



## Doing Business in MADAGASCAR:

### 2009 Country Commercial Guide for U.S. Companies

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# Chapter 1: Doing Business in MADAGASCAR

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## Market Overview

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An island nation in the Western Indian Ocean with a population of around 18 million, Madagascar ranks among the poorest countries in the world. Over 70 percent of the population lives in poverty.

With the support of the World Bank, the IMF, and other donors, the Government of Madagascar (GOM) is seeking to move towards a market economy conducive to private sector development, openness to foreign investment, and withdrawal of the GOM from productive sectors. The first country to sign a Millennium Challenge Account (MCA) Compact in April 2005 in the amount of US\$ 110 million, Madagascar is making strides in implementing various economic activities in the areas of financial services, land tenure, and agribusiness investment.

However, these advances have been threatened by current political unrest. In early 2009, the status of the GOM was called into question following a month of anti-government demonstrations led by the mayor of Antananarivo. On January 31, 2009, the mayor announced his intention of running the country until a transition government could be set up to replace the current administration. President Ravalomanana refused to step down and argues that the GOM maintains control of the situation. Potential investors should verify the current state of affairs before moving forward with any investment plans.

Prior to the current political instability, Madagascar appeared to be heading on a positive path of growth and poverty reduction. On April 3, 2007, the World Bank's Board of Executive Directors discussed the new Country Assistance Strategy (CAS) for Madagascar. This document serves as a roadmap for the World Bank Group assistance to the country for the period 2007-2011 and it supports the government's program – the Madagascar Action Plan (MAP). The MAP is guiding government strategy in

encouraging growth as a market-based economy, in attempting to alleviate poverty and improve social indicators, and in attracting foreign investment. On December 16, 2008, The World Bank approved USD 40 million for emergency food security and reconstruction projects.

The GDP growth rate reached 7.1 percent in 2008 with an annual average inflation rate estimated at 9.2 percent. As a former French colony, France is the main economic and trading partner of Madagascar representing at least one third of foreign trade. In addition, 600 out of 2,500 companies in Madagascar have French capital.

State divestiture from public enterprises has been a cornerstone of government policy for the last decade, although two large insurance companies and the national air transportation company still belong to the Malagasy state. The International Finance Corporation (IFC) and the International Development Association (IDA) are working with the GOM on a concession arrangement for the power and water company JIRAMA and on attracting private companies to generate and sell electricity. However, government proposals in late 2008 to recreate a state oil company have called the divestiture policy into question.

Combating corruption is a stated priority of the GOM. In 2003, the President created the Anti-Corruption Council and in September 2004, BIANCO, the independent anti-corruption investigation bureau began operations.

On July 19, 2008, SAMIFIN, the financial intelligence unit in charge of combating money laundering, was created.

## **Market Challenges**

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In general there are no specific barriers to market entry, but direct marketing for U.S. made products is difficult. The Malagasy consumer is unaccustomed to Western marketing styles. In addition, French language nuances may not be as evident to an American businessperson. The Embassy encourages U.S. operators to direct market to local distributors and agents.

## Market Opportunities

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Besides apparel production, the most promising sectors are energy, mining, and tourism. The best prospects for future U.S. sales and investments are in energy, oil exploration, telecommunications, and mining sectors. Tourism, especially eco-tourism, has significant potential as well, although political unrest in January 2009 has dampened enthusiasm in the sector for the short term. There are under-exploited opportunities in consulting and engineering. Thanks to donors' assistance, including MCA's, some investors are now developing projects to encourage value-added processing of agricultural exports such as essential oils.

The country has commercially significant reserves of several minerals including chromites, graphite, nickel, cobalt, mica, uranium and ilmenite. Gold and significant quantities of various precious and semi-precious stones - ruby, sapphire, and emerald - are also found in Madagascar. The discovery of important deposits of sapphires and rubies in some parts of the country has attracted many foreign traders and investors from Thailand, Sri Lanka, Europe, and the U.S. However, in its efforts to control the exploitation of precious stones, the GOM imposed a ban on exports of rough precious stones including sapphires, rubies and emeralds in early 2008.

Madagascar's rich biodiversity and high level of endemic plants and animals is the basis for eco-tourism development and might attract foreign investors.

Despite Madagascar's poverty, the island's unique natural environment, its wide variety of resources, its competitive labor force, and its location on the crossroads between Asia and Africa make it worth considering for long-term investments. However, investors should note that periodic political instability, the lack of a level playing field in particular sectors, and a lack of transparency in contracting and regulatory decisions can make doing business in Madagascar challenging.

## Market Entry Strategy

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The use of distributors, particularly with prior experience in distributing imported goods is highly recommended. Local agents have contacts to develop a customer base and can easily communicate in Malagasy and/or in French. Partners can be found by obtaining lists of importers from the Embassy Commercial Section or by contacting business groups and market survey firms. The Embassy recommends that U.S. firms visit the country and negotiate a distribution contract face to face, in order to develop the personal relationships that facilitate doing business in the country.

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## Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn>



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### Using an Agent or Distributor

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For new American operators, the use of agents and distributors, particularly those with prior experience in distributing imported products, is highly recommended. Local agents have contacts to develop a customer base and can easily communicate in Malagasy and/or French. Partners can be found by obtaining lists of importers from the Embassy Commercial Section or by contacting business groups and market survey firms. The Embassy recommends that U.S. firms visit Madagascar and negotiate a distribution contract face to face, in order to develop the personal relationships that facilitate doing business in the country.

### Establishing an Office

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In May 2006, the GOM established an investment promotion office, the Economic Development Board of Madagascar (EDBM). It is a one-stop shop for investment and business development, within the Presidency, to facilitate company registration procedures and to assist local and foreign investors. Now it takes less than four days to register a company whereas in the past it took at least one month.

Office space can be found through a handful of real estate agents, advertisements in local papers, or word of mouth. Landlords will rent to new companies even if they have not obtained all their operating permits. Office furniture can be obtained locally at reasonable prices and telephone services –fixed or cellular – are available in the main towns. There are increasing numbers of multilingual, qualified secretaries and administrative assistants interested in working with foreign businesses.

## **Franchising**

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A number of Malagasy businesspersons have expressed interest in establishing franchises of U.S. businesses in Madagascar. Sectors of interest cover mainly fast food such as McDonalds and Kentucky Fried Chicken. However they have been unsuccessful due to high fees and the lack of local consumer purchasing power. A number of leading U.S. products and services are sold through distributorships, including UPS, Caterpillar, General Motors, IBM, Dell, Cisco, Sun & Oracle, NCR, Sun Microsystems, Packard Bell, Compaq, Apple, Motorola, Ford, Coca-Cola, Kodak films, AT & T equipment, etc.

## **Direct Marketing**

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Although there are exceptions, direct marketing for U.S.-made products is difficult. Therefore, the Embassy encourages U.S. businesspersons to negotiate with local distributors and agents.

## **Joint Ventures/Licensing**

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Joint venture with local companies is not required, but generally recommended. In the domain of oil exploration, companies must negotiate production sharing contracts with the government office OMNIS. The benefit of joint ventures is that the local partners have knowledge of and experience in the country and can navigate complex bureaucratic administrative procedures. The drawback is that a local partner will likely be a minority shareholder in capital terms and must be carefully screened through independent references and past business history.

There are only a few licensing ventures, the most prominent being Coca Cola with Star Brewery.

## **Selling to the Government**

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As part of its liberalization strategy, the GOM frequently advertises calls for international bids to supply government-funded projects in official and local newspapers. These bids are opened publicly and tend not to be contested. Occasionally, international bids are canceled or postponed without official explanation. The most frequent opportunities are in road construction, supply of computers, consulting, engineering, etc.

## **Distribution and Sales Channels**

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Imported goods can enter Madagascar via air at Ivato international airport in Antananarivo or via sea at the ports of Tamatave, Majunga, Antsiranana, and Tulear. Products are then distributed by road, sea or rail throughout the country. Distribution is usually handled by the importing company or by wholesalers and retailers.

## **Selling Factors/Techniques**

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The purchasing power of the average Malagasy is very low so most Malagasy can only afford immediate necessities. When selling, there is no requirement to translate labels into Malagasy. Retailers and sales clerks respond to customers' needs and process sales, but there is only a dawning awareness of service or sales techniques common in the United States or Europe.

## **Electronic Commerce**

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E-Commerce is not yet used in the country due to the lack of appropriate technology required for E-Commerce. Payment by credit cards (Visa and in limited circumstances Mastercard) is only accepted in select department stores, large supermarkets, and hotels.

Madagascar, through donors' assistance, is working to pass comprehensive legislation to regulate and facilitate electronic transactions (e-commerce).

## **Trade Promotion and Advertising**

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Marketing is a relatively new industry to Madagascar. Avenues of advertising include billboards, posters, newspapers, radio and television. Prominent campaigns have European influence and often link the product with leisure activities or personal enjoyment. The quality of advertising campaigns varies and appears to depend on the budget of the advertiser. It is possible to pay a newspaper for a full-page article/advertisement, or all the television stations to broadcast an info/ad program.

Daily newspapers:

L'Express de Madagascar  
P.O. BOX 171  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 203 10  
Fax: (261 20) 22 213 83  
*Website: www.lexpressmada.com*  
E-Mail address: [lexpress@malagasy.com](mailto:lexpress@malagasy.com)

Midi Madagasikara  
P.O. BOX 1414  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 300 38  
Fax: (261 20) 22 273 51  
*Website: www.mid-madagasikara.mg*  
E-Mail address: [midi@moov.mg](mailto:midi@moov.mg)



Madagascar Tribune  
P.O. BOX 659  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 226 35  
Fax: (261 20) 22 222 54  
Website: [www.Madagascar-tribune.com](http://www.Madagascar-tribune.com)  
E-mail: [tribune@moov.mg](mailto:tribune@moov.mg)

*Le Quotidien*  
P.O Box 11097  
Antananarivo 101 – Madagascar  
Tel: (261 20)277 17  
Fax: (261 20)22 564 47  
E-mail: [lequotidien@mbs.mg](mailto:lequotidien@mbs.mg)  
Website : [www.lequotidien.mg](http://www.lequotidien.mg)

La Gazette de la Grande Ile  
P.O. Box 8678  
Antananarivo 101 – Madagascar  
Tel: (261 20) 613 77  
Fax: (261 20) 651 88  
Website: [lagazette-dgi.com](http://lagazette-dgi.com)  
E-mail: [administration@lagazette-dgi.com](mailto:administration@lagazette-dgi.com)

Les Nouvelles  
P.O. Box 194  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 354 33  
Website: [www.les-nouvelles.com](http://www.les-nouvelles.com)  
E-mail: [redaction@les-nouvelles.com](mailto:redaction@les-nouvelles.com)

#### Business Journals:

DMD (Dans les Media Demain)  
58, rue Tsiombikibo - Ambatovinaky  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 277 88  
Fax: (261 20) 22 359 79  
Website: [www.dmd.mg](http://www.dmd.mg)

ROI (Revue de l'Océan Indien)  
P.O. BOX 46  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 225 36  
Fax: (261 20) 22 345 34  
E-Mail address: [roi@moov.mg](mailto:roi@moov.mg)

#### Television:

Television Malagasy (state)

Anosy  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 231 37  
Fax: (261 20) 22 352 59

MA TV (private)  
P.O. BOX 1414  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 208 97  
Fax: (261 20) 22 344 21

TVF (private)/provider of TV programs per satellite  
41 bis, Rue Andriba - Mahamasina  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 207 30  
Fax: (261 20) 22 203 02  
Website: [www.tvf-malagasy.com](http://www.tvf-malagasy.com)  
E-mail: [tvf@iris.mg](mailto:tvf@iris.mg)

RTA (private)  
P.O. Box 7547  
Antananarivo - Madagascar  
Tel: (261 20) 22 627 76  
Fax: (261 20) 22 558 80  
Website: [www.rta.mg](http://www.rta.mg)  
E-mail: [flash@rta.mg](mailto:flash@rta.mg)

TVPLUS  
Lot IPA 239 Per  
Anosimasina, Itaosy 102  
Madagascar  
Tel/Fax: (26120) 22 676 73  
Website: [red@simicro.mg](mailto:red@simicro.mg)  
E-mail: [tvplus@simicro.mg](mailto:tvplus@simicro.mg)

TELERECORD  
P.O. Box 7522  
Antananarivo 101 – Madagascar  
Tel: (26120) 22 295 32  
Fax: (26120) 22 664 68  
Website: [www.rtv-record.com](http://www.rtv-record.com)  
E-mail: [rtv.record@iris.mg](mailto:rtv.record@iris.mg)

VIVA Television  
Tana Water Front – Ambodivona  
Antananarivo 101- Madagascar  
Tel : (261 20) 22 567 88 or 261 46  
Fax : (261 20) 22 684 95

## **Pricing**

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Pricing of imported products depends on import duties, which generally range from 0 to 20 percent. Since 2008, a value added tax (VAT) of 20 per cent has been added onto the retail price, and profit margins on products tend to be around 7 to 10 percent.

## **Sales Service/Customer Support**

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The concept of sales service and customer support is relatively new to Madagascar and is limited primarily to distributors of vehicles, computers and electronics equipment. Retailers of most consumer goods rarely accept returns of defective products. To protect consumers' rights, two private consumer organizations were created, but their actions have reportedly so far been limited.

## **Protecting Your Intellectual Property**

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### **Introduction**

Several general principles are important for effective management of intellectual property rights in Madagascar. First, it is important to have an overall strategy to protect IPR. Second, IPR is protected differently in Madagascar than in the U.S. Third, rights must be registered and enforced in Madagascar, under local laws. Companies may wish to seek advice from local attorneys or IP consultants. The U.S. Commercial Service can often provide a list of local lawyers upon request.

It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Madagascar. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppels, or unreasonable delay in prosecuting a law suit. In no instances should USG advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is important in protecting IP rights. Keep an eye on your cost structure and reduce the margins (and the incentive) of would be bad actors. Projects and sales in Madagascar require constant attention. Work with legal counsel familiar with Malagasy laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations, both Madagascar or U.S.-based. These include:

- The U.S. Chamber and local American Chamber of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Union of Industries of Madagascar (SIM)
- Group of Enterprises of Madagascar (GEM)
- The Federation of Chambers of Commerce
- The National Economic and Social Council (CONECS)

### **IPR Resources**

A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues – including enforcement issues in the US and other countries – call the STOP! Hotline: 1-866-999-HALT or register at [www.StopFakes.gov](http://www.StopFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: 1-800-786-9199.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: 1-202-707-5959.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.StopFakes.gov](http://www.StopFakes.gov) This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- For assistance in developing a strategy for evaluating, protecting, and enforcing IPR, use the free Online IPR Training Module on [www.stopfakes.gov](http://www.stopfakes.gov).

### **IPR Climate in Madagascar**

Officially, Malagasy law protects against Intellectual Property Rights (IPR) infringement. Madagascar is a member of the World Intellectual Property Organization (WIPO) and has created two offices dedicated to IPR protection: OMAPI, Office Malgache de la Propriété Industrielle (Malagasy Office for Industrial Property) and OMDA, Office Malgache des Droits d'Auteurs (Malagasy Office for Copyrights). IPR enforcement is limited, due to the lack of resources and legal capacity. Pirated audio and video recordings reportedly are the most flagrant violations of property infringement in Madagascar and imported 'fake' consumer goods can be found in local markets such as Cartier bags, Rolex watches, Nike, and Adidas shoes/sportswear. Local industry is not capable of producing imitations. On April 28, 2008, Madagascar ratified the Madrid

Protocol regarding the international registration of brands. Regarding copyrights, on July 17, 2006, an inter-ministerial decree was issued to reinforce measures to fight the counterfeiting of literary and artistic works. Upon evidence of legal infringement, OMDA and its partners (police, customs officers, tax officers, controllers of the ministry of commerce) proceed to the seizure of all illegally reproduced phonograms/video-grams and recorded products be they illegally manufactured or imported. Those products are subject to public destruction in presence of the contravener(s).

Contacts for local IPR registration and enforcement:

- OMAPI, Office Malgache de la Propriété Industrielle (Malagasy Office for Industrial Property); e-mail: [omda@moov.mg](mailto:omda@moov.mg)
- OMDA, Office Malgache des Droits d'Auteurs (Malagasy Office for Copyrights); e-mail: [omda@moov.mg](mailto:omda@moov.mg)

## **Due Diligence**

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Performing due diligence is common in the country and it is performed by accountants. Usually, it is requested in areas of investment, joint venture/partnership, and loans.

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## Chapter 4: Leading Sectors for U.S. Export and Investment

Units: US Dollars

Sources of data: For Malagasy data, from National Data bank and for U.S., from USITC.

### Leading Sectors for Export

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### Leading Sectors for Investment

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### Non Agricultural Products: Pharmaceutical Products - DRG

#### Overview

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	2006	2007	2008
<b>Total Market Size</b>	N/a	N/a	N/a
<b>Total Local Production</b>	N/a	N/a	N/a
<b>Total Exports</b>	0	0	0
<b>Total Imports</b>	54,400,000	49,949,000	(Jan-June) 29,612,900
<b>Imports from the U.S.</b>	2,103,300	3,000	(Jan-Nov) 913,000

Units: US Dollars

Madagascar produces a few generic medicines (quantity not available), and the rest is imported mainly from European and Asian countries, particularly India.

### **Best Prospects/Services**

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Based on the import data, U.S. laboratories/exporters could increase their sales by working with an agent distributor and by using special French language packaging to enter the market.

### **Opportunities**

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No specific investment project in the sector.

### **Resources**

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## **Chemical Products - ICH**

### **Overview**

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	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Total Market Size</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>
<b>Total Local Production</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>
<b>Total Exports</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Imports</b>	<b>43,150,000</b>	<b>52,603,965</b>	<b>(Jan-June) 56,943,539</b>
<b>Imports from the U.S.</b>	<b>68,100</b>	<b>48,900</b>	<b>(Jan-Nov) 3,322,700</b>

Unit: US Dollars

Madagascar is a regular importer of chemical products such as insecticides and herbicides. PROCHIMAD is the only company producing insecticides, and only a few entities produce herbicides and animal feed.

### **Best Prospects/Services**

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Given total imports of USD 56 million during the 1<sup>st</sup> semester of 2008 and considering the low U.S. market share, U.S. exporters should be able to increase sales in this area through the establishment of a sales agent or by negotiating with a well-known importer or distributor.

## Opportunities

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International organizations, such as the Food and Agriculture Organization, sometimes call for tenders for the supply of insecticides, providing opportunities for U.S. companies to compete and enter the market. The Commercial Section informs the USDOC in the case of such tenders.

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## Plastic Raw Materials - PMR

### Overview

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	2006	2007	2008
<b>Total Market Size</b>	N/a	N/a	N/a
<b>Total Local Production</b>	N/a	N/a	N/a
<b>Total Exports</b>	0	0	0
<b>Total Imports</b>	42,200,000	68,982,826	(Jan-June) 45,593,752
<b>Imports from the U.S.</b>	118,100	316,000	(Jan-Nov) 3,801,000

Units: US Dollars

Madagascar has around 10 companies processing plastic products such as tubes, pipes, plates, buckets, and bags. One hundred percent of the raw materials are imported, mainly from Europe, Asia, and the U.S.A.

## Best Prospects/Services

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To enter the market, U.S. products must be very competitive because Asian suppliers have good trade links and usually sell at a low price. The best way to enter the market would be through an agent distributor or a well-known importer.

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No specific investment opportunities

## Resources

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## Agricultural Products

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## Vegetable Oil

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### Overview

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	2006	2007	2008
<b>Total Market Size</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>
<b>Total Local Production</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>
<b>Total Exports</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Imports</b>	<b>12,500,00</b>	<b>46,862,000</b>	<b>(Jan –June) 27,986,200</b>
<b>Imports from the U.S.</b>	<b>361,000</b>	<b>2,983,000</b>	<b>(Jan-Nov) 1,519,000</b>

Units: US Dollars

Madagascar imports nearly 100 percent of its vegetable oil. There are small artisan units that process oil from peanuts but they do not meet the regular standards. Data on market size and local production are not available.

### Best Products/Services

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In 2007, Madagascar imported non-refined soybean oil and fixed vegetable fats and oils from the U.S. for a total value of \$2,983,000 (\$1.5 million for Jan-Nov 2008). With total imports of \$27 million in mid-2008, the U.S. still has a significant opportunity in the market. Potential exporters should note, however, that some business contacts have complained that the company TIKO holds a de facto monopoly on oil imports which could make market entry or the set-up of an agent distributor difficult.

### Opportunities

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Only one processing unit called TIKO can process crude vegetable oil in the country. Since 1995, imports of soybean have been funded by the U.S. project PL 480 managed by USAID or by the U.S. Department of Agriculture. Madagascar imports refined oil from various sources such as Egypt (within COMESA arrangement), France, and Asian countries.

### Resources

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## Wheat

### Overview

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	2006	2007	2008
<b>Total Market Size</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>
<b>Total Local Production</b>	<b>N/a</b>	<b>N/a</b>	<b>N/a</b>

<b>Total Exports</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Imports</b>	<b>25,000,000</b>	<b>25,154,476</b>	<b>(Jan-June) 22,222,126</b>
<b>Imports from the U.S.</b>	<b>4,004,000</b>	<b>3,527,000</b>	<b>(Jan-Nov) 4,242,000</b>

Units: US Dollars

Madagascar produces a very small amount of wheat (production quantity not available) so it imports almost 100 percent of its needs, mainly from Europe and the U.S. (from U.S. Wheat Association and Seaboard).

### **Best Prospects/Services**

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Considering the needs of the country (\$22 million during the 1st semester of 2008), there is still significant room for U.S. exporters to increase their sale of wheat in the country. In 2006, the American company Seaboard established a partnership with a local company to mill imported wheat into flour. Unfortunately, due to unfair competition with the company Tiko, Seaboard was forced to suspend its operations in October 2008.

### **Opportunities**

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The growing of wheat in Madagascar could be another opportunity for U.S. investors. In fact, there is no significant wheat production in the Indian Ocean region so production from Madagascar might cover the region and even Sub-Saharan Africa. However, identifying and gaining access to land remains problematic and highly-politicized.

### **Leading sectors for Investment**

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### **Sugar – FOD**

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The GOM and international donors have identified sugar as a priority growth sector and can provide extensive support for investments. Less than 10% of arable land is currently utilized and more than 60,000 hectares suitable for sugar cane production have already been identified. Madagascar currently produces less than 30,000 tons of sugar per year, but consumes more than 180,000 tons. In addition, global demand is rising, driven by increased sugar consumption and demand for ethanol, while output in key producing countries is declining. Madagascar benefits every year from 7,258 tons of raw sugar tariff-rate quota from the U.S. and around 18,000 tons from the European Union. This sector has great potential, but as noted above, identifying and gaining access to land remains problematic and highly-politicized.

For additional information on investment opportunities in the sugar sector, potential investors can contact the Economic Development Board of Madagascar (EDBM), see Chapter 9: Contacts.

### **Soya beans and palm oil - FOD**

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Madagascar possesses an abundant supply of labor for agricultural development as more than 75% of the Malagasy population live in rural areas. The island has a

significant cultivable area estimated at 18 million hectares. Furthermore, the soil diversity allows for the exploitation of soya beans and palm oil mainly in the South-West, North-West, and the East Coast. The country has a small production unit of palm in the East Coast of the country used mainly to manufacture soap. With the increasing world demand in bio-fuel and edible oils, Madagascar could attract many foreign investors if the land tenure issue were addressed.

For additional information on investment opportunities in the sector, potential investors can contact the Economic Development Board of Madagascar (EDBM), see Chapter 9: Contacts.

### **Labor-intensive garments - APP**

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There are mainly two types of apparel companies operating in Madagascar: SMEs serving both regional and foreign markets and EPZ firms that are generally foreign owned and exclusively export-oriented. Apparel products produced in Madagascar include men's, women's, and children's apparel, underwear, blankets, bed-linens, tablecloths and knitwear.

Within the EPZ regime, Madagascar will offer until December 2010 lucrative incentives for investors establishing export-oriented apparel companies such as tax-breaks (see Performance Requirements and Incentives in Chapter 6).

Foreign Direct Investments (FDI) in the sector are mainly from Europe (France), South East-Asia, Mauritius, and the U.S.

The country's eligibility for AGOA provisions, the low cost of labor (US\$ 41 per month), the availability of a large, trainable work force, and the tradition in textile production are the main advantages of Madagascar to attract foreign investments in the sector. Since the passage of the AGOA legislation, Madagascar has demonstrated its sourcing strength to a broad base of U.S. apparel buyers and manufacturers. Three of the 30 companies exporting within AGOA are American investments and there is still room to invest in this sector.

For additional information on investment opportunities in the sector, potential investors can contact the Economic Development Board of Madagascar (EDBM), see Chapter 9: Contacts.

### **Resources**

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See Chapter 9: contacts

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## Chapter 5: Trade Regulations and Standards

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- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
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### Import Tariffs

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Custom duties range from 0% to 20% (0% for inputs and capital goods in the EPZ sector and 20% for consumer goods). Agricultural equipment is exempt from customs duties. Furthermore, export promotion law 27/2008 provides that the import duty for equipment used in the production of exports is fixed at 5%.

VAT is fixed at 20% for all goods except agricultural equipment and EPZ imports, which are exempt.

### Trade Barriers

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Like many developing countries, Madagascar collects a significant share of government revenue through custom duties, import taxes and value added taxes (VAT) on imports. Although they have been lowered recently, tax and customs duty rates are still relatively high. Madagascar does not have significant formal non-tariff barriers to trade.

### Import Requirements and Documentation

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The GOM currently requires an inspection certificate from Gasynet before shipment of goods.

#### Import documentation

The following documents are required for imports:

Commercial invoice

Bill of lading or Air way bill

Insurance certificate  
Packing list  
Import declaration  
Certificate of origin  
Pre-shipment inspection certificate

### **Export requirements and documentation**

Most exports have been liberalized. However, export authorization is required for some protected animal and plant species, as requested by the Convention on International Trade in Endangered Species (CITES), of which Madagascar is a member. These include crocodiles and crocodile skin products, live animals, orchids and tropical hardwoods. In early 2008, the government placed a ban on raw gemstone exports. Exporters of industrial grade stones have at times encountered difficulties exporting due to confusion over stone categorization and been forced to seek special authorization from the ministry of mines and customs. Exporters are obliged to repatriate their foreign exchange earnings within 180 days following shipment.

The following documents are required for exports:

Commercial invoice  
Bill of lading or Airway bill  
Certificate of origin (under AGOA, GSP regime, JADE Act)  
Insurance certificate  
Phytosanitary certificate, if required  
Packing list  
Export declaration  
Customs declaration  
Quality certificate, if required  
AGOA textile visa from Malagasy customs.

### **U.S. Export Controls**

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There are no U.S. exports controls specifically related to Madagascar which companies must respect when exporting.

### **Temporary Entry**

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Personal effects of diplomatic corps and international organizations are not subject to import taxes upon entry, but if personnel sell their effects before leaving the country, they must pay the import duties. For warranty and non-warranty items entering the country for repair, the importer should inform the customs office before importing the items. Madagascar has a temporary admission regime, under which certain items may enter duty free for up to 12 months. These items include Imported goods that are expected to be re-exported (as is or after transformation), goods subject to experiment, repairs, and testing, goods exhibited during an international trade fair, and equipment used in public works.

### **Labeling and Marking Requirements**

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For each certified product, labeling and marking are required on the packaging of the product before sale or export. For further information, point of contact is:

Bureau National des Normes (BNM)

P.O. Box 1316

Antananarivo 101

Madagascar

Tel: (261 20) 22 279 70

E-mail: [bnm@moov.mg](mailto:bnm@moov.mg)

## Prohibited and Restricted Imports

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Imports into Madagascar are liberalized and no longer require any import license except for a few categories of items which are considered by the GOM as 'strategic' such as guns, explosives, precious stones and radioactive products. Imports of pornographic material are prohibited.

## Customs Regulations and Contact Information

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Imports are valued at C.I.F. Madagascar is a member of the World Customs Organization (WCO). Since November 2000, the Malagasy customs authorities have implemented the 'transactional value' definition of the WCO.

Customs contact information:

Mr. Vola Razafindramiandra Ramiandrasoa

Director General of Customs

Ministry of Finance, Budget and Economy

Antaninarenina, Antananarivo 101

Madagascar

Tel: (261 20) 22 229 16

Fax: (261 20) 22 646 80

E-mail: [voalazafy@ifrance.com](mailto:voalazafy@ifrance.com)

## Standards

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## Overview

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The Bureau de Normes de Madagascar (BNM) (Madagascar's Standards Office), created in November 1998 but operational only on December 3, 2002, is the official body in charge of standards and conformity assessment in Madagascar. BNM's objective is to draft and publish national standards, manage the national trademark conformity, promote and apply standards, manage the laboratories affiliated with BNM, provide training on standards, certification, and quality, represent Madagascar at regional and international standards organizations such as ISO, CEI, OIML, and Codex Alimentarius. When developing standards, BNM follows international standards, mainly ISO.

Also, PRONABIO, a local organization, has developed its own standards called NATIORA to certify its natural goods such as vegetables, spices, and essential oils.

## **Standards Organizations**

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The main national testing laboratories are:

- Laboratoire de Chimie et de Microbiologie d'Antananarivo (LCMA): quality control of food and agricultural goods, classification and conformity assessment. Standards used are AFNOR, ISO, and Codex Alimentarius.
- Laboratoire de Chimie de Tamatave (LCT): quality control of agricultural goods such as coffee, vanilla, cloves, litchi, pepper, and essential oils; classification and conformity assessment. Standards used are national, AFNOR and ISO.
- Laboratoire de Métrologie Légale (LML): control and standardization of measuring equipment in the commercial and industrial sector. LML belongs to the ministry of industry and commerce.
- Laboratoire du Centre National de Recherches pour l'Environnement (LCNRE): analysis of environmental samples; monitoring of impacts of industrial activities of environment; scientific support to the industrial sector; control and analysis in the nutritional and food sector; scientific support to the private sector in product quality (shrimp, lobster, agricultural goods, etc).
- Laboratoire de Biochimie Nutrition du Département de Recherches Zootechniques et Vétérinaires (LBN): chemical and microbiological analysis of raw materials for animal food.
- Laboratoire du Centre National de Recherches Industrielles et Technologiques (CNRIT): conformity assessment in the following sectors: water, various chemical products, construction material, civil engineering, electronics. Technical support to enterprises.
- Laboratoire de Chimie et de Recherches des Fraudes Alimentaires (LCFRA): quality control of all physico-chemical food (whether local or imported) for consumption certification.
- Laboratoire de Contrôle des Pesticides (LCP): control of agro-pharmaceutical products and pesticides (local or imported).

- Laboratoire de Microbiologie, des Eaux et des Denrées Alimentaires de l'Institut Pasteur de Madagascar: bacteriological analysis of food, water, and medicines.
- Laboratoire National des Mines du Ministère de l'Energie et des Mines (LNM): certification of jewelry and precious stones for exports; LNM belongs to the Ministry of Energy and Mining.
- Laboratoire National de Recherches en Télécommunications (LNRT): verification, inspection and certification of telecommunication equipment.
- Laboratoire de l'Institut National des Sciences et Techniques Nucléaires (LINSTN): standardization of ionizing radiation detection apparatus; radioactivity control of food and metallic waste; analysis of geological samples; detection of heavy metal; control of heavy metal in seafood and meat; quantitative/qualitative analysis of atomic elements in powder, solid, and liquid samples.
- Laboratoire National des Travaux Publics et du Bâtiment (LNTPB) certification of construction materials (cement, iron; etc); study of road materials; study of soil in view of construction stability assessment; control of construction; description of maintenance works; development of standards; training of engineers.

#### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

#### **Conformity Assessment**

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The BNM and the testing laboratories stated above are the organizations in charge of conformity assessment in Madagascar.

#### **Product Certification**

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- Vanilla, coffee, meat, seafood, and mining products should be certified before export.
- A few forestry products (under CITES regulations) should be certified before exploitation and export.

No mutual recognition agreement (MRAs) with U.S. organizations.

#### **Accreditation**

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Accreditation body and contact information:

BNM  
P.O. Box 1316  
Antananarivo 101



Madagascar  
Tel: (261 20) 22 279 70  
E-mail: [bnm@moov.mg](mailto:bnm@moov.mg)

### **Publication of Technical Regulations**

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Technical regulations and standards developed by the different laboratories are published in the national gazette of the Republic of Madagascar if required by law. U.S. or foreign entities can approach the different laboratories or related departments to comment final regulations.

### **Labeling and Marking**

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For each certified product, labeling and marking are required on the packaging of the product before sale or export.

### **Contacts**

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For any information about standards or certification, BNM is the key contact (see address above).

### **Trade Agreements**

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

- 1964: United Nations Convention on Trade and Development (UNCTAD)
- 1990: Lomé IV, between the European Union and ACP countries
- 1992: Indian Ocean Commission
- 1993: Common Market for East and Southern Africa (COMESA)
- 1995: World Trade Organization (WTO)
- 2004: SADC

### **Web Resources**

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(See web resources in Chapter 9).

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## Chapter 6: Investment Climate

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- [Conversion and Transfer Policies](#)
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### Openness to Foreign Investment

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The GOM officially welcomes foreign investment and the country's regulatory framework is evolving to become more investor-friendly. Administrative level implementation, however, often lags official policy. Madagascar has generally not been an easy place to launch and grow a business – for nationals and foreign investors – but the significant stock of foreign investment is evidence of the rewards available. Although the current government has expressed a commitment to improve the investment climate, in practice, conflicts of interest and the lack of a level playing field continue to plague investors. A lack of transparency in contracting and in government regulatory decisions also dampens the investment climate.

In early 2009, political instability compounded these problems. Following a month of anti-government demonstrations led by the mayor of Antananarivo, on January 31, 2009, the mayor announced his intention of running the country until a transition government could be set up to replace the current administration. President Ravalomanana refused to step down and argues that the GOM maintains control of the situation. Potential investors should verify the current state of affairs before moving forward with any investment plans.

According to the Malagasy Central Bank, foreign direct investment (FDI) inflows to Madagascar in 2007 amounted to USD 777.1 million representing 10.5 percent of GDP. The most active sectors in FDI in 2007 were extractive industries, telecommunications,

and public works. The projection for 2008 is to reach an FDI inflow of USD 1.35 billion, driven again by the same sectors.

The Bretton Woods institutions have generally endorsed the government's macro-economic regime, although they questioned certain non-transparent budget and tax decisions in late 2008. Better governance is a priority, which the government and donors agree must be given special attention, including the improvement of the regulatory system and the fight against corruption. The poor quality and high cost of physical infrastructure (road, electricity, telecommunications, port efficiency, air cargo capacity) and the limited availability of credit and financing instruments constitute investment climate bottlenecks that offset Madagascar's advantage from a low-wage, productive work force. The Malagasy government, in collaboration with donor institutions and countries, is analyzing impediments to investment with a view towards eliminating the most serious drawbacks. Madagascar moved up 7 rankings in the World Bank 2009 "Doing Business Report," ranking 144th out of 181 countries, compared to 151st in the 2008 report.

In September 2006, the Madagascar Action Plan (MAP), a five-year development strategy paper (2007-2011), was presented to the public and private sectors, as well as to donors. The MAP is guiding government strategy in encouraging growth as a market-based economy, in attempting to alleviate poverty and improve social indicators, and in attracting foreign investment.

A new export promotion law adopted by the Parliament in December 2008 grants some benefits to exporters, including the reduction of the customs tax rate on imported capital goods to five percent. Additional benefits include export tax exemption, freedom of opening bank accounts abroad, and the creation of an export agency under the economic ministry to facilitate and promote exports. In 2008, the Economic Development Board of Madagascar (EDBM) continued to assist foreign investors and conducted various road shows abroad to attract foreign investments. The creation of the American Chamber of Commerce in Madagascar (AMCHAM) in December 2008 should help boost trade and investment between the U.S. and Madagascar.

The first country to sign a Millennium Challenge Account (MCA) Compact, in April 2005 in the amount of USD 110 million, Madagascar is making strides in implementing various activities in the areas of financial services, land tenure, and agribusiness investment.

There is no law or regulation authorizing private firms to adopt articles of incorporation or association that limit or prohibit foreign investment, participation or control. Further, there is no official practice to restrict foreign investment, participation in, or control of domestic enterprises. There is no mandatory screening of foreign investment and there is no discrimination against foreign investors at the time of the initial investment or after the investment is made, such as through special tax treatment, access to licenses, approvals, or procurement.

To show transparency and good governance in the management of revenues from extractive resources, the GOM and the main operators in the extractive industries such as Exxon Mobil, Rio Tinto, Madagascar Oil, and Sherritt continued to take the necessary steps to implement the Extractive Industries Transparency Initiative (EITI) in 2008.

## **Conversion and Transfer Policies**

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In 1998, the GOM lifted all restrictions on current payment and transfers and accepted the obligations of Article VIII of the IMF articles of Agreement, which provides for the complete elimination of exchange controls. There are no restrictions on converting or transferring funds associated with foreign investment, including remittances of investment capital, earnings, loan repayments, and lease payments into a freely usable currency at legal market clearing rate. When delays occur in conversion or funds transfer, they are due to temporary shortages of foreign exchange. By law, foreign investors must make remittances through banks. There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, and returns on intellectual property. Exporters and foreign investors may maintain bank accounts in foreign currencies. Madagascar has a flexible exchange rate policy, allowing underlying exchange market pressures to determine rates and limiting central bank intervention to dampening temporary shocks and achieving its external reserves objectives.

Madagascar, through donors' assistance, is working to pass comprehensive legislation to regulate and facilitate electronic transactions (e-commerce).

## **Expropriation and Compensation**

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There are no recent cases of expropriation actions by the GOM nor do Government policies suggest that it is likely to take such actions in the near future. Since the country is under an IMF poverty reduction and growth facility (PRGF) agreement, there is little risk of future expropriation. The state divestiture from public enterprises has been a cornerstone of government policy; however, government proposals in late 2008 to recreate a state oil company have called this policy into question. There are no laws requiring local ownership in specific economic sectors except in oil exploration, in which the Government office called OMNIS must enter into production sharing contracts with all foreign companies.

## **Dispute Settlement**

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Madagascar's legal system is based on French civil law and its provisions contain adequate protections for private property rights. Malagasy commercial law consists largely of the Code of Commerce and Annexed laws, which are reportedly applied in a non-discriminatory manner. Madagascar has a written bankruptcy law, created in 1996 and currently included in the Code of Commerce. The Malagasy judicial system is slow and complex and has a reputation of opacity and corruption. U.S. assistance has supported the development of alternative dispute resolution systems to provide more rapid, more transparent, and less costly resolution of commercial disputes.

Under the privatization law, the GOM accepts binding international arbitration of investment disputes between foreign investors and the state. The courts recognize and enforce foreign arbitral awards and international arbitration is accepted as a means for settling investment disputes between private parties. The Malagasy Arbitration and

Mediation Center (CAMM, in its French acronym) was created in 2000 as a private organization to promote and facilitate the use of arbitration to resolve commercial disputes and to lessen reliance on a court system that is, at a minimum, overburdened. As a result, many private contracts now include arbitration clauses. The EDBM is also responsible for investment dispute resolution; however, it has been unable to resolve several concerns raised by American companies regarding conflicts of interest and the lack of transparency in contracting and in government regulatory decision making.

Madagascar is a signatory to the International Center for the Settlement of Investment Disputes (ICSID) Convention. Madagascar is also a signatory to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards and Madagascar has been a member of the Multilateral Investment Guarantee Agency (MIGA) since 1989. The Malagasy government has expressed interest in negotiating a bilateral investment treaty (BIT) with the U.S. Initial discussions began in late 2008.

## **Performance Requirements and Incentives**

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As a signatory of the WTO Agreement, Madagascar is bound by the WTO TRIMS (Trade Related Investment Measures). Performance requirements are not imposed as conditions for establishing or maintaining investments, except in the Export Processing Zones (EPZ) regime under which firms must export 95 percent of output to qualify for EPZ investment incentives. Foreign or local investors can benefit from tax exemptions provided their EPZ projects fall into the following categories:

- Investment in export-oriented manufacturing industries;
- Development or management of industrial free zones; or
- Provision of services to EPZ companies.

The EPZ law approved in December 2007 granted the following advantages and tax incentives to EPZ companies:

- The EDBM is in charge of EPZ companies' approval. The EDBM has to deliver an eligibility certificate within 20 days of deposit of file.
- 5 years corporate tax exemption for most EPZ companies
- No VAT or customs duties on imports of raw materials
- No registration taxes
- No customs tax on exported goods
- Income tax on expatriate not exceeding 30 percent of the taxable basis
- Free access to foreign currency deposited in the company's foreign currency bank account.

The new export promotion law that was adopted in December 2008 determined that these EPZ provisions (advantages and tax incentives) would only be offered until December 2010. Already existing EPZ companies will continue to enjoy the advantages described above after that date.

There are no requirements restricting the mobility of foreign investors. The regime for visas, residence and work permits is, on its face, neither discriminatory nor excessively onerous. Since the creation of the EDBM, processing of residence and work permits has been streamlined.

There is no requirement that investors purchase from local sources, or export a certain percentage of output (except for EPZ companies), or only have access to foreign exchange in relation to their exports. There is no requirement that nationals own shares of foreign companies, that the share of foreign equity is reduced over time, or that technology is transferred on certain terms. There are no government-imposed conditions on permission to invest (although investors must apply for such permission), including location in a specific geographical area, specific percentage of local content or local equity, substitution for imports, export requirements or targets, employment of host country nationals, or technology transfer. Investors are not required to disclose proprietary information to the government as part of the regulatory approval process. U.S. and other foreign firms are able to participate in government-financed and/or subsidized research and development programs on a national treatment basis. There are officially no discriminatory or preferential export or import policies, which would affect foreign investors, nor discriminatory tariff or non-tariff barriers, or other measures such as import or price controls. However, as of January 2009, the government was in the process of recreating a state oil company with exclusive rights to import certain petroleum products, as well as implementing an administrative pricing mechanism for these products. Also, in practice, there is at times an unlevel playing field in terms of tariff and tax burden among private companies.

#### **Right to Private Ownership and Establishment**

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Foreign and domestic private entities may establish and own business enterprises and engage in all forms of remunerative activity. They may freely establish, acquire, and dispose of interests in business enterprises. The government remains a minority shareholder in some privatized companies, such as Telma, and continues to own Air Madagascar, but competitive equality is the official standard applied to all private enterprises with respect to access to markets, credit, and other business operations such as licenses and supplies. In practice; however, politically-connected companies are sometimes given preferential market access. The private sector often complains about government interference in some sectors of the economy, including flour and vegetable oil.

#### **Protection of Property Rights**

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Secured interests in property are recognized, but not yet enforced in the country. Banks and insurance companies use mortgages to guarantee loans relating to commercial property.

A prohibition on land ownership by foreigners impedes access to real property. A system of long-term leases – up to 99 years – was established in 2008 following the adoption of investment law 2007-036 to address the issue, but there have been long delays and few successes so far in the approval of land leases for foreigners. The new investment law grants land and properties to companies registered in Madagascar under certain conditions fixed by EDBM, which issues authorization documents. In addition, MCA's contribution to the land tenure issue is improving the land rights process.

Madagascar is a member of the WIPO (World Intellectual Property Organization) and is signatory to the WTO TRIPS agreement on trade related aspects of intellectual property. Two government offices share responsibility for the protection of intellectual property rights: the Malagasy Office for Industrial Property (OMAPI) and the Malagasy Copyright Office (OMDA). Protection of intellectual property rights is uneven. Officially, authorities protect against infringement, but in reality, enforcement capacity is quite limited. Major brands are generally respected but pirated copies of movie DVDs, music CDs and tapes, electronic equipment and spare parts are sold openly. Some television stations regularly show pirated copies of first-run U.S. and European movies. On July 17, 2006, an inter-ministerial decree was issued to reinforce measures to fight counterfeiting of literary and artistic works. Upon evidence of illegal activity, OMDA and its partners (police, customs officers, tax officers, controllers of the ministry of commerce) proceed to the seizure of all illegally reproduced recorded products, be they illegally manufactured or imported, and specific materials used for such dealings. Those products are subject to public destruction in presence of the contravener(s). A control committee was set up to follow-up the application of such decree. To conclude, enforcement of intellectual property rights is limited due to a shortage of trained personnel, legal capacity and resources.

#### **Transparency of Regulatory System**

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Excessively complex and inconsistently applied bureaucratic regulations are an impediment to investment and can be a breeding ground for corrupt practices. The lack of transparency in government regulatory decisions has generated complaints from current investors. As part of its emphasis on good governance, the GOM is seeking to streamline processes and improve administrative efficiency and transparency at all levels. Thanks to the EDBM, registration of companies now only takes around 4 days.

Tax, labor, environment, health, and safety standards are not used to impede foreign investment, and there are no informal regulatory processes managed by non-governmental organizations or private sector associations.

Accounting systems are transparent and consistent with international norms, and there are no private sector and/or government/authority efforts to restrict foreign participation in industry standard-setting consortia or organizations.

#### **Efficient Capital Markets and Portfolio Investment**

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In spite of the general under-development of the banking system, banks are free to support the flow of resources in the product and factors markets. Credit is usually allocated on market terms and the private sector/foreign investors are able to get credit on the local market. However, many of the EPZ companies use the services of banks in neighboring Mauritius, where the sector is more developed.

There are no cross-shareholding arrangements used by private firms to restrict foreign investment through mergers and acquisitions. There are no visible private sector and/or

government efforts to restrict foreign participation in industry or control of domestic enterprises.

Within the Malagasy law, there is an effective regulatory system established to encourage and facilitate portfolio investment and the estimated total assets of the country's largest bank are around USD 400 million.

The government announced in January 2009 that the Malagasy Bank for Construction and Development (BMCD) would be launched in 2009. The bank's main mission will be to assist small and medium enterprises.

## **Political Violence**

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Political violence is relatively uncommon in Madagascar. However, in January 2009, a political conflict between the mayor of Antananarivo and the president led to protests and burning and looting of government and presidential assets. Scores died in the ensuing violence. As of February 1, 2009 the situation was tenuously calm, but the underlying political divisions remained, indicating the ongoing possibility of further protests and violent clashes. In contrast, the political crisis of January-June 2002 involved a division of the country between two rival governments but was remarkably restrained in terms of violence. Civil disturbances have been uncommon in the past. Public safety is adequate; although standard warnings to guard against street crime and theft from vehicles and to minimize or avoid night time road travel, particularly in rural areas apply. Madagascar, being an island, has no belligerent neighbors.

## **Corruption**

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Complicated administrative procedures introduce delays, uncertainties and multiply the possibilities for corruption. Combating corruption is a stated priority of the Malagasy government and senior officials appear to be taking that effort seriously. BIANCO, the Anti-corruption Independent Office created in 2004, continues to implement the anti-corruption policy. Ten sectors are targeted in the fight against corruption: justice, gendarmerie, police, tax office, customs, treasury, land, trade, education, and health. Once clear weakness in Madagascar's fight against corruption is a high degree of tolerance for conflicts of interest, which has had a chilling effect on certain foreign investments.

Giving or accepting a bribe is a criminal act and is sentenced by court.

In 2008, Transparency International ranked Madagascar 85th out of 180 countries surveyed, as it scored 3.4 in the Corruption Perception Index (CPI), indicating a severe (albeit improving) corruption problem.

On July 19, 2008, SAMIFIN, the office in charge of the fight against money laundering was created. Its objective is to investigate all allegations of money laundering coming from financial institutions, including those involving corruption.



## **Bilateral Investment Agreements**

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According to ICSID (International Center for the Settlement of Investment Disputes) and UNCTAD, Madagascar has concluded bilateral investment agreements with Switzerland, Sweden, Norway, Mauritius, Germany, France, Thailand, Belgium, China, and Canada. Also, Madagascar has signed double taxation treaties with France and Mauritius. The Malagasy government has expressed interest in negotiating a bilateral investment treaty with the U.S. Initial discussions began in late 2008.

## **OPIC and Other Investment Insurance Programs**

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On March 31, 1998, OPIC and Madagascar signed a bilateral Investment Incentive Agreement, which updates the old agreement of 1963.

Madagascar is a member of the MIGA (Multilateral Investment Guarantee Agency). The average annual exchange rate for 2008 was 1708 ariary per one USD. As of January 2009, the ariary had depreciated to around 1890 per one USD. To the benefit of Malagasy exporters, further modest depreciation is expected in 2009.

## **Labor**

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Madagascar has a significant pool of available labor, due to the combined impact of unemployment and under-employment. Private sector wages have been relatively stable and are below those in most competitor countries; indeed, this fact, combined with the high quality of much Malagasy labor, may constitute the country's strongest asset for foreign investors. The minimum wage for the non-agricultural private sector in 2008 was 70,025 ariary per month, approximately USD 41. The Constitution and Labor Code grant workers in the private and public sectors the right to establish and join labor unions, and to bargain collectively. The National Labor Code and implementing legislation prescribe working conditions, wages, and standard for worksite safety. As a member of the ILO (International Labor Organization), Madagascar adheres to the ILO convention protecting workers rights.

## **Foreign-Trade Zones/Free Ports**

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The incentives available in the Export Processing Zone (EPZ) are described in "Performance Requirements and Incentives". There is no distinction between foreign and domestically owned firms in terms of eligibility for EPZ treatment, which has been granted by the EDBM since December 2007. Again, as stated earlier, EPZ incentives will be offered only through December 2010, but pre-existing EPZ firms will maintain their incentives and status beyond that date.

According to a World Bank survey, Madagascar is among the 40 most difficult countries in the world in which to conduct business. The main reasons are the weaknesses of the judicial system and the banking system (high interest rates and unavailability of credit), the high cost and low quality of electric power, high tax rates, red tape, corruption, conflicts of interest, a lack of transparency in decision-making, and the high costs of ground and air transport and telecommunications.

In 2007, FDI inflows to Madagascar amounted to USD 777.1 million or 10.5 percent of GDP. Compared to 2006, FDI inflows more than doubled in 2007. Although this increase boosted GDP figures, it did not create significant numbers of jobs. FDI was concentrated in the following sectors: extractive industry (USD 472.9 million, or more than 60 percent of the total), telecommunications (USD 191.6 million), building and public works (USD 58.2 million), financial activities (USD 21.3 million) and oil product distribution (USD 12 million). This rebound was fuelled essentially by investment in mineral exploration, particularly by the ilmenite investment project of QIT Madagascar Mineral (Rio Tinto) and by the nickel and cobalt investment project of Ambatovy, a joint venture including Sherritt International, SNC-Lavalin, Sumitomo Corporation, and Korea Resources Corporation.

The main partner countries of Madagascar in terms of 2007 FDI flows were Canada with 46 percent of new FDI, followed by France with 21 percent, and Mauritius with 16 percent. The United States contributed 4.5 percent to 2007 FDI inflows. Canadian investment increased by 146 percent in 2007. Ninety-nine percent of Canadian investment was concentrated in the extractive industry. French investments in 2007 were six times higher than in 2006 and were allocated in the telecommunication sector (54 percent), building and public works (36 percent), and financial activities (7 percent). Mauritian investments increased five times and were concentrated in the telecommunications sector (81 percent), but also included oil product distribution (10 percent), manufacturing (4 percent), and financial sector (4 percent).

U.S. investment covers a broad spectrum of sectors including oil exploration, apparel, mining, and handicrafts.

Several additional large mining projects are on the horizon, and the government is in the final stages of liberalizing the telecommunications sector. The agribusiness sector has the potential to attract sizable, job-generating investments, particularly in palm oil, corn and sugar, if land tenure complications can be resolved. Tourism is the other sector most often cited for its potential for both foreign investment and job creation. However, the international financial crisis, the fall in global mineral prices, and political instability in Madagascar have dampened the previously positive investment picture for 2009.

FDI inflows in 2008 are projected to reach USD 1.35 billion.

(See Web resources in Chapter 9).

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## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

### How Do I Get Paid (Methods of Payment)

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Methods of payment are usually through banks, by open account, letter of credit, cash in advance, or documentary collection. The banking system consists of eight commercial banks. European banking institutions hold a controlling interest in four banks: Banque Malgache de l'Océan Indien (BMOI), BNI-Crédit Agricole (BNI-CA), BTM-BOA, and BFV-SG. Union Commercial Bank (UCB) and State Bank of Mauritius (SBM) are branches of Mauritian parent companies of the same name. The Hong-Kong group Gahood Holding International Ltd. owned 70% of the shares of the seventh bank called BICM (Banque Internationale Chine – Madagascar). The German group Access Holding owns the Access Bank Madagascar. For those banks, financial statements are in compliance with international standards and audits are performed both by local and international recognized accounting firms. The Malagasy Bank for Construction and Development (BMCD) is expected to be operational this year.

### How Does the Banking System Operate

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Madagascar has relatively rudimentary financial markets and a very low rate of bank penetration. High interest rates, stringent requirements for collateral and guarantees, limited competition among banks, and reluctance to finance foreign trade or working capital even when secured by letters of credit make financing very expensive and difficult to access. The difficulty of increasing working capital through bank borrowing is a severe constraint on local firms' ability to expand. Banks maintain that many prospective borrowers lack reliable and transparent balance sheets and that long-term financing is difficult because they lack a long term deposit policy. A substantial portion of domestic credit is effectively extended to the public sector because banks invest surplus funds in largely risk-free government Treasury bills (Bons de Tresor). Only well-known and significant operators can get credit in Madagascar. The credit granted is mainly for the purchase of traditional agricultural products such as vanilla, coffee, and cloves. In case of pre-financing by foreign importers, local exporters still have to pay high interest rates to their banks. Generally speaking, the financing possibilities that are available to local firms are quite limited.

Since May 1994, an inter-bank foreign exchange market (MID) has set daily the rate of the Malagasy currency (MGA). At the end of July 2005, the organization and the operation of the inter-bank foreign exchange market were improved by the adoption of a continuous system of quotation of the two main currencies of reference, the USD and the EURO. Since 1996, the GOM has lifted all restrictions on current payment and transfers and has accepted the obligations of Article VIII of the IMF Articles of Agreement to abolish exchange controls. However, on July 11, 2004, following the huge depreciation of the Malagasy Currency, the GOM adopted a law stating that residents are not authorized to transfer foreign currency to another foreign currency bank account unless within the MID. However, between EPZ companies, foreign currency transfers are allowed.

BMOI:

- French American Bank/New York
- Dresdner Trust/New York

BNI-CA:

- Bankers Trust/New York
- Bank of New York
- American Express International Bank/New York
- Chase Manhattan Bank/New York

BTM-BOA:

- Citibank/New York
- Bank of New York
- Bankers Trust/New York

UCB: Citibank/New York

BFV-SG:

- Bank of New York
- Bank of America/San Francisco
- French American Bank/New York

SBM:

- Citibank/New York
- Bankers Trust/New York

## Project Financing

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The GOM supports the establishment of credit unions and other suitable credit facilities and encourages creditors and donors to harmonize their efforts in this field. The World Bank, the European Union, the USTDA, and the African Development Bank have funded many infrastructure and other development projects.

In addition, on March 31, 1998, an agreement was signed between OPIC and the GOM to facilitate U.S. investment in the country.

In June 2004, the IFC (International Finance Corporation) of the World Bank created an SME (Small and Medium Enterprise) Solution Center to address credit access of local SMEs. Since 2005, the GOM, with financing from an MCA compact, has been implementing banking sector reform and promoting access to microcredit.

## Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/ccs/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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## Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
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- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
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### Business Customs

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Laws and common business practices are based on the European, particularly French, business style.

### Travel Advisory

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For further information about visa requirements and travel information, the following State Department web site is available:

<http://travel.state.gov>

### Visa Requirements

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A visa is required for entry into Madagascar and can be obtained at the airport for stays of less than 30 days. See U.S. Department of State and Government of Madagascar websites for visa information.

U.S. companies that require travel of foreign businesspersons to the United States should be advised that security reviews are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

Consular section website: <http://www.antananarivo.usembassy.gov/>

## **Telecommunications**

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Internet is accessible in hotels and at cyber cafes of major towns. There are three cellular phones companies: ZAIN, ORANGE and TELMA using GSM system.

## **Transportation**

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Air transportation is the best way to get to the country. Maritime transport is mainly used for local transportation around the island, and to the Indian Ocean islands (Mauritius, Seychelles, Comoros, and Reunion). Visitors to the capital city of Antananarivo or other cities can easily find taxis. Taxi fares are relatively low but taxis typically do not meet U.S. safety standards.

Railway transport is available but with limited links.

Rental cars are available but can be quite expensive depending on the vehicle type, and non-residents are usually required to hire a chauffeur.

Commercial air service is available to major cities and resorts in the country. Private air charters can be arranged to various destinations.

International express delivery is now available from UPS, DHL, and TNT.

## **Language**

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In 2007 Madagascar adopted English as its third official language, following Malagasy and French. English is, however, not widely spoken. French is the common language of business.

## **Health**

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Visitors to Madagascar are advised to obtain vaccinations against polio, hepatitis A and B, tetanus/diphtheria, typhoid, and, for those who will be working in the rural areas, rabies. Malaria medication is not necessary in Antananarivo, but should be taken if traveling to other (lower elevation) areas of the island. Visitors are strongly urged to purchase medevac insurance prior to arrival. Local hospitals do not conform to U.S. standards, especially for emergency care, and evacuation to South Africa or Mauritius is expensive. In the event of a medical emergency, visitors should ask to be taken to the

Polyclinique Ilafy and should notify the Embassy Consular Section at <http://antananarivo.state.gov>.

### **Local Time, Business Hours, and Holidays**

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The Malagasy Time Zone is Greenwich plus three. When it is noon EST in Washington, it is 8 PM in Madagascar. The typical hours of business are from 9:00 to 17:00 with lunch break between 12:00 and 13:00.

2009 Holiday schedule:

- |                      |                  |
|----------------------|------------------|
| - Monday April 13    | Easter Monday    |
| - Friday May 1       | Labor Day        |
| - Thursday May 21    | Ascension Day    |
| - Monday June 1      | Pentecost Day    |
| - Friday June 26     | Independence Day |
| - Friday December 25 | Christmas Day    |

### **Temporary Entry of Materials and Personal Belongings**

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When not imported for sale, goods may be admitted into the country without the payment of duty.

### **Web Resources**

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- [www.madagascar.gov.mg](http://www.madagascar.gov.mg)
- [www.tourisme-madagascar.com](http://www.tourisme-madagascar.com)
- [www.madagascar-contacts.com](http://www.madagascar-contacts.com)
- [www.moov.mg](http://www.moov.mg)



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## Chapter 9: Contacts, Market Research, and Trade Events

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- [Trade Events](#)

### Contacts

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#### COUNTRY GOVERNMENT AGENCIES

EDBM (Economic Development Board of Madagascar)  
Immeuble EDBM, Antaninarenina  
Antananarivo – Madagascar  
Tel: (261 20) 22 670 40  
Fax: (261 20) 22 661 05  
E-mail: [edbm@edbm.mg](mailto:edbm@edbm.mg)  
Website: [www.edbm.gov.mg](http://www.edbm.gov.mg)

Presidency  
Website: [www.madagascar-presidency.gov.mg](http://www.madagascar-presidency.gov.mg)

Madagascar Action Plan (MAP)  
Website: [www.madagascar.gov.mg](http://www.madagascar.gov.mg)

Prime Minister's Office  
P.O. Box 248  
Tel: (261 20) 22 650 10  
Fax: (261 20) 22 548 40  
E-mail: [dcpm@primature.gov.mg](mailto:dcpm@primature.gov.mg)  
Website: [www.madagascar.gov.mg](http://www.madagascar.gov.mg)

Ministry of Transportation  
P.O. Box 4139  
Antananarivo – Madagascar  
Tel: (261 20) 22 246 04  
Fax: (261 20) 22 356 26  
Website: [www.mtt.gov.mg](http://www.mtt.gov.mg)

Ministry of Public Works and Meteorology  
P.O. Box 295  
Antananarivo – Madagascar  
Tel: (261 20) 22 232 15  
Fax: (261 20) 22 208 90  
Website: [www.mtpm.gov.mg](http://www.mtpm.gov.mg)

Ministry of Finance and Budget  
P.O. Box 61  
Antananarivo - Madagascar  
Tel: (261 20) 22 336 30  
Fax: (261 20) 22 345 30  
Website: [www.mefb.gov.mg](http://www.mefb.gov.mg)

Ministry of Economy, Commerce and Industry  
P.O. BOX: 527  
Immeuble Plan, Anosy  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 291 28  
Fax: (261 20) 22 277 90  
Website: [www.meci.gov.mg](http://www.meci.gov.mg)

Ministry of Energy and Mining  
P.O. BOX 257  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 595 62  
Fax: (261 20) 22 325 54  
Website : [www.mines.gov.mg](http://www.mines.gov.mg) or [www.energy.gov.mg](http://www.energy.gov.mg)

Ministry of Agriculture  
P.O. BOX 842  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 247 10  
Fax: (261 20) 22 265 61  
Website: [www.maep.gov.mg](http://www.maep.gov.mg)

Ministry of Telecommunications, Post and Communication  
Antaninarenina  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 232 67  
Fax: (261 20) 22 358 94  
Website: [www.mtpc.gov.mg](http://www.mtpc.gov.mg)

Ministry of Environment, Forest and Tourism  
Tsimbazaza  
Antananarivo 101 – Madagascar  
Tel: (261 20) 22 668 05  
Fax: (261 20) 22 354 10  
Website: [www.meefit.mg](http://www.meefit.mg)

Central Bank of Madagascar  
Antaninarenina  
P.O. Box 550  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 217 51  
Fax: (261 20) 22 345 32  
Website: [www.banque-centrale.mg](http://www.banque-centrale.mg)

## **COUNTRY BUSINESS ASSOCIATIONS**

### **AMCHAM MADAGASCAR**

c/o Exxon Mobil  
3rd floor – Tour Zital, Ankorondrano  
Antananarivo 101 – Madagascar  
E-mail : [Am\\_Cham\\_Mada@hotmail.com](mailto:Am_Cham_Mada@hotmail.com)

Chambre de Commerce, d'Industrie et d'Agriculture d'Antananarivo  
P.O. BOX 166  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 202 11  
Fax: (261 20) 22 202 13  
Website: [www.tana-cciaa.org](http://www.tana-cciaa.org)

FIVMPAMA (Association of Malagasy Businessmen)  
12, rue Rainizanabololona - Antanimena  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 690 78  
Fax: (261 20) 22 320 56  
E-mail: [mdp@simicro.mg](mailto:mdp@simicro.mg)

GEM (Groupement des Entreprises de Madagascar)  
P.O. Box 1695  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 238 41  
Fax: (261 20) 22 219 65  
Website: [www.gem-madagascar.com](http://www.gem-madagascar.com)  
E-mail : [gem@simicro.mg](mailto:gem@simicro.mg)

SIM (Syndicat des Industries de Madagascar)  
P.O. Box 1695  
Immeuble Holcim, Tsaralalana  
Antananarivo - Madagascar  
Tel: (261 20) 22 240 07 or 22 239 45  
Fax: (261 20) 22 225 18  
Website: [www.sindusmad.com](http://www.sindusmad.com)  
E-mail: [syndusmad@moov.mg](mailto:syndusmad@moov.mg)

GEFP (Groupement des Entreprises Franches et Partenaires)  
Village E2 – Village des Jeux  
Ankorondrano  
P.O. Box 7564  
Antananarivo 101  
Madagascar  
Tel: (26120) 22 380 50 or 033 07 380 50  
Fax: (26120) 22 403 73  
E-Mail: [gefpmg@moov.mg](mailto:gefpmg@moov.mg)  
Website : [www.gefpmg.com](http://www.gefpmg.com)

## **COUNTRY MARKET RESEARCH FIRMS**

### **GAMA CONSULT**

Immeuble ARO, 6ème étage  
Antsahavola, Antananarivo  
Madagascar  
Tel: (26120) 22 238 52  
Fax: (26120) 22 238 88  
E-mail: [gamaconsult@dts.mg](mailto:gamaconsult@dts.mg)  
Website: [www.gamaconsult.com](http://www.gamaconsult.com)

### **FTHM Conseils**

Immeuble ARO, 5ème étage  
Antsahavola, Antananarivo  
Madagascar  
Tel: (261 20) 22 631 87  
Fax: (261 20) 22 337 20  
E-mail: [fthm@wanadoo.mg](mailto:fthm@wanadoo.mg)

### **ATW CONSULTANTS DE MADAGASCAR**

Lot II Y 9F, Antanimora  
Antananarivo 101 – Madagascar  
Tel/Fax: (261 20) 22 345 98  
E-mail: [atw@moov.mg](mailto:atw@moov.mg)

### **R.CONSEIL**

P.O. Box 8301  
Antananarivo 101 – Madagascar  
Tel: (26120) 22 432 79  
Fax: (26120) 22 289 97  
E-mail: [rconseil@moov.mg](mailto:rconseil@moov.mg)

### **Cabinet FIVOARANA**

P.O. BOX 3854  
Antananarivo 101 - Madagascar  
Tel: (261 20) 22 219 25  
Fax: (261 20) 22 271 41  
Website: [www.fivoarana.com](http://www.fivoarana.com)  
E-mail: [cabfiv@moov.mg](mailto:cabfiv@moov.mg)

Web Resources

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### **USEFUL WEBSITES**

Government: [www.madagascar.gov.mg](http://www.madagascar.gov.mg)  
Data Bank: [www.instat.mg](http://www.instat.mg)  
Tourism: [www.tourisme-madagascar.com](http://www.tourisme-madagascar.com)  
Investment/Tourism: [madagascar-guide.com](http://madagascar-guide.com)  
Industry: [www.sinergic.mg/madagascar-industrie](http://www.sinergic.mg/madagascar-industrie)

General Information: [www.embassy.org/madagascar](http://www.embassy.org/madagascar)  
General/Economy: [www.madagascar-contacts.com](http://www.madagascar-contacts.com)  
National Assembly: [www.an.online.mg](http://www.an.online.mg)  
Malagasy Products: [www.zoma.com](http://www.zoma.com)  
Privatization: [www.madapivat.org](http://www.madapivat.org)  
Indian Ocean/Madagascar: [www.lk-oi.com](http://www.lk-oi.com)  
Investment: [www.bni.mg](http://www.bni.mg)

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

#### Trade Events

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Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents.html>

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## Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

<http://www.buyusa.gov>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.