



# FOREIGN INVESTMENT ENVIRONMENT AND POLICY OF MADAGASCAR



## KOREA AFRICA FORUM INTERSESSIONAL MEETING

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## JOHANNESBOURG SOUTH AFRICA

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**Invest in  
Madagascar**



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FOREIGN INVESTMENT



AND POLICY OF MADAGASCAR

Andriniaina RASOARAHONA  
(Andry)  
Project Officer at EDBM.

Email : [andryrasoa@edbm.mg](mailto:andryrasoa@edbm.mg)





# FOREIGN INVESTMENT



## AND POLICY OF MADAGASCAR

- Data of 2005 and 2006
- Sources :
  - Central Bank of Madagascar (BCM)
  - National Institute of the Statistics of Madagascar (INSTAT).

**“A clear evolution of the FDI flows  
from 2005 to 2006”**





# FOREIGN INVESTMENT AND POLICY OF MADAGASCAR



## PRESENTATION :

1. The description of companies with foreign assets in Madagascar
2. The current status of foreign direct investment in Madagascar
3. The policy of Madagascar concerning the foreign investments.





FOREIGN INVESTMENT



AND POLICY OF MADAGASCAR

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**The description of companies  
with foreign assets  
in Madagascar**



# FOREIGN INVESTMENT



## AND POLICY OF MADAGASCAR

Description of companies with foreign assets:

- creation of foreign companies
- performance of the established companies
- contribution of foreign companies in the Malagasy economy
- and financing type used by these companies







# FOREIGN INVESTMENT



## AND POLICY OF MADAGASCAR

- Concerning creation of foreign companies
  - 14 foreign companies created in 2007.
  - Established in Antananarivo, the capital of Madagascar.
  - Subsidiary companies governed by Common Law regime.
  - More than 87% are Limited liability companies.







# FOREIGN INVESTMENT



## AND POLICY OF MADAGASCAR

- Majority of foreign companies created are from :
  - France (28.1%)
  - Mauritius (12.7%).

**“In 2006, the most attractive sector was trade”**





# FOREIGN INVESTMENT



## AND POLICY OF MADAGASCAR

### Added-value (millions US dollars):

	Turnover			Added-value			Job creation		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
Enterprises									
Total (\$)	891	1 245	1 247	243	281	376	52 947	57 901	57 866

Sources: National Institute of Statistic of Madagascar/Central Bank of Madagascar

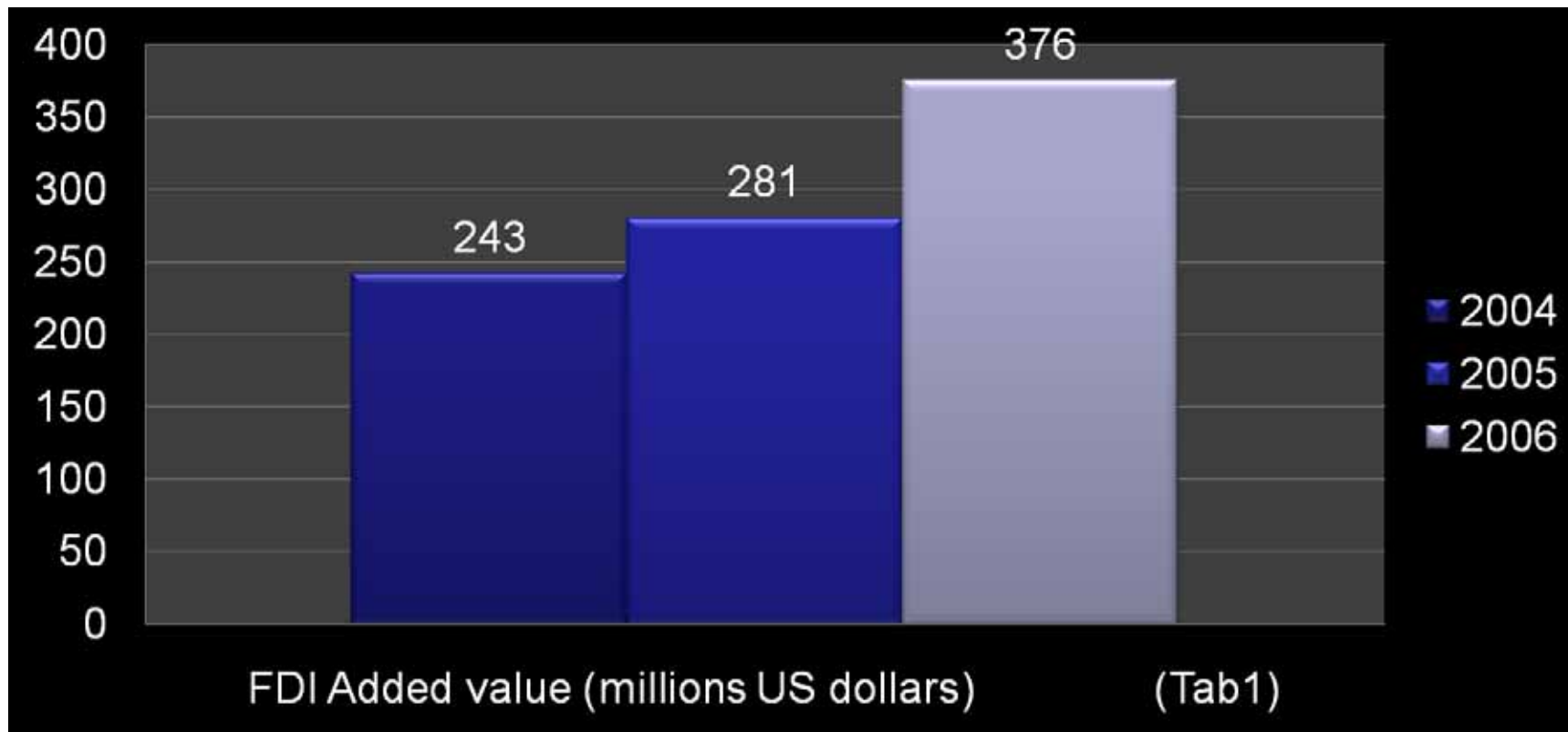




# FOREIGN INVESTMENT



## AND POLICY OF MADAGASCAR



Sources: National Institute of Statistic of Madagascar/Central Bank of Madagascar



# FOREIGN INVESTMENT



## AND POLICY OF MADAGASCAR

Foreign Directs Investments financing mode (million dollars US)		
Items	2005	2006
<b>Social assets</b>	<b>23,8</b>	<b>30,1</b>
<b>reinvested profit</b>	<b>29,4</b>	<b>55,7</b>
<b>other transactions</b>	<b>32,9</b>	<b>144,5</b>
<ul style="list-style-type: none"> <li>• <i>Loans for more than 1 year</i></li> </ul>	23,0	7,6
<ul style="list-style-type: none"> <li>• <i>Loans for less than 1 year</i></li> </ul>	2,5	0,3
<ul style="list-style-type: none"> <li>• <i>Current Account Contributions</i></li> </ul>	7,4	136,6
<b>FDI Flows</b>	<b>86,0</b>	<b>230,2</b>

Source: National Institute of Statistic of Madagascar/Central Bank of Madagascar



# FOREIGN INVESTMENT



## AND POLICY OF MADAGASCAR

### Percentage of foreign and local funds for the new contributions in assets (%)

<b>Funds type</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Non resident	73	14	83
Resident	27	86	17
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>

Sources: National Institute of Statistic of Madagascar/Central Banque of Madagascar



# FOREIGN INVESTMENT AND POLICY OF MADAGASCAR



## FDI contributions to Madagascar GDP

GDP rate (%)	2005	2006
% GDP (Current price)	6%	9%
% GDP (Constant price)	5%	8,6%

Sources: National Institute of Statistic of Madagascar/Central Banque of Madagascar





# FOREIGN INVESTMENT



## AND POLICY OF MADAGASCAR

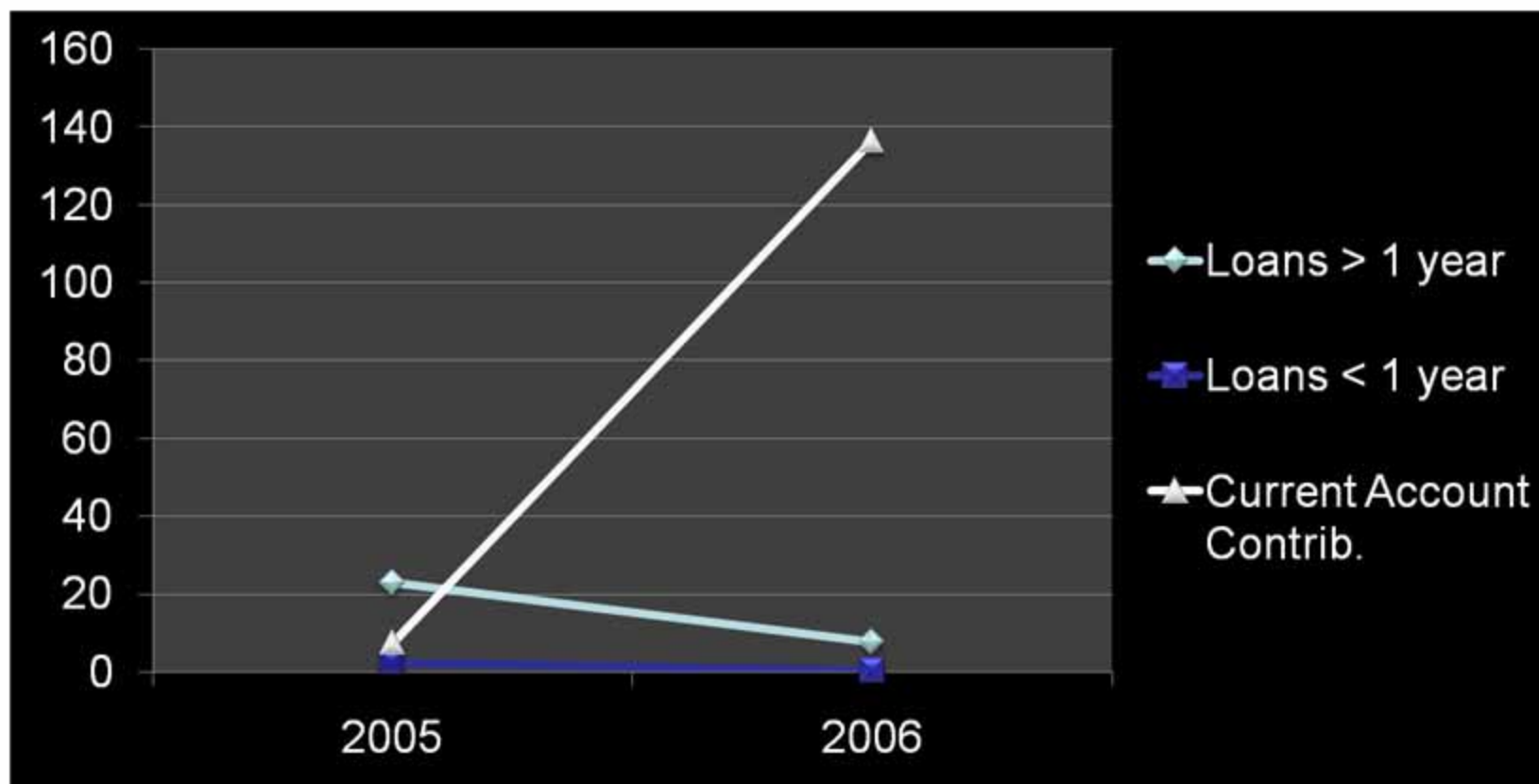
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Sources: National Institute of Statistic of Madagascar/Central Bank of Madagascar





## Other transactions (millions dollars US)





# FOREIGN INVESTMENT



## AND POLICY OF MADAGASCAR

### FDI flow per semester (millions US dollars)

Items	1 <sup>st</sup> semester	2nd semester
	2006	2006
Social assets	3,2	26,7
reinvested profit	58,1	-3,3
other transactions	36,8	108,7
<ul style="list-style-type: none"> <li>Loans for more than 1 year</li> </ul>	3,6	4,0
<ul style="list-style-type: none"> <li>Loans for less than 1 year</li> </ul>	0,1	0,2
<ul style="list-style-type: none"> <li>Current account contributions</li> </ul>	33,1	104,5
<b>FDI Flow</b>	<b>98,1</b>	<b>132,0</b>

Sources: National Institute of Statistic of Madagascar/Central Bank of Madagascar



# FOREIGN INVESTMENT AND POLICY OF MADAGASCAR



<b>% on total FDI Stock (millions USD)</b>	<b>2005</b>	<b>2006</b>
<b>Extraction, finance and manufacture.</b>	<b>47%</b>	<b>65%</b>

Sources: National Institute of Statistic of Madagascar/Central Bank of Madagascar





# FOREIGN INVESTMENT



## AND POLICY OF MADAGASCAR

### FDI Stock per sector (millions USD)

Sectors	2005	2006
<b>Extractive</b>	<b>21,8</b>	<b>192,6</b>
<b>Finances</b>	<b>44,4</b>	<b>79,0</b>
<b>Manufacturing</b>	<b>51,5</b>	<b>59,6</b>
Telecommunication	26,8	36,1
Oil products	19,0	34,5
Fisheries and aquaculture	23,6	25,4
Construction, real estate	18,6	21,3
Commerce and vehicle repair	16,5	20,4
Real estate, rental and services	13,6	14,8
Transport and transport auxiliaries	4,4	6,7
Production of electricity, water and gas distribution	5,0	5,5
Agriculture, hunting, livestock and sylviculture	2,5	3,9
Hotel and restaurant	0,4	0,3



# FOREIGN INVESTMENT



## AND POLICY OF MADAGASCAR

### FDI Stock by origin (millions dollars US)

Country	2005	2006
Canada	21,0	190,6
France	84,3	119,1
Mauritius	40,0	52,4
Luxembourg	37,8	41,7
Réunion	6,4	18,7
Hong Kong	13,3	14,3
United States	9,4	12,2
China	1,3	0,4
South Africa	2,7	4,2
Other country	33,9	49,8
<b>TOTAL</b>	<b>259,9</b>	<b>509,5</b>



- ❑ **Promote growth and sustainable development of private sector by improving the business environment**

**World ranking DBI from 149 in 2007 to 80 in 2012**

- ❑ **Act as a one stop shop for investors;**
- ❑ **Promote domestic and international investments**

**84 millions USD in 2005 up to 500 millions USD in 2012**

- ❑ **Create strong and sustainable economic growth;**

**8 – 10% in 2012**

- ❑ **Define main priority sectors and contribute to their integrated development;**
- ❑ **Streamline administrative and legal procedures to speed up the process of enterprise creation and operation;**
- ❑ **Policy advice on economic matters and investment incentives;**
- ❑ **Act as a bridge between the private sector and the government;**



## FUNCTIONS OF EDBM



### A ONE STOP SHOP FOR

- ✿ **Setting up a company in 04 days (Recording, trade register, tax registration and statistics);**
- ✿ **Approval for eligible export processing enterprises;**
- ✿ **Authorization for tourism enterprises (tour operators, hotels and restaurants);**
- ✿ **Environmental permits (when required);**
- ✿ **Long-term visa and the work permits for expatriates;**
- ✿ **Authorization of land access to foreign investors;**
- ✿ **Assistance throughout the life span of the enterprise;**





## FUNCTIONS OF EDBM



- ✿ **To brand Madagascar as an investment destination;**
- ✿ **To identify the key sectors of development and to promote them;**
- ✿ **To develop a strategy for national and international communication;**
- ✿ **To develop the institutional capacity for communication;**
- ✿ **To assist the implementation of the MAP (Madagascar Action Plan) specially with regard to commitment 6.**



# EDBM and Madagascar Action Plan

## *Commitment 6 : High Growth Economy*



Challenge 1 : Ensure a steady macroeconomic environment

Challenge 2 : Increase foreign direct investment

Challenge 3 : Promote full employment

Challenge 4 : Transform financial and banking system

Challenge 5 : Assist domestic enterprises, SME and handicraft

Challenge 6 : Strengthen international business competitiveness

Challenge 7 : Develop intensively mining sector

Challenge 8 : Promote and develop intensively tourism sector

Challenge 9 : Exploit intensively regional opportunities

Challenge 10 : Carry out economic synergies through diplomacy



## Key Opportunities for Investment



- Tourism
- Agribusiness
- Mining
- Light Manufacturing Industries
- Infrastructure
- Information & Communication Technology



# Important Projects



- ❑ DYNATEC for Nickel and cobalt exploitation (3.3 billions USD);
- ❑ QMM in Fort Dauphin for black sand exploitation (580 Millions USD);
- ❑ Hotel projects in Antananarivo and on the coastline :
  - ❖ Hotel Construction of category 4 to 5 stars in Antananarivo with 200 to 250 rooms;
  - ❖ Construction of a similar seaside hotel.
- ❑ Development of PPPs in RFT in Nosy Be;
- ❑ Charcoal processing project into electricity in Sakoa;
- ❑ **Jatropha** cultivation project for biodiesel;
- ❑ Project for **Ethanol production**;
- ❑ Manufacturing of steel tubes;
- ❑ Energy development (Electricity);
- ❑ Textiles.



*Thank you very much  
for your kind attention.*

## CONTACT

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Nouvel Immeuble ARO, Ampefiloha 101 Antananarivo - Republic of Madagascar

Tél. : (261) 20 22 670 40/681 21 - Fax : (261) 20 22 661 05

E-mail : [edbm@edbm.mg](mailto:edbm@edbm.mg) - Web site : [www.edbm.gov.mg](http://www.edbm.gov.mg)