

A Practical Guide to Doing
Business in
MADAGASCAR

INVESTOR'S GUIDE TO
MADAGASCAR



PREFACE

This guide was prepared and financed by the COMESA Regional Investment Agency with the inputs of the Economic Development Board of Madagascar (EDBM). The investor guide contains an overview of doing business in Madagascar. It aims to help both current and potential investors with facts on investing in the country. The guide contains information on the investment climate, taxation regime (income tax, value added tax, double taxation agreements and other significant taxation issues), investment incentives, exchange control regimes, sector overviews and other information pertinent to investing in Madagascar.



INVESTOR'S GUIDE TO MADAGASCAR

In the preparation of this guide, every effort has been made to offer current, correct and clearly expressed information. However, the information in the text is intended as a general guideline only. This publication is shared with the understanding that COMESA RIA is not responsible for the result of any actions taken on the basis of information in this publication, nor for any errors or omissions contained herein.



COMOROS

MADAGASCAR

Antananarivo

Toamasina

Fianarantsoa

Moroni

Pemba

Nacala

QUE

Mozambique Channel

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1 GENERAL COUNTRY INFORMATION



Antananarivo

Location	Madagascar, the fifth largest island in the world, is located in the Indian Ocean off the south-east of Africa, separated from the mainland by the Mozambique Channel. The geographic coordinates of Madagascar are 20.00° S, 47.00° E.
Climate	Tropical along the coast, temperate inland, and arid in the south of the island Hottest months: December-January Coldest months: June-August Wettest months: November-April
Natural resources	Graphite, chromite, coal, bauxite, salt, quartz, tar sands, raw nickel, semi-precious stones and mica, wildlife and water
Government type	Unitary Semi-Presidential Republic
Head of State	H.E. M. Andry Nirina RAJOELINA
Population	26.9 million (source: World Bank, 2019)
GDP per Capita	Current USD 522 (source: World Bank, 2019)
Official languages	Malagasy, French
Currency	Ariary (MGA or AR)
Capital City	Antananarivo
Main cities	Antsiranana, Fianarantsoa, Mahajanga, Toamasina, Toliara
Administration	22 Regions
Time Zone	GMT +03:00
Calling code	+261
Total Area	587,295km ²
Highest point	Maromokotra (9,436 ft)



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LEGAL AND JUDICIAL SYSTEM



Madagascar is a semi-presidential democratic republic, in which the President is the Head of State and the Prime Minister is Head of Government. It has a multiparty political system. The country is a unitary state with decentralised territorial units composed of municipalities, regions and provinces whose principles of administrative and financial autonomy are guaranteed by the Constitution and defined by law.

The Judiciary is independent of the Executive and the Legislature.

Executive Power is exercised in part by the President of the Republic, elected by direct universal suffrage for two terms of five years each, and in part by the Government, including the Prime Minister, who is nominated by the Head of State. The President of the Republic is responsible for general state policy in the Council of Ministers. He is also the Army Supreme Commander and Guarantor of National Unity. The Prime Minister is responsible to the National Assembly, where he exercises regulatory authority and is responsible for the execution of legislation.

Legislative Power is held by the National Assembly and the Senate. The National Assembly consists of 151 parliamentarians elected by direct universal suffrage for five years. There is a Senate and two-thirds of senators

are elected in equal numbers for each region and one third are appointed by the President of the Republic.

The Constitutional Court rules on the conformity with the Constitution of laws (organic, statutory laws and laws adopted by the autonomous provinces), ordinances, and international conventions.

The Judiciary is based on the principle of dual jurisdiction and includes three distinct orders of jurisdiction: the judicial system undertaken by the Court of Cassation, the administrative order by the State Council and the financial by the Court of Auditors.

The three make up the Supreme Court.

The High Court of Justice judges the President of the Republic who, in the exercise of his functions, is only responsible in the event of high treason or serious and repeated violation of the Constitution. The Presidents of the Parliamentary Assemblies, the Prime Minister and other members of the Government and the President of the High Constitutional Court are also justiciable to the High Court of Justice. They are prosecuted before the Court for acts carried out in the exercise of their functions and qualified as crimes and misdemeanors.



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ECONOMY



The Government of Madagascar is committed to reforming governance and the business environment, a commitment supported by the implementation of the Madagascar Emergence Programme during this current presidential term.

There are dynamic investors, both Malagasy and foreigners, who do business across sectors that support the country's development, including mining, ICT, agribusiness, textile and other light industries, tourism, energy and infrastructure.

According to the World Bank's latest economic outlook note on Madagascar, published in October 2019, the growth of the economy slowed slightly in 2019 as a result of the combined effect of weaker external demand and the slow rollout of public expenditure. France, The United States and China, together, account for 47 % of Madagascar's exports.

GDP Economic growth has steadily improved over the past six years. According to the World Bank, it accelerated from 2.3 percent in 2013 to 3.93 percent in 2017, reaching 4.8 percent in 2019 .

Net FDI Inflows

France, Mauritius, China and the United States remain the main investors in the country. In 2019 , the country

had FDI inflows valued at USD 227 million, according to UN Conference on Trade and Development (UNCTAD), a decrease compared to USD 353 million in 2018 . Total FDI stock has been rising and reached USD 7,733 billion in 2019, according to UNCTAD.

Export/Import

According to TradeMap, in 2019, Madagascar exported USD 2.57 billion to the rest of the world. It is the world's 131st largest exporter. Over the past five years, Madagascar's exports have increased at an annual rate of 9 percent, from USD 1.96 billion in 2015 to the aforementioned value as of 2019.

Madagascar exports are mainly agricultural products and minerals. The main commodity exports in recent times are vanilla, which represents 22.2 percent of total exports, followed by textile which accounts for 20%, and raw nickel, which accounts for 17.6 percent. . Madagascar's main export partners are France, US, China, Japan, Germany.

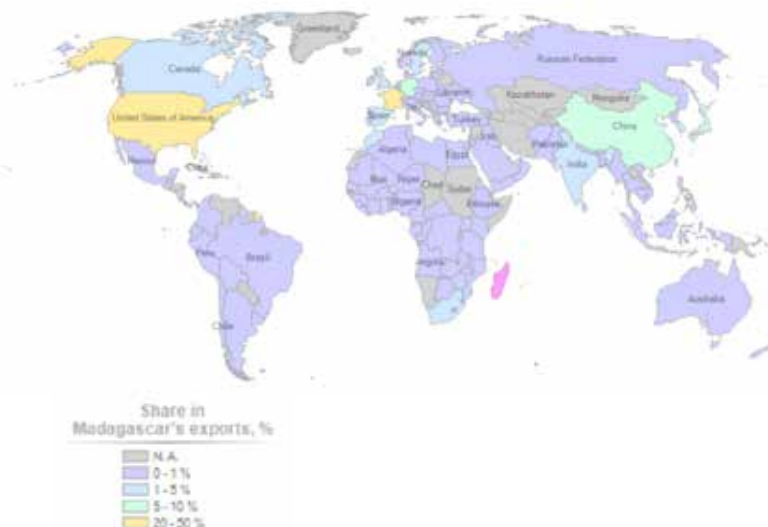
In 2019, Madagascar imported USD 3.89 billion from the rest of the world, making it the 143rd largest importer globally. Between 2015 and 2019, the value of Madagascar's imports increased from USD 2.73 billion to USD 3.89 billion. Its main import partners are China, United Arab Emirates, India, France and South Africa.

Import Partners and Imported Value (Thousands, USD)



Source: TradeMap

Export Partners and Exported Value (Thousands, USD)



Source: TradeMap

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POPULATION / DEMOGRAPHICS



The Malagasy population is a diverse one, with people originating from Africa, South-East Asia (Indonesia, Malaysia), Middle East and Europe. It has more than doubled in 25 years from 11.5 million inhabitants in the early 1990s to 26.96 million in 2019. The majority of the population (62.13 percent) lives in rural areas. It has a high number of employed people, with the employment-to-population ratio for those aged 15 and over at a high 84.61 percent in 2019, according to the World Bank. Below are key figures for the Madagascar population in 2019:

- **Population:** 26,969,307
- **Of which, men:** 13,452,929 (49.88 percent)
- **Of which, women:** 13,516,378 (50.12 percent)

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EDUCATION AND HUMAN RESOURCES



According to the World Bank, the working population in Madagascar was estimated to be 13,851,504 in 2019.

The labour force is relatively young, with an estimated average age of 32 years. The unemployment rate is only 1.75 percent. Moreover, the number of technical training institutes, professional and private tuition for specific syllabi have been increasing over the past 10 years, which has increased the availability of skilled labour. Between 400,000 and 500,000 graduates enter the job market annually.

The most common areas of training are in hospitality, administrative science, technology and management, and information and communications technology (ICT).

The government has placed a strong emphasis on linking skills training to job opportunities in each sector to ensure the country's economic needs are met and that its human resources needs meet its aspirations to be a competitive economy.

The literacy rate in Madagascar is 74.8 percent in 2018.

Education in the country falls under the jurisdiction of the Ministry of National Education and Technical and Vocational Education and Ministry of Higher Education and Scientific Research.



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BANKING AND FINANCIAL SERVICES



List of banks in Madagascar:

- Access Bank Madagascar
- Bank of Africa (BOA)
- Banque Malgache de l'Océan Indien (BMOI)
- Banque des Mascareignes Madagascar
- Société Générale Madagasikara
- BGF I Bank Madagascar
- BNI Madagascar
- Mauritius Commercial Bank
- SIPEM Banque
- Microcred Banque Madagascar
- State Bank of Mauritius Madagascar (SBM)



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LICENSING AND PERMITS



All procedures to do business in Madagascar, including a list of necessary documents, fees, permits, licences and authorisations, can be downloaded from the website of the Economic Development Board of Madagascar (EDBM): www.edbm.mg EDBM's One-Stop Shop offers high quality and free services to investors. For example, some sectors and specific industries require additional licences, such as Mining, Tourism, ICT and Economic Processing Zones. With regard to Infrastructure and Energy, there are no specific procedures in place as the requirements are driven by tenders launched by related ministries.

Mining:

Specific documents are issued based on activity type:

- Permits are restricted to small operators
- Research permit
- Mining licenses

There is a basic procedure for extension sub, waiver, partnership, transfer, modification or renewal. The relevant departments are:

- Bureau du Cadastre Minier de Madagascar (BCMM)
- Ministry of Mines and Strategic Resources

Tourism:

All tour operators are required to submit a document entitled Declaration of Existence to the Ministry of Tourism according to Article 6 of the National Tourism Code. They must request star ranking for accommodation and/or catering, and travel agents must acquire an operating licence. Documents should be submitted to EDBM, which will respond in three to four weeks after reviewing the documentation.

Relevant departments are:

- EDBM - Tourism
- Ministry of Tourism

ICT:

Operators wishing to establish a telecommunications network, which will be open to the public and using limited resources such as non-shared frequencies and phone numbers, must secure a licence from the regulator, Autorité de Régulation des Technologies de Communication (ARTEC).

A tender or a call for applications can be organised by ARTEC or can be done after applying for a licence. ARTEC evaluates licence applications on the basis of an applicant's ability to improve the quality of telecommunications services and access to services, while taking into account market size, when considering granting a tender for a licence.

Relevant departments are:

- Ministry of Posts, Telecommunications and Digital Development
- Autorité de Régulation des Technologies de Communication (ARTEC)
- EDBM

Export Processing Zones:

The process of establishing a company in an EPZ is handled by an Inter-Ministerial Committee. It also deals with issues related to location and premises as well as compliance with laws and regulations relating to EPZs.

Documents required concern mainly the identity and location of companies and projects.

Relevant departments are:

- EDBM - Industry: Ministry of Industry, Trade and Handicrafts
- EDBM - Work: Ministry of Public Service, Administration Reform, Labour and Social Laws
- EDBM - Tax and Customs: Ministry of Economy and Finance
- GasyNet - For access to the MIDAC process (for dematerialisation and monitoring of EPZ approvals)

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INFRASTRUCTURE AND UTILITIES



Madagascar International airport

Airlines that serve Madagascar

	MALAGASY AIRLINES COMPANIES	FOREIGN AIRLINES COMPANIES
1	AIR MADAGASCAR	AIR FRANCE
2	AEROMARINE	AIR AUSTRAL
3	SERVICES ET TRANSPORTS AERIENS (STA)	EWA AIR
4	TRANS OCEAN AIRWAYS (TOA)	AIR MAURITIUS
5	MADAGASCAR TRANS AIR (MTA)	AIRLINK
6	SKY SERVICES	KENYA AIRWAYS
7	GS AIRLINES	NEOS
8	ASSIST AVIATION	BLUE PANORAMA (Charter non réguliers)
9	HFF Travel Airways	TURKISH AIRLINES
10	MISSION AVIATION FELLOWSHIP (NGO operating on a humanitarian basis only)	ETHIOPIAN AIRLINES
11	MADAGASIKARA AIRWAYS	
12	TSARADIA	

Sea and River Transport

Seaports in Madagascar

There are 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.

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TAXATION



There are two main tax systems, which are:

- Real regime, if turnover is greater than or equal to Ar 200,000,000
- Synthetic tax regime, if turnover is less than Ar 200,000,000. Are subject to Synthetic Tax, natural or legal persons and sole proprietorships carrying out an independent activity when their annual turnover, gross income or gain received, is less than Ar 200,000,000 - Art. 01-02-02 General Tax Code 2020.

The main taxes are:

- Income tax – based on income or results achieved during the financial year, with provisions for interim payment bimonthly at the time of income tax reporting.
- Synthetic Tax – an annual tax, the amount of which is related to turnover, income or gains in a year with payment of half-yearly instalments.
- Value Added Tax (VAT) – this 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 employee and related income – this applies monthly or bimonthly depending on the scheme, the amount withheld and paid by the company from employee salaries during the past month or two months (withholding tax system).
- Tax on the revenue of movable capital – this is to be paid semi-annually. It applies to income from movable assets (interest, income and all other income from bonds and loans, etc).

The main applicable rates are:

- Income tax: 20 percent
- VAT: 20 percent
- Employee and Assimilated Income Tax: 20 percent
- Social Security contributions: 13 percent employer share; 1 percent employee share
- Health contribution: 5 percent employer share, 1 percent employee share

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MARKET ACCESS

MARKET

ACCESS



Madagascar is a signatory to the following regional and international agreements:

Regional Integration:

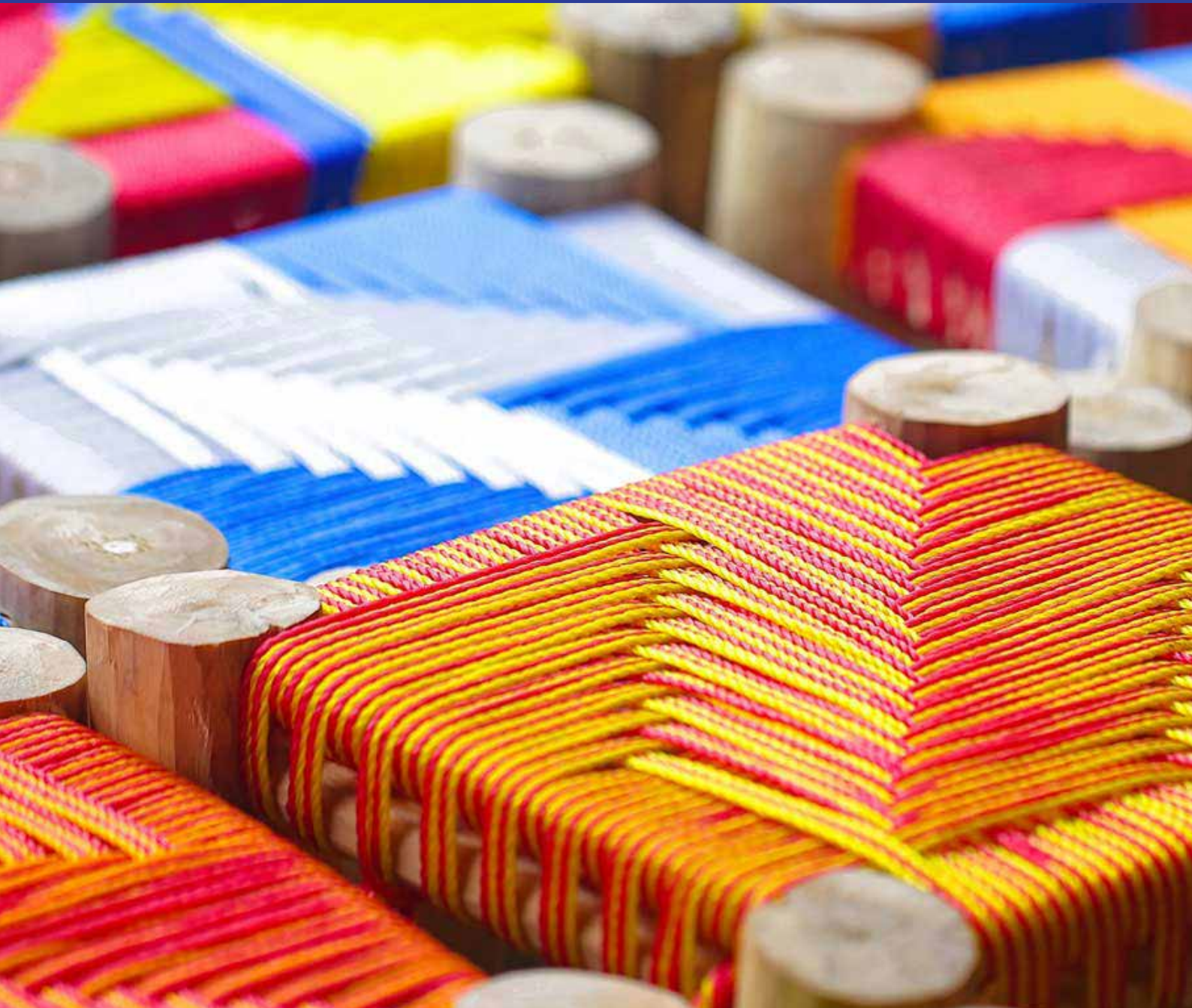
- Common Market for Eastern and Southern Africa (COMESA)
- Southern African Development Community (SADC)
- African Continental Free Trade Area (AfCFTA) Indian Ocean Commission (COI)
- Indian Ocean Rim Association for Regional Cooperation (IOR-ARC)

Trade Agreements:

- African Growth and Opportunity Act (AGOA)
- European Union – Everything But Arms (EU-EBA)

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AREAS OF OPPORTUNITY/SECTORS



AGRIBUSINESS

“Madagascar – agri-food hub for the Indian Ocean”

Madagascar, a country rich in human and natural resources, is the ideal destination for any project in the agribusiness sector. Located in the Africa-Asia axis and relatively close to the Middle East and Europe, Madagascar could become the granary of the Indian Ocean region. Agriculture represents 23.16 percent of GDP, according to the World Bank, and employs about 64.22 percent of the working population. The country offers ideal conditions for processors who want to work with local farmers to develop value-added products for export and local consumption.

Ideal Agro-Climatic Conditions:

Climate

Madagascar offers diverse conditions for a full range of agricultural produce, from savannah in the south and west, to tropical humid zones in the north and east, and temperate highlands in the centre.

Land

Madagascar has vast tracts of fertile and well-watered land, much of which is under-exploited.

More than 41.41 million hectares are suitable for agriculture, but only 10 percent of this is utilised, providing ample opportunity for expansion by smallholders, providing they have ready access to markets.

Water Resources

Madagascar has the biggest supply of renewable water resources of any country in Southern Africa.

Yields

Even without significant inputs, yields among smallholders typically exceed those in neighbouring countries, indicating the underlying fertility of the land and relative sophistication of local agriculture.

Organic Farming

Madagascar already exports organic products: vegetables, tropical fruits, spices, medicinal plants and essential oils.

Indeed, organic farming today constitutes an important source of foreign exchange for Madagascar; 110 million euros. It involves nearly 30,000 producers, 120 cooperatives, 270 companies, and has nearly 48,000 Ha of certified organic areas.

Livestock

In 2013, Madagascar has ten million cattle with a total milk production of about 575,000 tons, over 3 million sheep, goats and pigs and 30 million chickens, making it one of the best endowed African countries in this regard.

Its expertise in the preparation of meat, duck/foie gras and exotic meats (ostrich and crocodile), honey production and various other distinctive bee products is recognised worldwide.

Aquaculture

As an island, Madagascar has significant advantage in the fishing and aquaculture industries. It has an Exclusive Economic Zone covering 115 million hectares and an extensive continental shelf of about 12 million hectares rich in fish resources. It also has 4,800km of coastline and more than 330,000 ha of mangroves for conversion to shrimp farming. There are 155,000 ha of natural water bodies for fish breeding in cages, up to 150,000 ha of irrigated rice, of which 34,000 ha is suitable for rice-fish culture, and 20,000 ha of area suitable for conversion to ponds. More than 50 percent of algae that has human uses can also be found in Madagascar.

The country's fish and aquaculture potential is more than 200,000 t/year, according to the Food and Agriculture Organisation (FAO).

Attractive Costs

Input costs: An efficient system for seed approval.

Farming costs: Competitive, with low rural wages, low land costs for out growers and ample water resources for irrigation.

Energy and transport: Potential for self-generation of power from hydro, solar, wind and biomass in most regions; most growing areas are within 200km of a major port, unlike many parts of Africa; newly-built/upgraded, privately-run terminals at the main ports of Toamasina and Taolagnaro.

A Strong Global Brand

Madagascar is already the world's top exporter of vanilla, lychees and organic red shrimp, and second biggest for cloves. Thanks to the country's unique eco-image, the “Madagascar” label commands a premium for many categories, including vanilla, spices, essential oils, cocoa, coffee, lychees and other tropical fruit.

Government and Donor Support

Investors can leverage the support of a number of government and donor programmes designed to help smallholders increase output – including research on new varieties and techniques, providing financing, training and equipment to smallholders, funding new storage facilities and accessing agro-processing zones.

ICT

“Madagascar, a connected island”

Madagascar is a beneficiary of three large undersea cable projects that will significantly improve connectivity nationally and regionally. EASSy (East Africa Submarine System) is a 10,000km submarine cable system deployed along the east and south coast of Africa to service the voice, data, video and internet needs of the region. With more than 10 Tbps of capacity, EASSy is a high-capacity system connecting the island to East Africa, the Indian Ocean islands and other parts of the world.

The LION (Lower Indian Ocean Network) links Mauritius, La Réunion and Madagascar, with later phases connecting Mayotte and Comoros as well as Kenya. The cable is more than 1,000 km long with a capacity of 1.28 terabits per second. Mauritius and La Réunion are the linkage points to the SAT3/WASC/SAFE cable linking Europe to Asia through the southern part of Africa.

The construction of the regional subsea cable METISS (Melting Pot Indianoceanic Submarine System), that will link Madagascar to La Réunion Island, Mauritius and South Africa, will substantially improve regional connectivity. METISS is a 3,000 km long system with a total capacity of 24 Tbps. The more than USD 40 million investment involved eight regional telecommunication operators. The project is expected to be operational in 2020.

The existence of modern infrastructure; the minimal time difference between Europe and Madagascar; and the availability of an affordable, proficient and easily trainable labour force, makes Madagascar a prime destination for investment in the ICT sector.

Investment opportunities

- Data centres and cloud computing
- Establishment of computer assembly plants
- Development of computer applications and mobile technologies
- Business Process Outsourcing (Back and Front Office): contact/call centre (voice), human

- resources and payroll, accounting, data processing
- Development of business process automation
- Exploitation of technologies in the agriculture, medical, aviation and transport sectors
- Cyber security development
- E-learning and e-training development
- E-business, e-commerce, online payment service development
- Development of a technopole and co-working space

INFRASTRUCTURE & ENERGY

“Madagascar, land of untapped energy”

Thanks to the abundance and diversity of its resources, Madagascar is an ideal destination for investment in renewable energies. Located in the crossroads of Africa, Asia and Middle East, the country also has privileged relationships with Europe and the United States, leading regions for renewable energy.

The country's solar, wind and hydro potential is exceptional, especially with the added resources of Europe and China. Madagascar has skills throughout the value chain in this sector, which will maximise any investment in the energy sector, particularly in renewable energy projects.

The hydroelectric potential has been estimated at about 7.8GW. Today, only 2 percent of this potential has been exploited. More than 800 hydropower sites with high untapped potential have been identified, ranging from 10kW to 600 MW, located throughout the country. The World Bank (through the ESMAP project) has implemented technical assistance for mapping the potential for small hydropower projects (<20 MW). One study has identified 2,045 small hydropower sites and has prioritised about 30 promising sites from 1 MW to 20 MW.

Almost all regions of Madagascar receive more than 2,800 hours of sunshine a year. Average annual solar production is about 1,600 kWh/kWp. Even the less endowed areas have solar potential that is, on average, three to four times higher than that in Western Europe.

The northern part of the country (around Antsiranana) and the southern part (around Taolagnaro) has wind speeds from 3 to 8 m/s to 20 m/s, with a potential capacity of about 2,000 MW for electricity generation. The demand is high for hybridisation with other technologies for commercial purposes.

The livelihood of more than 80 percent of the Malagasy population comes from the agricultural sector, which produces not only food but also vegetable waste. Combined with an efficient collection system, the biomass electricity generation technology represents a significant economic and ecological opportunity, especially in rural areas. The potential varies, depending on the site and the raw materials, from a few kilowatts to more than 150MW.

The electricity sector in Madagascar has been liberalised since 1998, promoting free competition in power generation. The New Energy Policy (NEP) of 2015 provides the framework and the objectives of deployment of renewable energies. The Electricity Code, in development since 2017, aims to simplify procedures and strengthen market liberalisation, particularly in the transport and distribution sectors. The sector enjoys significant support from the international community.

The sector's annual performance targets are to:

- Give 50 percent of the Malagasy population access to electricity at an affordable price by the end of 2023.
- Double the means of production of electricity in five years.

Solar kits have been identified as the best way to rapidly improve access to electricity for Malagasy families in the country's 22 regions.

New laws on public-private partnerships (PPPs) have been enacted. and territory planning?

Positioned at the heart of the Indian Ocean, Madagascar is a strategic hub for trade in equipment, raw materials and many other products between Asia, Africa and the Middle East. As a member of regional economic blocs including COMESA, SADC and the IOC, Madagascar has strong trade and economic ties with its neighbours.

Investment Opportunities:

- Extension of existing main ports and new port facilities for mineral exports such as coal, limestone and iron
- Concession of smaller ports for local products
- Construction of highways and toll roads
- Rehabilitation or construction of railways
- Development of new Special Economic Zones
- Possibility of operating large and small hydraulic power sites
- Interconnecting the country's major power grids
- Reinforcement of the hydraulic power capacity

LIGHT INDUSTRY

“Madagascar, another industrial revolution”

Light industry is a manufacturing activity that is typically less capital-intensive than heavy industry, and is more consumer-oriented, covering products in Madagascar such as food packaging, paper production, leather products, the textile industry, household electric appliances, and others.

The industry contributes to 19 percent of GDP and is increasingly dynamic. The quality and reputation of products made in Madagascar and exported around the world are testament to this.

Madagascar's favourable geographical location and its highly skilled workforce make it the ideal destination for any investment in light industry. Benefits include:

- Local resources for developing world-class mill and weaving operations, plant fibre-based products or other processed products of plant and/or animal origin.
- Competitive labour costs, for example, a textile industry worker is paid USD 100 per month, including a bonus, overtime and social charges.
- The existence of infrastructure for exports
 - 12 airports, six of which are international airports that can accommodate jumbo jets.
 - Five container terminals at the seaport. The port of Toamasina is the first port of entry for 90 percent of goods coming into the country.
- Preferential regional and international market access to:
 - The US market under AGOA: 328 million consumers
 - European market through EBA: 447 million consumers
 - Regional markets through SADC, COMESA and the IOC: 726 million consumers
- An attractive tax and customs regime for export processing companies, which includes:
 - 0 percent income tax for five years, after which it is 10 percent (instead of 20 percent)
 - 0 percent customs tax and VAT on imports of equipment and construction materials
 - Free payment of dividends and no exchange controls

Madagascar's exports of apparel and garments grew 10-fold between 1990 and 2000 and 36 percent from 2011 (USD 290.8 million) to 2019 (USD 512 million). Manufacturers in the country produce for many

high-end international brands such as GAP Inc., Gloria Vanderbilt, Jordache, Banana Republic, Levi Strauss, Dillard's, Mast Industries, Jones Apparel, Berne Apparel, Alleson, Reebok, Calvin Klein and Woolworths.

Investment opportunities

- Agro-processing of biofuel, flour, sugar, starch, essential oils, beverages, medicines, dairy products and canned food (including jam, vegetables and seafood)
- Light industry such as spinning and weaving, textile and garment production, leather and shoes, wool and cashmere, chemical, pharmaceutical products, furniture manufacturing, glass and plastic, carpentry and aluminium joinery.

MINING

“Madagascar, land of hidden treasures”

Madagascar is known for its rich subsoil which allows the development of small-scale and larger-scale mining. Its outstanding geodiversity across most of the island is the result of a long geological history. The mining sector's contribution to Madagascar's GDP is estimated at 4.41 percent (2018).

In 2018, 27.59 percent of Madagascar's export revenues came from the mining sector.

Some of the competitive advantages of Madagascar are:

- Its conducive environment for large-scale industrial mining activities, as evidenced by investments of over USD 25 million.
- It is in the top three of countries worldwide with the largest variety of mineral resources, which include 4,700 Mt of mineralised sand, 1,962 Mt of ilmenite-zircon, 165 Mt of nickel and 1.6 Mt of chromium.
- It is home to a number of large mining and petroleum exploitation and exploration projects such as:
 - Ambatovy Minerals SA, a USD 7 billion investment in the production of 60,000 t/year of refined nickel and 5,600 t/year of cobalt.
 - QIT Madagascar Minerals SA, USD 1 billion investment in mineral sands since the start of the project. It has invested USD 2.5 million annually in the environment and communities, and USD 350 million in infrastructure: roads, electricity, water and public health.
- It has five major on-shore and off-shore basins

spanning 820,400km², which are favourable for hydrocarbon exploration.

- Geophysical data is available: 2D seismic, 3D seismic, aeromagnetic, micro magnetic, magnetic and gravimetric.

TOURISM

“Madagascar, the Treasure Island”

Madagascar has a wide range of tourism assets, ranging from wildlife to beach tourism and cultural events. Key facts about the sector include:

- A Presidential target to attract 500,000 tourists by 2023.
- It is famous for its astounding biodiversity, which includes 93 species of the endemic lemur, 236 species of birds (over 100 endemic), 346 species of reptiles (90 percent endemic), and over 12,000 species of plants (over 90 percent endemic).
- Good resources for the ecotourism market with four strict nature reserves, 21 national parks and 21 special reserves.
- 22 areas reserved for tourist enterprises and 10 world-class sites earmarked for development.
- Three world heritage sites.
- It has received a number of awards such as the “Indian Ocean's Leading Green Destination 2019” and “Indian Ocean's Leading Beach Resort 2019” (World Travel Awards 2019).
- Foreign exchange earnings from tourists increased by 20 percent from 2015 (USD 580 million) to 2019 (USD 700 million).
- The sector's revenue was USD 632 Million in 2019
- Tourism's direct contribution to GDP was 7 percent in 2018
- The country has a unique brand and is a regular feature on people's bucket lists thanks to lemurs, vanilla, baobabs, and other well-publicised attractions.

Investment Opportunities

Madagascar offers investors the opportunity to develop some of the most remarkable and unspoilt tourism resources in the world:

- Eco-tourism: National parks, rivers and lakes, forests, birds and trees watching.
- High-end hotels: The majority of hotels in the country do not exceed 4-star rankings and cannot accommodate large numbers of visitors. In order to realise the 2023 goal to receive 500,000 tourists,

20 000 more hotel rooms will be required.

- Sports tourism: Windsurfing, kitesurfing, sailing, paragliding, canyoning, scuba diving, hiking, climbing, caving, rafting, and fishing.
- Seaside tourism: Almost 5,000km of coastline and unspoilt archipelagos with white sand beaches and turquoise waters, such as Nosy Be and Sainte Marie.
- Culture & cuisine: A unique blend of Asian, African, Arab and European cultures offers a kaleidoscope of history, cuisine, arts and crafts.
- Agritourism: This would promote and highlight the

discovery of agricultural skills, culinary specialities and social practices related to agriculture in Madagascar. The country has a wide range of products originating from organic agriculture.

- Aviation infrastructure and services: The government is taking bold steps to expand the sector, with the restructuring of Air Madagascar, renovation of key airports and launch of new international and domestic air services.

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LEGAL FRAMEWORK FOR INVESTMENT



The Economic Development Board of Madagascar (EDBM) is the official national Investment Promotion Agency (IPA). It was established in 2006 with delegated powers to facilitate and promote private domestic and foreign investment in Madagascar. It is also responsible for the formulation of appropriate investment promotion policies and strategies and is a one-stop shop for investors.

Its mission includes:

- Advising on investment opportunities
- Assisting with company incorporation
- Issuing work permits, visas, licences, environmental and tourism permits, and any other clearances
- Issuing agreements for export-oriented companies under the EPZ regime
- Organising road shows with the participation of local private operators
- Acting as a bridge between the public and private sectors

The main laws concerning investment in Madagascar are:

Investment Law No. 2007-036 (14 January 2008):

Foreign investors receive the same treatment as Malagasy investors. They can freely hold up to 100% of company shares subject to other provisions applicable to some specific sectors such as banking, insurance, mining, oil, telecommunications and health. Moreover, they are free to transfer abroad without prior authorisation all profits after full payment of taxes, dividends, miscellaneous payments and repayments.

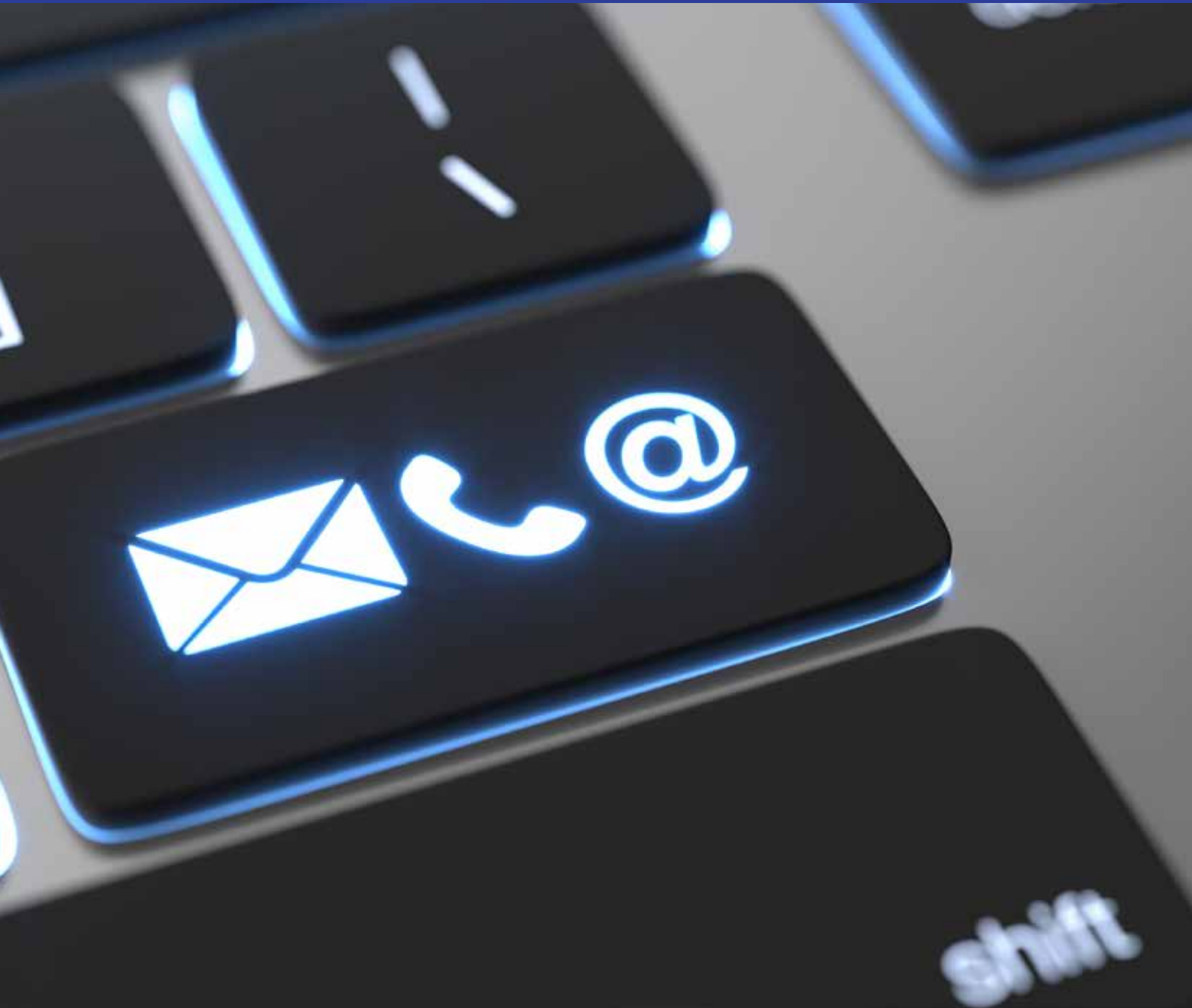
Free Zone Law No. 2007-037 (14 January 2008):

This law is based on a simplification of financial, customs and tax procedures for eligible companies, and applies to investments made by domestic or foreign investors, or a combination of both, in export-oriented activities. The Government guarantees the restrictive nature and stability of the tax regime for companies benefiting from this regime. It provides fiscal and customs (tax holidays and exemptions) incentives to beneficiary companies.

Madagascar is a member of MIGA (Multilateral Investment Guarantee Agency), which offers international guarantees for their investment projects in Madagascar.

Key guarantees in terms of investment protection include:

- Any natural person or legal entity, Malagasy or foreign, is free to invest and settle in the national territory, in accordance with the laws and regulations in force.
- Foreign and Malagasy investors are equally treated.
- Foreign and Malagasy investors are free to hold up to 100 percent of the shares or stocks of the company.
- The state guarantees that individual or collective patent rights are respected.
- Foreign or local investors are authorised to freely transfer abroad without prior authorization all profits after full payment of taxes, dividends, miscellaneous payments and repayments.




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