

# INVEST IN MADAGASCAR



# Message from

His Excellency  
**Andry Rajoelina,**  
President of the Republic of Madagascar

«Fully aware that Madagascar has been lagging behind for over 50 years now, one has to admit that the development long-awaited and hoped for by the population is still slow in coming.

Through an ambitious vision, targeting the development of all Malagasy people, in all regions, we will now be focusing on implementing flagship programs and major projects that will foster economic growth. The development of key economic sectors will have a major impact on people's living standards.

We believe that Madagascar is an island full of opportunities and that its people deserve a better future. Together, we will make the Emergence of Madagascar comes true.»



# Welcome to Madagascar

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# 7 reasons to invest in Madagascar

## 1. Ideally located at the gates of Africa and in the heart of the Indian Ocean, gives access to 900 million potential consumers.



As a member of the Southern African Development Community (SADC), the Common Market for Eastern and Southern Africa (COMESA), the Indian Ocean Commission (IOC) and the Indian Ocean Rim Association (IORA), Madagascar has access to more than 900 million consumers.

## 2. Access to U.S. and European markets through preferential market access



Madagascar's eligibility for the African Growth and Opportunities Act (AGOA) with the United States and the signing of the Economic Partnership Agreement (EPA) with the European Union enable the country's companies to export to these markets without customs duties. Reflecting trade dynamism between the Big Island and these two zones, exports to the United States amounted to USD 513 million in 2019 and USD796 million to the European Union.

## 3. Versatility of investment opportunities thanks to high-potential areas



Thanks to an ambitious sectoral strategy, oriented towards promoting sectors with strong competitive advantages, Madagascar offers a wide range of opportunities in tourism, agribusiness, mining, textiles, ICT, renewable energies, infrastructure...

## 4. Competitive establishment costs



Benefiting from numerous cost advantages, investing in Madagascar gives access to multiple exclusive competitive factors. Skilled labour at a competitive cost, electricity at 0.07 USD/kWh with a fixed premium of 15.66 USD/kWh and running water at 0.37 USD/m<sup>3</sup> allow for significant savings on investments. Moreover, land rental is only 2.00 USD/m<sup>2</sup>/month for industrial use, along with low-cost materials and natural inputs. In addition, the facilitation of resource exploitation (e.g. open-pit mining, farming and infrastructure) and internet speed (number one in Africa\*) add to the many incentives to attract FDI.

## 5. Legal and fiscal frameworks that foster investment



Madagascar is currently overhauling its legal framework for investment, notably through the reform of Law No. 2007-036 of January 14, 2008, on investment in Madagascar, which is being adopted by the Government and Parliament. The new legislation will incorporate the principles of freedom of investment, equal treatment of all investors, fair and equitable treatment, protection of property rights and freedom of transfer.

- **Digitalizing the process of company creation:**

in collaboration with every stakeholders including public institutions and technical and financial partners, EDBM is currently reforming its one-stop shop in order to reach the zero paperwork objective the objective of «zero paperwork» throughout the entire process of business registration (companies and sole proprietorships) and to set up a unique identifier for each business. The first version of the online business registration platform will be operational in the first quarter of 2021.

- **Digitalizing for issuing building permits at the level of the Urban Commune of Antananarivo:**

EDBM is working closely with the Urban Commune of Antananarivo, the Ministry of territory planning and Public Works as well as JIRAMA with a view to modernizing the one-stop shop dedicated to issuing building permits at the municipal level.

## 6. The Malagasy Government is committed to structural projects related to infrastructure and renewable energy sources.



Beyond its achievements, the Malagasy state relies on public-private partnerships. Ambitious infrastructure projects are already underway in telecommunications by installing more than 12,000 km optic fiber network over 14.000 km of radio relay networks. In addition, energy projects are focusing on the construction of hydroelectric power plants such as Volobe, financed by a US grant of USD 500 million, to reach 110 MW of power. The next step will be the development of infrastructure necessary for the emergence of growth poles. Economic investment zones, including dedicated specifically to textiles (an integrated industrial zone of more than 100 ha) will be created.

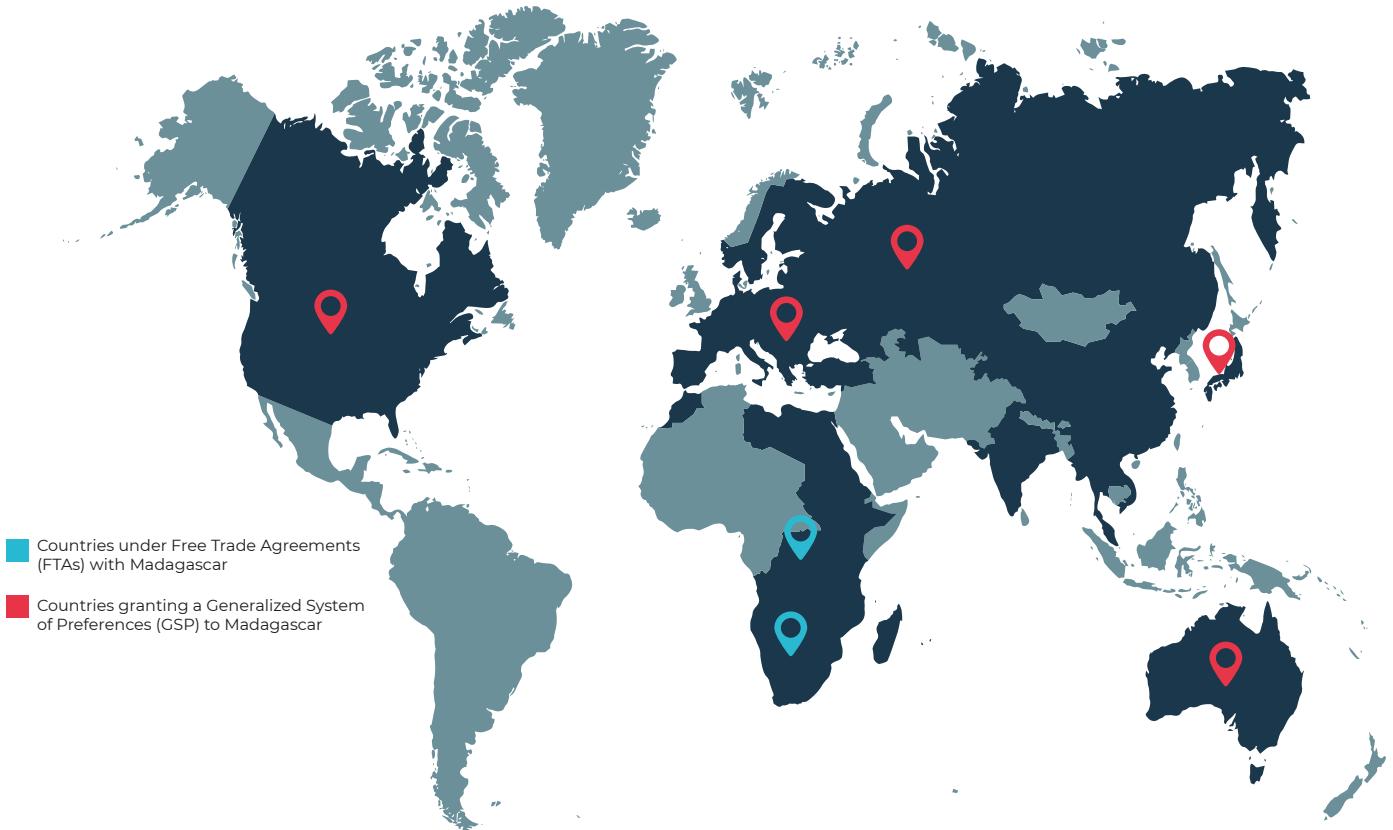
## 7. Unrivalled natural resources



Madagascar offers a particularly dense and varied array of agricultural, mining, energy and fishing potential. Its idyllic landscapes and its unique biodiversity (number one in the world in terms of endemism and number one in Africa in terms of biodiversity) are major assets for tourism investments.

# Why Madagascar ?

Established in Madagascar, your company benefits from....



## A STRATEGIC HUB

for your company, positioned and connected to the core of the world's major economies.

**+50**  
COUNTRIES

Countries under Free Trade Agreements (FTAs) and Generalized System of Preferences (GSP).

**+900**  
MILLION

Potential consumers in 34 African countries

# Madagascar in brief

 **Area**  
587 041 km<sup>2</sup>

 **Phone code**  
+261

 **Official languages**  
Malagasy  
French

 **26.9 millions**  
inhabitants

 **Political system**  
Semi-parliamentary  
republic with a dual  
command

 **Religions**  
Christian **41%**,  
Traditional **52%**  
Muslim **7%**

 **Currency**  
Ariary (MGA)

 **Time Zone**  
GMT+03 : 00

 **Exports**  
Textiles,  
Mining products,  
Fishery products,  
Cash crops  
(vanilla, clove...)

 **Climate**  
May to October: winter (15 to 26°C on  
the coasts and 4 to 20°C in the center)  
November to October: summer  
(20 to 37°C on the coasts and 15 to 30°C  
in the center)



# Living in Madagascar



## Cost of living

Estimates	Budget
Accommodation (2 to 5 stars, USD/day/person)	20-200
Meals (USD/day/person)	6-15
Car Rental (USD/day fuel not included)	26-67
Diesel-Petrol (USD/l)	1.2
Cab ride downtown (USD/trip)	1.6-5
Cab ride from the city center to Ivato International Airport (USD/approx. 15km)	16
Internet (USD/200 Gb)	60
Phone call (USD/s)	0.002

\* 1 USD = 3,400 MGA



## Usual business hours

Administration offices: 8 am to 4 pm

Stores: 9 am to 6 pm





## Public Holidays

- January 1: New Year's Day
- March 8: International Women's Day (holiday only for women)
- March 29: Commemoration of March 29, 1947
- Easter Monday
- May 1: World Labor Day
- Ascension
- Whit Monday
- June 26: National Day
- August 15: Assumption
- November 1st: All Saints' Day
- December 25: Christmas



## Cultural events

### ANTANANARIVO

Madajazzcar: **October**

Alahamadibe: **October-March**  
(according to the lunar calendar)

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### MAHAJANGA

Fanompoambe: **July**

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### MANANJARY

Sambatra (circumcisions in Mananjary): **every 7 years**

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### NOSY BE

Donia Festival: **May-June**

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### SAINTE-MARIE

Whale Festival: **July**

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### ACROSS MADAGASCAR

Famadihana (exhumation): **June-October**

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# Financial Sector



## Exchange regulations

Any person or legal entity, resident or not, is authorized to open a foreign currency in local primary banksprimary banks. A foreign currency account may be funded either by transfers received directly from abroad or by payments in travelers' checks or bank accounts. Cash payments will be made in accordance with the laws and regulations in force. Foreign currency paid must be convertible and acceptable to banks. Foreign currency accounts must not be credited in Ariary.



## Freedom of transfer

Foreign investors are allowed to transfer freely and 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, business or assets, bonus shares for liquidation, expropriation indemnities are free of charge but must be submitted to the Ministry of Finance. Such transfers may only be made through authorized intermediaries.



# Economic environment

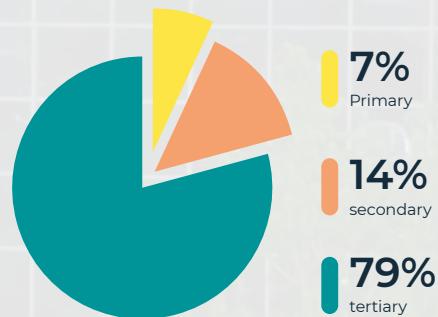
Main macroeconomic aggregates (2018-2019)

	2018	2019
GROSS NATIONAL INCOME PER CAPITA*	<b>476</b>	<b>484</b>
GDP GROWTH	<b>4.6%</b>	<b>4.8%</b>
INFLATION	<b>8.6%</b>	<b>5.63%</b>
FDI**	<b>353</b>	<b>227</b>
FDI STOCK**	<b>7 506</b>	<b>7 733</b>

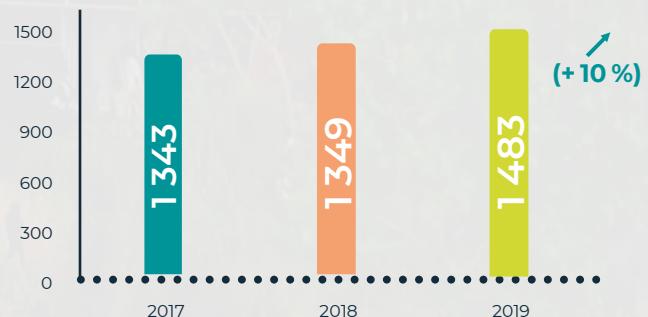
\*in USD \*\*in million USD



Breakdown by sector (2019)



Companies created through EDBM



Business district in Andraharo, Antananarivo  
(Analamanga Region)

# Human Resources

The Malagasy population is estimated at **26.9 million**. More than half of the population (**62.13%**) lives in rural areas and a smaller proportion (**37.87%**) lives in cities. The education system is aligned with that of France. Nearly half of the population is aged 15 and over (56.59% is aged 15 to 64).

**1.8 %**

Unemployment rate

**13.4 MILLIONS**

Labour force in 2018



**Average monthly salary**

**2 000 USD**

**Executive Officer**  
per month + benefits

**1 000 USD**

**Senior Manager**  
per month + benefits

**600 USD**

**Manager**  
per month

**200 USD**

**Junior**  
per month

**100 USD**

**Sellers, drivers, security agents...**  
per month

**75 USD**

**unskilled labor**  
per month



# Trade

## Top 5 exported and imported products by Madagascar



### Exported products



VANILLA  
**573**



TEXTILE  
**513**



NICKEL  
**451**



ORES  
**130**



CLOVES  
**75**



OTHERS  
**831**

TOTAL **2 564**



### Imported products



PETROLEUM  
PRODUCTS  
**685**



INDUSTRIAL  
EQUIPMENT  
AND MACHINERY  
**180**



MACHINERY  
AND MECHANICAL  
EQUIPMENT  
**290**



CEREALS  
**164**



VEHICLES  
**281**

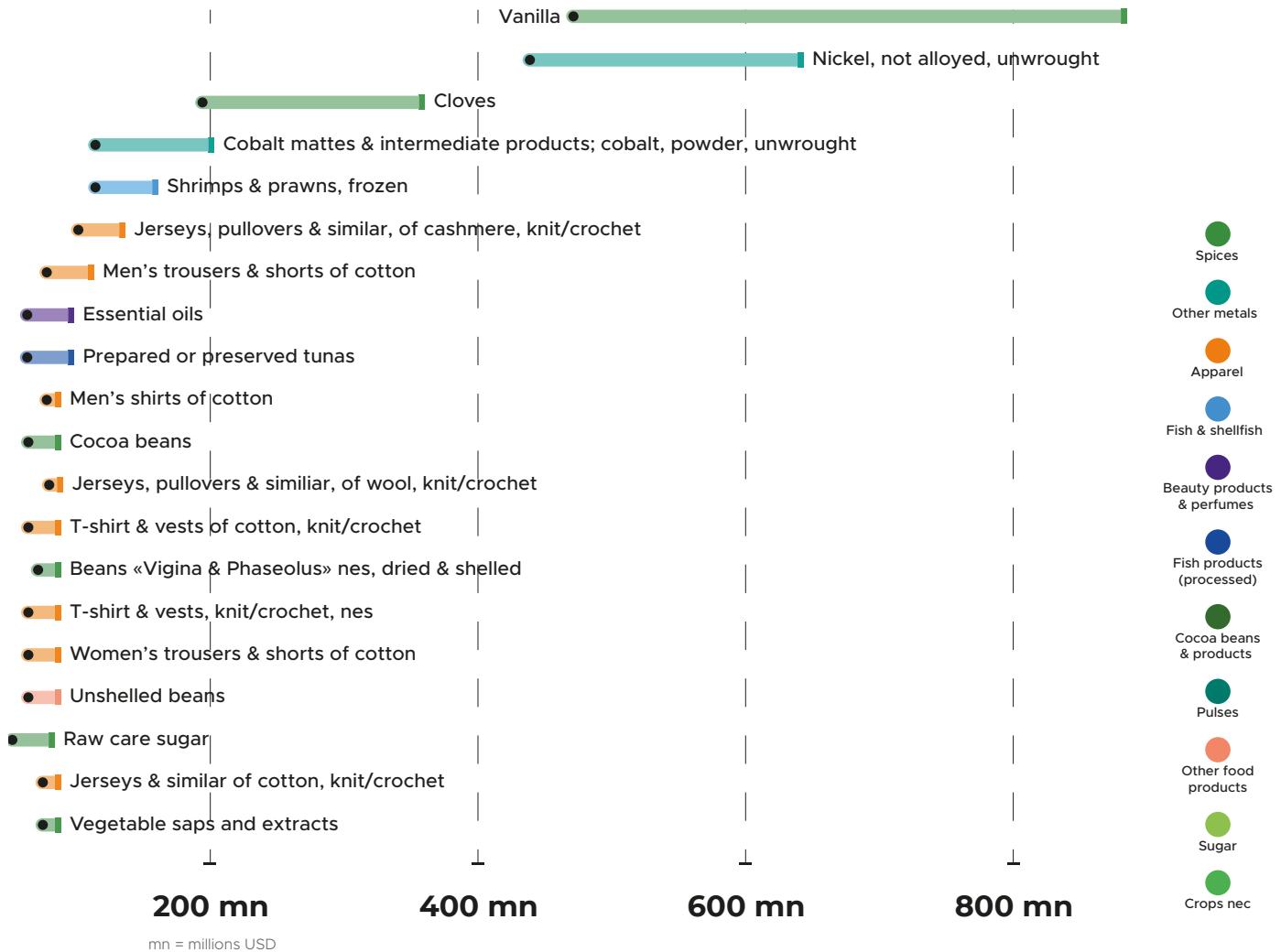


OTHERS  
**2 296**

TOTAL **3 896**

in million USD

# Potential of Madagascar's export products



## Understanding the graph



# Connectivity by air



## Long haul network

- Paris
- Marseille
- Amsterdam
- Milan
- Rome
- Warsaw
- Guangzhou

## Regional network

- Mauritius
- La Réunion
- Johannesburg
- Nairobi
- Addis Ababa
- Moroni

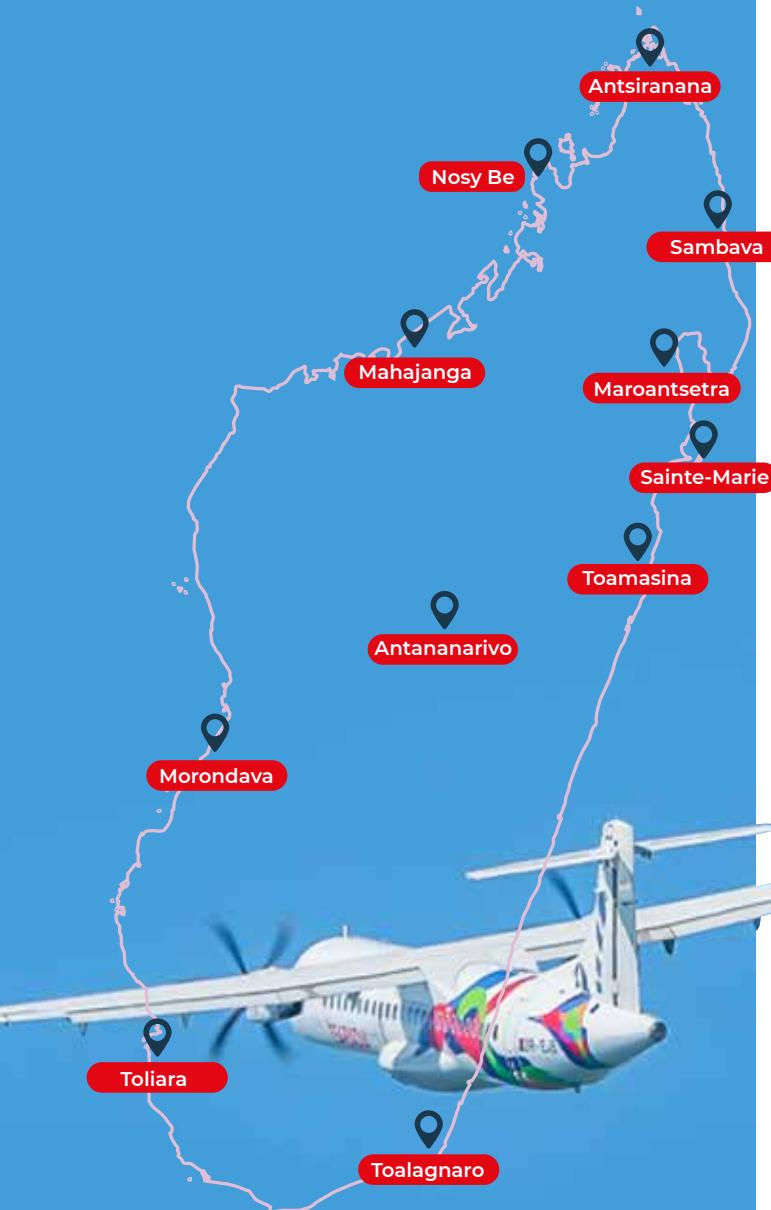
# Airline companies operating in Madagascar

## Malagasy companies

- Aeromarine
- Services et Transports Aeriens (Sta)
- Trans Ocean Airways (TOA)
- Madagascar Trans Air (Mta)
- Sky Services
- GS Airlines
- Assist Aviation
- Hff Travel Airways
- Mission Aviation Fellowship (NGO operating solely on a humanitarian basis)
- Tsaradia
- LOT

## Foreign companies

- Air France
- Air Austral
- Ewa Air
- Air Mauritius
- Airlink
- Kenya Airways
- Neos
- Blue Panorama (charter non réguliers)
- Turkish Airlines
- Ethiopian Airlines



## Maritime and inland waterway transport

Madagascar's first port of entry is Toamasina, which is currently being rehabilitated. The cooperation between the Japan International Cooperation Agency (JICA) and the Autonomous Port Company of Toamasina (SPAT), suggests a significant increase in the volume of traffic.

The port of Ehoala in Taolagnaro is the second deep-water port in the Indian Ocean. It has modern infrastructure and facilities, certified to ISO 9001 and 14001 and compliant with the «International Ship and Port Security» (ISPS) standard.

Taking advantage of its lengthy coastlines, Madagascar also has other ports of national interest such as Taolagnaro, Toliara, Mahajanga and Antsiranana. There are also secondary ports in Nosy-Be, Antsiranana, Manakara, Mananjary, Morondava and Vohémar.

The Port, Maritime and River Agency (APMF) is the authority in charge of regulating the Big Island's port, maritime and river sub-sector.



# National and international ports

 International ports

 National ports



# Infrastructure

Jiro sy Rano Malagasy (JIRAMA) is the main water and electricity distribution company in Madagascar, however, there are three other concessionaires. The sector's regulation, control and monitoring are carried out by the Electricity Regulatory Office (ORE).

## ⚡ ELECTRICITY

<b>15.66</b> <sup>USD</sup>	<b>0.07</b> <sup>USD</sup>	<b>64.17</b> <sup>USD/kWh</sup>
FIXED PREMIUM	PRICE OF KWH	MONTHLY FEE

## 💧 WATER

### Small consumption ≤ 1 000 m<sup>3</sup>

1 <sup>st</sup> installment < 10m <sup>3</sup> /mois	<b>0.13</b> USD/m <sup>3</sup>
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2 <sup>nd</sup> installment > 10m <sup>3</sup> /mois	<b>0.35</b> USD/m <sup>3</sup>
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Large consumption > 1 000 m <sup>3</sup>	<b>0.37</b> USD/m <sup>3</sup>
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JIRAMA is also supported by private concessionaires working in green energy, such as Green Yellow, a French subsidiary providing 20 MW of solar energy.

# Tax framework



## There are two main tax systems

### The actual tax regime

If the turnover is greater than or equal to 50,000 USD

### The synthetic tax regime

If the turnover is less than 50,000 USD. Legal entities (companies) and sole proprietorships exercising an independent activity are subject to the synthetic tax, when their annual turnover, gross income or gain received, are less than 50,000 USD. 01-02-02 General Tax Code 2020.

**More detailed information :** [www.cnlegis.gov.mg](http://www.cnlegis.gov.mg) « Direction du Centre National LEGIS - Centre National d'Information et de Documentation Législative et Juridique ».



## The main applicable rates

- Income tax: 20%.
- VAT: 20%
- VAT on exports: 0%
- Application of a reduced rate of 5% or exemption for certain operations
- Taxes on Employee's wages and similar income: progressive rate between 0% and 20%.
- Social contribution: 13% employer's share
- 1% employee's share
- Health contribution: 5% paid by the employer
- 1% paid by the employee



## Major taxes

### Income Tax

A tax based on the income or results obtained during the fiscal year, with provisions for a bi-monthly interim payment at the time of the income tax return.

### Synthetic tax

An annual tax, the amount of which is linked to the turnover, income or earnings in a year with payment of semi-annual installments.

### Value added tax (VAT)

This tax is payable on all transactions carried out during the monthly period, taxable and non-taxable, with deductions prescribed by the General Tax Code.

### Tax on Wages and Similar Income for employees

Amount deducted and paid by the company from employees' salaries during the last month or two (withholding tax, tax regime). It is paid monthly or bi-monthly depending on the plan.

### Tax on income from movable capital

It must be paid semi-annually. It applies to active income from movable assets (interest, income and all other income from bonds and loans, etc.).

# Growth sectors



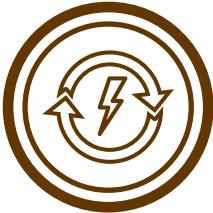
**MINES**



**ICT**



**LIGHT INDUSTRY**



**RENEWABLE  
ENERGIES**



**TOURISM**



**AGRIBUSINESS**

# Mines



Madagascar has a **rich subsoil** and offers a whole mosaic of **precious stones, precious metals** and various **minerals** and **oils**.



A **stable legal framework, investment protection** and a **favorable tax system** are made available to investors through the **Large Mining Investment Act** for **large mining operators** (USD 25 million investment and over).



Moreover, Madagascar is the **first African country** to implement the **mining cadaster system** through the **Mining Cadaster Office of Madagascar**, created in 2000.



As a member of the **Extractive Industry Transparency Initiative (EITI)**, the country would allow for **safe returns on investment**.

# ICT

A booming sector, mobile telephony and internet are growing exponentially in Madagascar. Mobile internet subscribers increased by 7.73% in 2019, i.e. 2.9 million users.

There are four operators in this sector: Telma, Orange, Airtel and Blueline. ARTEC (Communication Technologies Regulatory Authority) ensures the regulation, control and monitoring of telecommunications



**45.63%**

Wireless penetration rate



**11.6%**

Internet penetration rate



**97 732 To**

Volume of mobile internet traffic

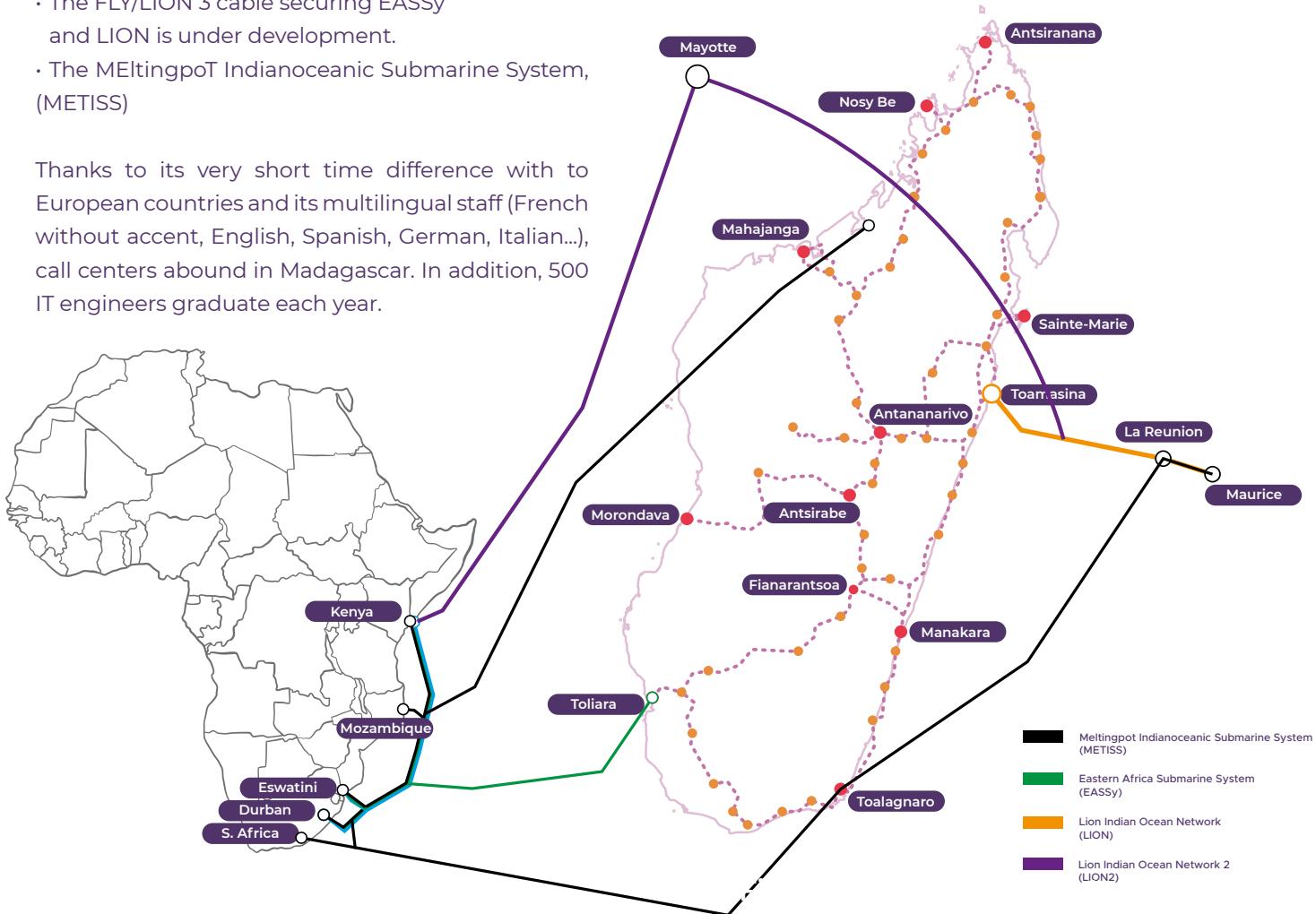
Source: ARTEC Mémento du numérique 2018

Matina Razafimahefa, co-Founder&CEO of the Sayna start-up, second best young entrepreneur in Africa for 2020

## A large fiber optic network connects Madagascar to the whole world.

- The EASSy cable connects 9 countries. It has a capacity of 166 STM-1, with a length of 10,500 km.
- The LION 1 and 2 cables connect 3 and 2 countries respectively. They have a capacity of 16 STM-1.
- The FLY/LION 3 cable securing EASSy and LION is under development.
- The MELtingpoT Indianoceanic Submarine System, (METISS)

Thanks to its very short time difference with to European countries and its multilingual staff (French without accent, English, Spanish, German, Italian...), call centers abound in Madagascar. In addition, 500 IT engineers graduate each year.



# Light Industry



Madagascar has **plenty of commodities** that are world famous for their quality. The **various vegetable and animal fibers**, such as **cotton, sisal, leather...**, are ideal for **the yarn and weaving industries**.



The Big Island has a **talented workforce at a competitive cost**. **Malagasy workers** are recognized worldwide for their **dexterity and productivity**.



**Ideally located between Asia and Africa**, the country **has access to trading platforms** in Mauritius and South Africa, facilitating **access to inputs and expertise**. Thanks to its **numerous logistic facilities** (port of Toamasina and Ehoala, airports of Antananarivo and Nosy be...), the Big Island is privileged by **preferential access to the AGOA, COMESA, SADC markets**.



Effective **partnership networks** and **incentive schemes for free zone companies** through **tax and customs exemptions** are also major attractions for investing in the sector.

# Renewable Energies

Local demand for electricity currently exceeds supply. The three networks available in the country need to be connected thanks to the wide range of renewable energies (hydroelectric, wind, solar...) which are just waiting to be exploited.

Thanks to its geographical location, Madagascar has:



**2 2,800 hours of sunshine per year**

**2 000 kWh/m<sup>2</sup>**

per year



**6 to 8 m/s**

wind speed in the North

**6 to 6.5 m/s**

in the center

**8 to 9 m/s**

in the South and at 50 m high

In addition, legal and institutional reforms have been initiated for private investment.



# Tourism



Given its **diversified ecosystems** hosting a **biodiversity unique** in the world, Madagascar has an incomparable tourist potential. **(90% endemism rate)**



Madagascar lists 3 UNESCO world heritage sites. **Half-African, half-Asian,** Madagascar boasts an outstanding cultural heritage and discovering it opens doors in sustainable and community-based tourism.



**Exceptional ecolodges and hotels of very high standing** rivaling the very best addresses in the world testify to the potential of the Big Island.



Tourists arrivals at the boarder



Revenue (USD M)

# Agribusiness



With a total of **30 million ha of agricultural land**, only 10% of it is farmed in Madagascar. **Large areas** are thus available for new plantations. The **great diversity of soils and climates** also allows for **a wide range of crops**.



In contrast with African regions, **Malagasy farmland is relatively close to major ports** (about 200 km away) which are **being modernized**.



**National processors and cooperatives have expertise** in everything that is local, thus offering **ideal prospects for joint-ventures** to **boost production and exports**.



With **competitive establishment costs** and **opportunities for energy development**, the «**made in Madagascar**» label has **become world-renowned** and is set to be **well established in the organic market**.

# Useful links

## **PRESIDENCY OF THE REPUBLIC OF MADAGASCAR**

[www.presidence.gov.mg](http://www.presidence.gov.mg)

## **PRIME MINISTER'S OFFICE**

[www.primature.gov.mg](http://www.primature.gov.mg)

## **MINISTRY OF FOREIGN AFFAIRS (MAE)**

[www.diplomatie.gov.mg](http://www.diplomatie.gov.mg)

## **MINISTRY OF POSTS, TELECOMMUNICATIONS AND DIGITAL DEVELOPMENT (MPTDN)**

[www.mptdn.gov.mg](http://www.mptdn.gov.mg)

## **MINISTRY OF ECONOMY, FINANCE AND BUDGET (MEFB)**

[www.mefb.gov.mg](http://www.mefb.gov.mg)

## **MINISTRY OF SPATIAL PLANNING, HOUSING AND PUBLIC WORKS (MEPATE)**

[www.mepate.gov.mg](http://www.mepate.gov.mg)

## **MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES (MAEP)**

[www.maep.gov.mg](http://www.maep.gov.mg)

## **MINISTRY OF INDUSTRY, TRADE AND CRAFTS (MICA)**

[www.mica.gov.mg](http://www.mica.gov.mg)

## **CENTRAL BANK OF MADAGASCAR**

[www.banky-foibe.mg](http://www.banky-foibe.mg)



Created in 2007, the **Economic Development Board of Madagascar** The EDBM is the national agency of the promotion of the country's investment. Attached to the Presidency of the Republic, it participates in the implementation of the Emergency Plan for Madagascar and plays a key role in the economic development of the country, by encouraging investment in priority sectors.



### Climate Improvement of affaires

- Participation in development and implementation of reforms
- Participation in the harmonisation of the legal framework on investment
- Strengthening the framework for private public consultation



### Investment promotion

- Improve and secure investments
- Improve economic intelligence and market analysis in growth sectors
- Support investors in their efforts and provide dedicated services
- Support and facilitate SME investments



### One stop shop

Inform, assist and process request for:

- Business incorporation
- Work permit
- Transformable Visa for worker investor and their family
- Long Stay Visa for worker investor and their family
- Morality Investigation
- Touristic activities Licences
- Approval for free zone and free enterprise



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Economic Development Board of Madagascar

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