptable by the banks. Currency accounts must not be credited by Ariary.

FREEDOM OF TRANSFER

Foreign investors are allowed to transfer freely without prior authorization all payments relating to current transactions, including after-tax profits, dividends, salary income, allowances and savings of expatriate employees.

Capital and financial transactions such as the sale of shares, shares, business or assets, liquidation bonus shares, expropriation allowances are free but must be submitted to the Ministry of Finance.

Such transfers may be made only through authorized intermediaries.

Decree No. 2009-048 of January 12th 2009 implementing Law No. 2006-008 of August 2nd 2006 on the Exchange Code.

6. HUMAN RESOURCES

- **13.4 million**
  Working population in 2018
- **32 years**
  Average age
- **1.7 %**
  Unemployment rate

Source : ILO, 2018

AVERAGE MONTHLY WAGES :

1 **2000** US$
SENIOR MANAGER
per month + benefit

2 **1000** US$
MIDDLE MANAGER
per month + benefit

2 **600** US$
SENIOR MANAGER
per month

3 **200** US$
GRADUATE ENTRY, JUNIOR
per month

4 **100** US$
SHOP ASSISTANT, DRIVER, SECURITY GUARD
per month

5 **75** US$
UNSKILLED LABOUR
per month

Wages depends on the sector and on the company.

LIVING IN MADAGASCAR

COST OF LIVING

ESTIMATE	BUDGET
Accomodation (2-ars to 5 stars) (US$/day/person)	20-200
Catering (US$/day/person)	6-15
Rent a car (US$/day, Fuel not included)	26-67
Diesel/Petrol (US$/l)	1.2
Taxi-trip in city centre (US$/trip)	1.6-5
Taxi-trip city centre to Ivato international airport (US$/ about 15km)	16
Internet (US$/200 Gb)	60
Communication (US$/s)	0.002

Currency 1 USD = around 3,400 MGA

USUAL OPENING HOURS

Administration from **8AM** to **4PM**
Shop from **9AM** to **6PM**

PUBLIC HOLIDAY

January 01st (New Year's Day)
March 08th (only for women)
March 29th (Commemoration of the events in 1947)
Easter Monday
May 01st (Labor Day)
Ascension Day
Whit Monday
June 26th (Independance Day)
August 15th (Assumption Day)
November 1st (All Saints Day)
December 25th (Christmas)

CULTURE

FESTIVAL	LOCATION	
Sambatra Mananjary (circumcision)	Mananjary	Every 7 years (2021 for next event)
Festival Donia	Nosy Be	May-June
Famadihana (exhumation)	Throughout the country	June-October
Festival des baleines	Sainte-Marie	July
Madajazzcar	Antananarivo	October

III. POTENTIAL INVESTMENT SECTOR

1. AGRIBUSINESS

Madagascar has 30 million hectares of agricultural land, but only about 10% is used. Physical conditions (soil, weather) make it possible to cultivate several types of temperate and tropical products.

The majority of growing areas are only 200km from a major port, unlike many parts of Africa. Major ports are in theprocess of upgrades.

Wages, land and water costs are very competitive at a global level.

Existing processors and cooperatives have local knowledge and expertise, making them ideal for joint ventures to boost production & exports. Underutilised areas can be madeavailable for new plantations.

Most regions have the capacity to use hydro, solar, wind or biomass for self-power generation for processing power.

The Madagascar brand commands a premium for agricultural goods, perfect for gaining a foothold in the organic product market.

2. TOURISM

90%
Highest rate of endemic species in the world

3
The most World Heritage sites in the Indian Ocean region

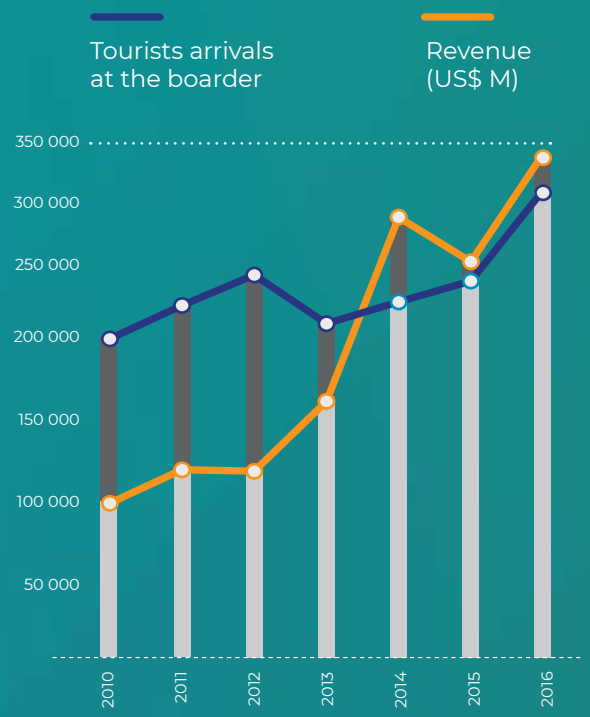
A variety of **landscapes, climates and ecological subsystems.**

Cultural, sustainable and inclusive tourism.

Unique **Asian-African art and culture.**

Potential for development of eco-lodges and luxury resorts.

Tourist numbers are growing at 20% per year.



3. MINING

Diversity of the wealth of the Malagasy subsoil allowing the exploitation of various types of products in a sustainable way: precious stones, minerals, petrol, etc.

Investment protection and guarantee of stability.

Legal, tax and customs advantageous for investors who opted for The Law on Large Scale Mining Investments, concerning companies with an investment of 25 million and above, grants mining operators fiscal benefits.

The first African country to have set up the mining cadastre system (The Bureau de Cadastre Minier de Madagascar was established in 2000).

Member of the EITI (Extractive Industries Transparency Initiative) process.

4. ITC

A booming infrastructure network connecting Madagascar to the rest of the world by submarine fiber optics:

- Cable EASSy connecting 9 countries (available capacity of 166 STM-1, 10,500 km long).
- Cable LION 1&2 linking respectively 3 and 2 countries (capacity of 16 STM-1).
- Cable FLY/LION 3 securing EASSy and LION (in process).

Very short time difference beneficial for call centers: 1 to 2 hours to major European countries.

Qualified and talented workforce speaking French language without accent and other foreign languages (English, Spanish, German, Italian, ...).

Supply of well-educated IT experts, more than 500 new engineers and technicians per year.

5. LIGHT INDUSTRY

An important local resource supply base for the development of the spinning and weaving operations world class, the plant-based fiber products or other processed products of vegetable and/or animal origin, etc.

A competitive labor cost for 100 US $/month.

Recognized expertise: a highly skilled workforce with a reputation of exceptional dexterity and productivity.

An attractive geographic location nearby other business platforms in Mauritius and South Africa, facilitating access to expertise, inputs and logistical support for export.

Port (Toamasina, Port Ehoala, etc.) and Airport (Antananarivo, Nosy Be, Taolagnaro, etc.) infrastructure facilitating shipments.

Preferential access to regional and international markets (COMESA, IOC, EBA / EPA, SADC, IORA, etc).

A pool of potential partners such as representative and effective groups and professional associations (GEM, SIM, GEFP, FIVMPAMA, FCCIM, CCIFM, etc.).

Incentive Plan of Free Zones and Companies with tax and customs exemptions.

6. RENEWABLE ENERGIES

Demand currently exceeds supply:
23% of the population have access to electricity.
Madagascar's 3 grids need to be connected.
Great potential to supply rural areas with hydro, solar and wind power.

Geographical situation:

- Sunny days of 2,800 h/year providing an average of 2,000 kWh/sqm/year.
- At 50 m high, a sufficient wind force reaches a speed of 6 to 8 m/s in the North, 6 to 6,5 m/s in the centre and of 8 to 9 m/s in the southernmost part.

Recent legal and institutional reforms have opened up the sector for private investments.

IV. LEGAL AND REGULATORY FRAMEWORK

ACCOUNTING AND TAXES

In terms of accounting, the General Chart of Accounts 2005 complying with IAS-IFRS is used for bookkeeping.

Taxation is governed by the General Tax Code following the annual finance law.

Taxation in general

There are three tax regimes for taxpayers:

Real regime :

Turnover > 100,000,000 Ariary

➡ Subject to income tax (IT) and Value Added Tax (VAT)

Simplified real regime :

20,000,000 Ariary < Turnover < 200,000,000 Ariary

➡ Subject to income tax (IT)

Synthetic tax regime :

Turnover < or = 100,000,000 Ariary

➡ Subject to synthetic tax

The main types of taxes are:

Income tax (IT) | 22%

It is established according to the incomeor results achieved during the year with a perception of bi-monthly or half-yearly installments. The rate is fixed at 22% and the declaration must be made annually :

- Before May 15th of the following year if the year end is December 31st
- Before November 15th of the same year if the year end is June 30th
- Within 4 months following the month of the completion of turnover or the acquisition of gross income or gain for all other cases

Synthetic tax (ST) | 5%

It is established according to the turnover, income or gains in a year with payment of half-yearly installments. The rate is 5% and must be reported annually, more precisely, by March 31st of the year following the year of the realization of turnover or the acquisition of gross income or gain for all other cases.

Tax on revenues of movable capital (TRMC) | 20%

It applies to income from movable assets (interest, income and all other income from bonds and loans, etc.). The rate is 20% and its statement must be done annually :

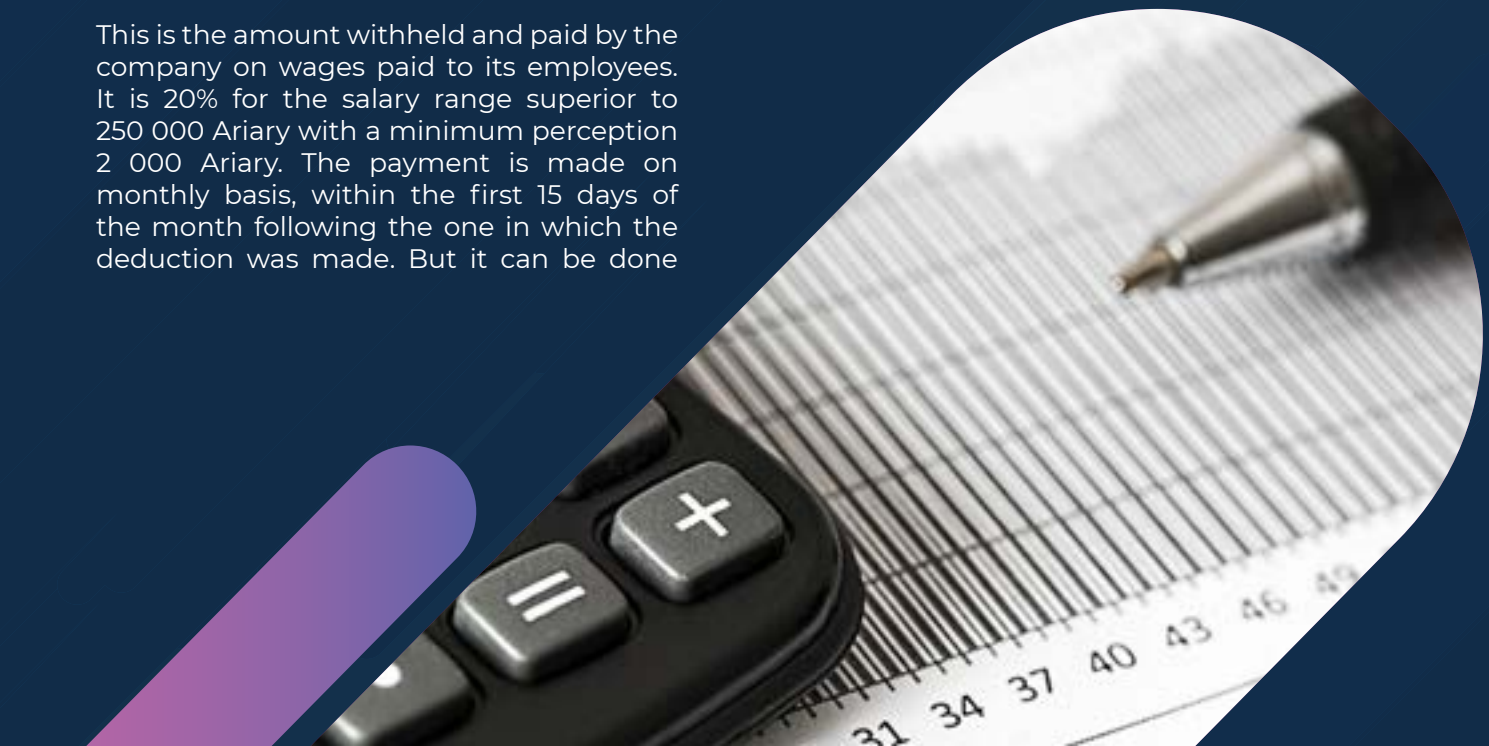
- Before May 15th of the following year if the year end is December 31st
- Before November 15th of the same year if the year end is June 30th

Tax on income and wage-related (IRSA) | 20%

This is the amount withheld and paid by the company on wages paid to its employees. It is 20% for the salary range superior to 250 000 Ariary with a minimum perception 2 000 Ariary. The payment is made on monthly basis, within the first 15 days of the month following the one in which the deduction was made. But it can be done every six months for taxpayers subject to ST or simplified real not opting for VAT registration within the first 15 days of the month following the expiration of the semester.

Value Added Tax (VAT) | 20%

It is determined according to the margins or added values achieved by the firm during the monthly period. It is 20% and must be reported no later than the 15th day of the month following the tax period.



INVESTMENT LAW

(LAW 2007-36 OF JANUARY 14TH 2008) :

1 100% shares for foreigners

2 Freedom to invest for all nationalities and sectors

3 Freedom to transfer profits, dividends, wages, savings

4 Freedom to recruit and dismiss foreign employees

CORPORATE LAW

(LAW 2014-010 OF AUGUST 21ST 2014) :

Registered companies in the Commercial and Companies Register must have Tax and Statistic Cards Accounts. These comply with International Standards

Familiar forms of company: LLC (GmBH): SARLU, SARL, SA.

Social capital and nominal value of shares are freely determined by statutes for SARLU and SARL

FREE ZONE AND COMPANIES LAW

(LAW 2007-037 OF JANUARY 14TH 2008) :

Exporting at least 95% of production
Income tax rate :

- 5 years' exemptions for industrial firms engaged in processing and intensive production, then 10%
- 2 years' exemption for service sector companies, then 10%
- 15 years' exemption for all other types of free zone company, then 10%

Exemptions from custom tax and VAT on imports on all inputs (equipments, raw materials, construction materials, ...)

LABOUR LAW

(LAW 2003-44 OF JULY 28TH 2004):

40 hrs of work in a week.

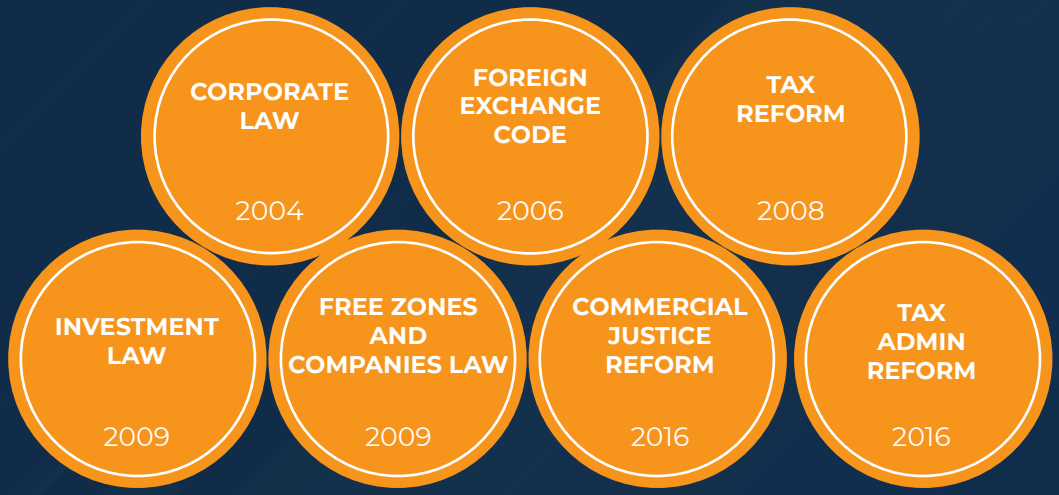
24 hrs consecutive weekly rest.

2.5 days of paid leave per month of actual work.

No quota for foreign employees.

Foreigners must have a work permit.

MAJORREFORMS



USEFUL LINKS

PRESIDENCY OF THE REPUBLIC OF MADAGASCAR
www.presidence.gov.mg

PRIME MINISTRY'S OFFICE
www.primature.gov.mg

MINISTRY OF FOREIGN AFFAIRS
www.mae-gov.mg

MINISTRY OF POSTS, TELECOMMUNICATIONS AND DIGITAL DEVELOPMENT
www.mptdn.gov.mg

MINISTRY OF ECONOMY AND FINANCE
www.mefb.gov.mg

MINISTRY OF TERRITORIAL PLANNING, HOUSING AND PUBLIC WORKS:
www.mepate.gov.mg

MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES
www.maep.gov.mg
www.peche.gov.mg

MINISTRY OF ENERGY, WATER AND HYDROCARBONS:
www.mineau.gov.mg

MINISTRY OF MINES AND STRATEGIC RESOURCES
www.mmp.gov.mg

MINISTRY OF TRANSPORT, TOURISM AND METEOROLOGY
www.tourisme.gov.mg

MINISTRY OF INDUSTRY, TRADE AND HANDICRAFTS:
www.industrie.gov.mg

CENTRAL BANK OF MADAGASCAR
www.banque-centrale.mg

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ECONOMIC DEVELOPMENT
BOARD OF MADAGASCAR

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