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INTRODUCTION TO THE ECONOMICAL MARKET

IN MADAGASCAR

FLANDERS INVESTMENT & TRADE MARKET SURVEY

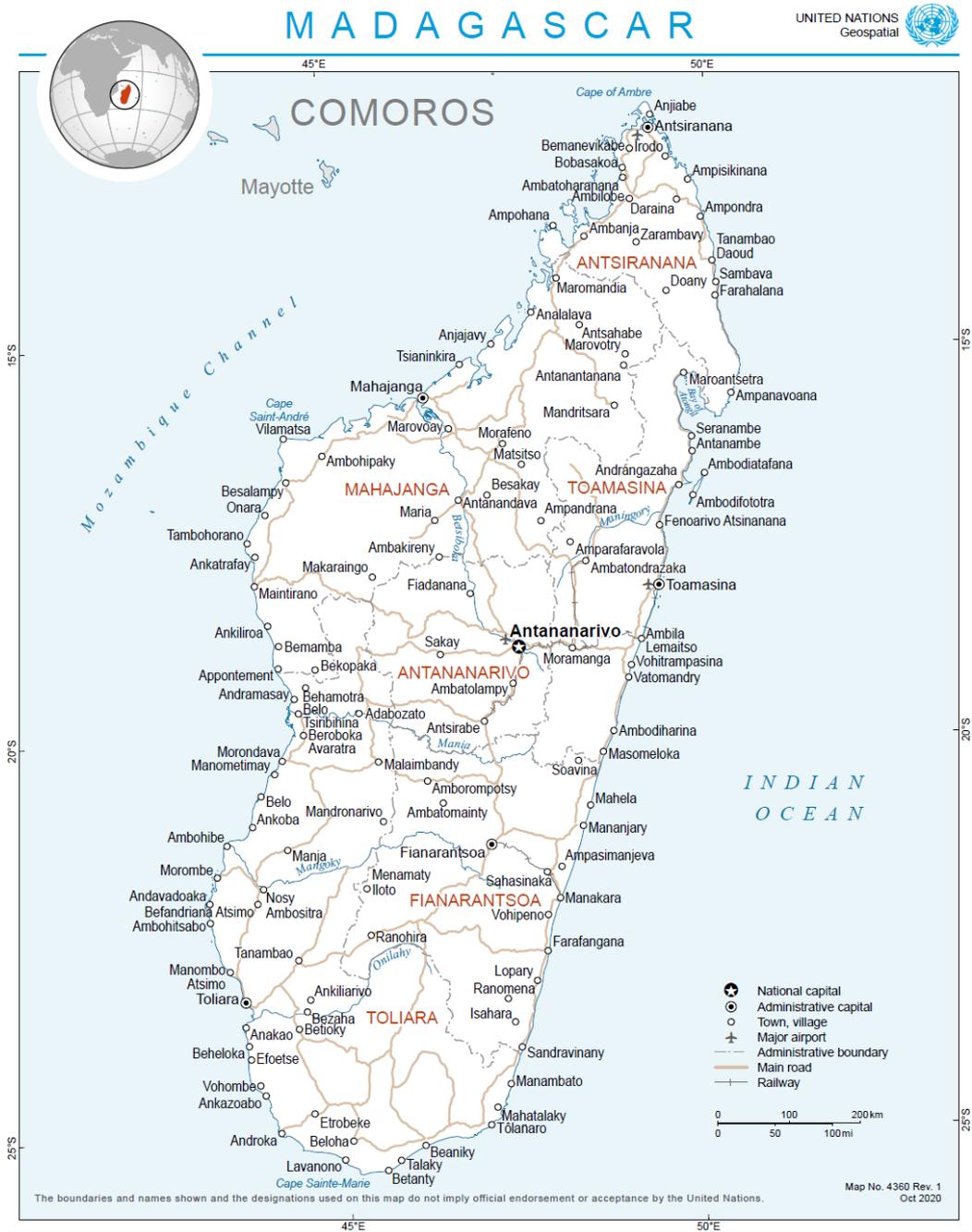
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January 2022

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MAP: MADAGASCAR



SOURCE: UN Geospatial Madagascar, 2020.

1.1 POLITICAL FRAMEWORK

Madagascar is still in a very frail state, with governance challenges, their political condition has long been persecuted by colonialism and military dictatorship. Leading to the very poor ranking by major international institutions using indicators such as: the Ibrahim Index of African Governance, whereby it took the 35th place with a score of 44.4 out of 100 in 2020³ compared to 2009 where it took the 9th place.

³ MO IBRAHIM Foundation: 2020 Ibrahim Index of African Governance – Index Report



Madagascar has a well-established central bank, working as the sole monitor of the currency stability. There are eleven commercial banks listed below:

- BMOI Group BCP: www.bmoinet.net
- BNI Madagascar: www.bni.mg
- MCB Madagascar: www.mcbmadagascar.com
- SBM bank: www.globalpresence.sbmgroup.mu/madagascar
- BFV-SGM (Société Générale Madagascar): www.societegenerale.mg
- BOA (Bank Of Africa): www.boa.mg
- ABM (Accès Banque Madagascar): www.accesbanque.mg
- BGFI Bank: <https://madagascar.groupebgfibank.com/>
- BMM -BCP: www.bcpbank.mu
- SIPEM Bank: www.sipembanque.mg
- BAOBAB – MICROCRED: www.microcred.com/mg

The country has six non-financial institutions and thirty-one microfinance institutions⁹. An increase in investment is expected, especially for sectors such as tourism, infrastructure, telecoms and textiles. Madagascar obtained access to the US market due to the high number of exported apparels, however failure to abide by the rule of the African Growth and Opportunity Act (AGOA) led to a fall in the production of textile, a fall of the GDP and a loss of jobs. The island is currently on a very low starting point due to the pre-coup strategy. The country has a weak financial system which restricts the implementation of monetary policy, the IMF and the world bank have been of great help to restore the country¹⁰.

⁹ Bertelsmann Stiftung, BTI 2020 Country Report – Madagascar. Gütersloh: Bertelsmann Stiftung, 2020

¹⁰ CIA Official website, Sep 2021: Madagascar - The World Factbook (cia.gov)



2. ECONOMIC SECTORS

There has been a structural change in the economy since 2000, especially in the services and industrial sectors, leading to a major change in the secondary sector because of a hostile business environment caused by a struggle to access the market, political instability and change in commodity prices. Although agriculture is the main source of employment, the country still has natural resources such as: graphite, chromite, coal, bauxite, rare earth elements, salt, quartz, tar sands, semiprecious stones, mica, fish, hydropower.

As mentioned above the sector that contributes the most to the GDP is still agriculture, which accounts for 24%, followed by industry with 19.5% and services with 56.4%. The main agricultural products are: rice, sugar cane, cassava, sweet potatoes, milk, vegetables, bananas, mangoes/guavas, tropical fruit, potatoes, with the main industries products to be: meat processing, seafood, soap, beer, leather, sugar, textiles, glassware, cement, automobile assembly plant, paper, petroleum, tourism, mining.

Export from Madagascar amounts to mostly 5 billion USD a year. The main export items are vanilla, nickel, gold, clothing and apparel, gemstones. Import also amounts to roughly around 5 billion USD a year, with its main items to be: refined petroleum, rice, cars, packaged medicines, clothing and apparel. Foreign exchange and gold reserve is more than 1 billion USD a year. The island takes the 132nd place compared to other countries in the world, and in terms of doing business it was ranked as the 88th¹¹. A list of several exporting and importing companies and their commodities operating in Madagascar is shown in the table below.

Table 1: TRADING COMPANIES IN MADAGASCAR

COMPANY	TRADE	COMMODITY	WEBSITE
Redisland Impex Madagascar	Export	Cloves, pepper and vanilla, cacao	www.redislandimpex.mg
Promabio SARL	Export	Vanilla	www.promabio.com
Phael flor export	Export	Bourbon vanilla beans, clove, ginger, pepper, turmeric	www.phaelfloexport.com
Madagascar Spices Company	Export	Vanilla, cacao, coffee and pepper	www.madagascarspices.com
Mada market export	Export	Cloves, clove stem, vanilla bean, plan folia, pepper, spice, black eyed bean, cashew nuts	www.madagascar-market.com
Agroman SA	Export	Pepper, Cloves, Cinnamon, Ginger, Turmeric, Wild pepper, Vanilla, Pepper, nutmeg, Coffee, Kaffir lime, Lemon, Banana	www.agroma-madagascar.com
Floribis vaynilla SARL	Export	Vanilla pod and essential oil	www.floribis.mg
Galana	Export	Crude il, natural gas, gasoline, heating oil, Gold, Silver, copper	www.galanapetroleum.com
Habibo group	Export	Rafia	www.habibo.mg
Actual Textiles	Export	Apparels	www.actualtextiles.com
Flexknit	Export	Textiles, knitwear	www.flexknit.com

¹¹ CIA Official website, Sep 2021: Madagascar - The World Factbook (cia.gov)

3. TRADE FAIRS

Madagascar has various trade shows which take place in the capital city each year, it regroups national and international investors, businesses and many more.

➤ **THE INTERNATIONAL FAIR OF MADAGASCAR (FIM)**

A tradition which started in 2005, with the goal of creating a great space for business exchange and create a favorable business atmosphere as well as encourage international economic activities on the island. The thirteenth edition took place between 3 - 6th of May 2018 at the Forello Expo Tanjombato exhibition center. The theme was: "The Vita Malagasy is open to the world". It regroups national and international participants, including companies from different backgrounds.

In terms of main exhibitors outside of the island there is France, Mauritius and Indonesia, although local business owners are the majority. The previous year the theme was promoting women entrepreneurship and entrepreneurs from the Indian ocean¹². The next one is supposed to be on the 16th of September 2021, unfortunately the exact date for 2022 has not yet been stipulated¹³.

Pictures :13th edition of the International Fair of Madagascar (FIM)



➤ **SALON INTERNATIONAL HABITAT (SIH) and SALON INTERNATIONAL DES TRANSPORTS, DE LA LOGISTIQUE ET DE LA MANUTENTION (SITLM)**

Biannual trade fairs with the next edition taking place between 21 – 24 October 2021. SHI in collaboration with FIM is organized for the sole purpose of bringing together professionals in building: materials and electricity, housing: outside and interior designs, insurance, and solar energy. While SITLM has a purpose of helping companies to reach another level of performance by using innovative software, it started in 2019.

➤ **FOIRE INTERNATIONALE DE L'AGRICULTURE (FIA)**

Happens every two years in the capital city, it's a major economic event, which focuses on agriculture and food processing. It regroups countries across the Indian ocean. The next edition will take place between 18 – 21 November 2021¹⁴.

¹² FIM, 2021: [FIM Foire Internationale de Madagascar \(foire-internationale-de-madagascar.com\)](http://foire-internationale-de-madagascar.com)

¹³ Events eye; Trade Shows Worldwide - Antananarivo (Madagascar) - 2021/2022 (eventseye.com)

¹⁴ Events eye; Trade Shows Worldwide - Antananarivo (Madagascar) - 2021/2022 (eventseye.com)

4. GOVERNMENT STRUCTURES

Government in Madagascar can be divided into three main spheres: *The Executive*, which includes the president who is the chief of state, elected by the population. Along with its prime minister who is the head of government, appointed by the president. *The Legislative* that has a bicameral parliament. And **the Supreme Court**, which includes the High Constitutional Court, the Courts of Appeal and Courts of First Instance¹⁵.

In the table hereunder you will find the contact details of the most relevant Government Ministries in Madagascar.

Table 2: Government ministries

MINISTRIES	NAME	WEBSITE
MINISTRY OF FOREIGN AFFAIRS	Mr. Patrick Rajoelina,	www.diplomtie.gov.mg
MINISTRY OF ECONOMY AND FINANCE	Mrs. Rindra Hasimbelo Rabarinirinarison	www.mef.gov.mg
MINISTER OF INDUSTRIALIZATION, TRADE AND CONSUMER AFFAIRS	Mr. Edgard Razafindravahy	www.mica.gov.mg
MINISTRY OF REGIONAL PLANNING AND LAND SERVICES	Mr. Hajo Andrianainarivelo	www.matp.gov.mg
MINISTRY OF TRANSPORT, TOURISM AND METEOROLOGY	Mr. Joël Randriamandranto	www.confederation-tourisme.mg
MINISTRY FISHING AND THE BLUE ECONOMY	Dr Tsimanaoraty Paubert Mahatante	
MINISTRY AGRICULTURE AND LIVESTOCK	Mr. Harifidy Ramilison	www.maep.gov.mg
MINISTER OF DIGITAL DEVELOPMENT, DIGITAL TRANSFORMATION, POSTS AND TELECOMMUNICATIONS	Mr. Tahiana Razafindramalo	www.mptdn.gov.mg
MINISTRY OF ENERGY AND HYDROCARBONS	Mr. Andry Ramarason	www.meeh.gov.mg
MINISTRY OF COMMUNICATION AND CULTURE	Mrs. Rakotondrazafy Andriatongarivo Lalatiana	www.mcc.gov.mg
MINISTRY OF MINES AND STRATEGIC RESOURCES	Mr. Brice Randrianasolo	www.omnis.mg
MINISTER OF ENVIRONMENT AND SUSTAINABLE DEVELOPMENT	Mrs. Baomiavotse Vahinala Raharinirina	www.environment.mg

¹⁵ ENS Africa: 2020, doing business in Madagascar.

5. GENERAL LAWS AND REGULATIONS

According to the investment Law No. 2007-036 dated 14 January 2008, Madagascar law encourages foreign investment integration, by giving them the right to acquire land. However, the majority shareholder should be nationals, with a permanent resident manager. Although the law does allow the employment of foreigners, qualified Malagasy are the most preferred on the list. Listed below are different regulations imposed on import, export and how foreign companies can setup, including taxes fares¹⁶.

5.1 COMPANY TAX

Madagascar Tax year varies for each company, but the actual tax year calendar starts from the 1st of January to 31st of December. The normal VAT rate is 20%. Company (corporate) tax in Madagascar, normally called a residence-based tax system is when the company is embodied with a permanent residence within the country. There are two ways of being taxed based on the company gross revenue.

A company (corporate) and individual that has a permanent residence within the country, with an annual gross revenue of more than MGA 200 million are taxed at a rate of 20% for corporate income tax. While a Corporate and individual with an annual gross revenue of less than MGA 200 million are taxed at a rate of 5% on 70% of turnover, with a minimum tax of MGA 16 000.

Companies that fall under the corporate income tax regime are liable to a minimum tax, despite their type of activities:

- MGA 100 000 with 0.5% of turnover (excluding VAT) for companies carrying on industrial, mining, agriculture, artisanal, tourism or transport activities;
- MGA 320 000 plus 0.5% of turnover (excluding VAT) for other companies.¹⁷

5.2 IMPORT REGULATIONS

Imports license in Madagascar is regulated by the government and is only required for a specific group of items such as: arms, explosives, drugs diamonds, gemstones, gold/ platinum jewelry, vanilla, tobacco leaf and lubricants. Nevertheless, the import of items such as: nuclear power stations radioactive waste, pornographic materials, imitated and illegal goods are forbidden¹⁸. Madagascar requires the importer to have a: shipment tracking note called BSC (*bordereau de suivi des cargaisons*), shipment bill, trade invoice, packing list, insurance certificate, original and copy of tax registration, certificate of origin. However, in order to import perishable food, the cover should have: the name of the food listed in English or French including a registration number, its provenance, the expiration date, the ingredient list, the storage process, the manufacturer name and registration number and the use of the product¹⁹.

According to articles 1-6 within order n° 13312/2015, taking into consideration the procedures and obligations of domiciliation and payment of imports, in order for imports to be made, the importer will

¹⁶ World Trade organization: <http://ptadb.wto.org/Country.aspx?code=450>

¹⁷ ENS Africa, 2020. Doing Business in Madagascar.

¹⁸ International Trade Administration, 2020: Madagascar - Prohibited and Restricted Imports (trade.gov)

¹⁹ Export Entreprises SA, 2021: <https://www.objectif-import-export.fr/en/internationalmarketplaces/country/madagascar/regulations-customs>

- Register employees at the National Social Security Fund (*Caisse Nationale de Prevoyance Sociale* (CNAPS). This only takes 1 day and is free of charge.
- Companies also need to register their employees for health insurance with a medical aid.
- Companies need to register with the *Organisation Sanitaire Tananarivienne Inter Entreprises* (“OSTIE”), which is free of charge, unless they prefer using the services of a public insurance.
- According to the Labour Code, Companies need to hand in a statement stipulating the starting date of activities to the labor inspector. After the employee’s registration. It is free of charge and takes 1 day.
- The final phase takes a week, companies register at the *Guichet Unique de creation d’entreprise* of the EDBM²².

Businesses in Madagascar are sometimes rewarded according to the sector of activities in which they operate. Those operating within the free zone, transportation of hydrocarbons, microfinance, and mining are entitled to special tax treatment and advantages. Companies producing and supplying renewable energy within the agriculture, industries, tourism construction and public sector benefit of a reduction on the tax due. Members of the certified management and accounting center also receive a tax reduction²³.

5.4 COMMERCIAL LAW

All Businesses operate under a commercial law. According to law n° 2003-036 On Commercial Companies, all companies need to be registered and have a unique name with physical offices, well-established statutes and the duration of their existence cannot be more than ninety-nine years.

Articles 1-26 of the inter-ministerial decree n° 35255/2013, regulating the general conditions of vanilla marketing in Madagascar, state that the marketing of Vanilla in Madagascar needs to be done within the framework of a controlled market, whereby identification cards are given to the farmer, collector and the supplier which can be renewed every year. In order to be a vanilla collector or agent, the person needs to: have an identification number, enroll with the trade register, get a professional ID card for unremunerated foreigners called CIPENS, have a store license issued by the regional department in charge of packaging and quality control and after all the formalities, a tax registration needs to be done before getting the card. The purchase or sale of green vanilla in Madagascar before the opening campaign date is prohibited.

According to law dated 2009, Vanilla was sold at 4000 ariary per kg to the producer. While in bulk it is sold at 35000 ariary per kg. The minimum FOB export price is 27 USD per kg²⁴. Lately the price has been fluctuating, due to natural disasters and the covid-19 crisis. Article 24 clearly states that in order to access the export market of vanilla, approval needs to be given by the regional director of commerce (DRC).

²² World Bank Group, 2020. Economic profile Madagascar, Doing business in madagascar.

²³ ENS Africa, 2020. Doing business in Madagascar.

²⁴ the interministerial decree n 4713/2009: [droit.civil|Etat.civil|responsabilite.civile|nationalite.Malagasy|Madagascar\(cnlegis.gov.mg\)](http://droit.civil|Etat.civil|responsabilite.civile|nationalite.Malagasy|Madagascar(cnlegis.gov.mg))



