



Madagascar

Changes by a Visionary President

The revamped newly elected Government of Madagascar is fighting against poverty through inclusive growth. This main objective has developed a strategy centered on three key pillars: improving governance, promoting economic recovery, and expanding access to basic social services. This strategy has been documented in the *Programme Général de l'Etat* (PGE) and translated into a 2015-2019 *National Development Program* (*Programme national de développement* or PND). President Hery Rajaonarimampianina, in the first two years of his presidency, initiated several policy reforms aimed at transforming the country's institutional framework and improving and normalizing the country's relationships with international partners and foreign investors who did not recognize the transitional government. Now, the stage is set to implement the first phase of the state-supported infrastructure projects aimed at increasing the tourism industry, creating a middle class, and supplying energy to support the infrastructure project goals.

This PND strategy also targets the President's plan for additional limited road, rail, and port infrastructure – a needed focus. Road infrastructure has been identified as one of the foremost

impediments to conducting efficient business operations in the country. The President intends to both expand and restore the road network with the goal of delivering all-weather transportation access to 95% of the population and access to developable agricultural land in addition to upgrades to urban traffic networks and public transit systems.

NOW, THE STAGE IS SET TO IMPLEMENT THE FIRST PHASE OF THE STATE-SUPPORTED INFRASTRUCTURE PROJECTS AIMED AT INCREASING THE TOURISM INDUSTRY, CREATING A MIDDLE CLASS, AND SUPPLYING ENERGY TO SUPPORT THE INFRASTRUCTURE PROJECT GOALS.

The State intends to address the high cost of air travel by restructuring one of its main state owned enterprises, the *National Malagasy Air Transport Company* (*Air Madagascar*). The goal is to build relationships with partner airlines, increase the number of flights, and enlarge the number of routes to cities so that Madagascar can expand its tourism sector. Plans are also underway to develop all areas of infrastructure including airport, ports, marinas, duty free zone, and roads, to develop this region as a tourist destination.

In the capital city of Antananarivo, the government is completing negotiations to commence renovations of a major 5 star hotel that was completed under the last government in order to service guests for two large international conferences scheduled for this fall 2016. Madagascar is discussing the development of “AKON City of Lights” to improve the residential and commercial activity and services in Antananarivo.



INVESTMENT

The country has, at the moment, no law or regulation prohibiting foreign investment, participation or control; there is no evidence of restrictions on converting or transferring funds associated with foreign investment; and no recent cases of expropriation actions by the government. Madagascar's legal system, based on French civil law, contains adequate protections for private property rights, and the government accepts binding international arbitration of investment disputes between foreign investors and the state.

There is no requirement that investors purchase from local sources, or export a certain percentage of output*, or only have access to foreign exchange in relation to their exports, and no requirements on domestic ownership of shares. A prohibition on land ownership by foreigners impedes access to real property.

Madagascar has concluded bilateral investment agreements with a number of countries – there is expressed interest in negotiating such a treaty with the United States.

FOREIGN DIRECT INVESTMENT (FDI):

The largest foreign direct investment in Madagascar is in the mining sector, although FDI increases in 2012 resulted more from increases in bank capital holdings and new loans for telecommunications companies.

In mid-February 2014, the International Monetary

Fund (IMF) estimated that Madagascar's economy experienced 2.4 percent real GDP growth in 2013. Almost all of that growth was driven by the international mining sector, which grew by an estimated 110% in 2013. Jewelers worldwide consider their rubies and sapphires the finest in the world.

TRADE BENEFITS:

June 26, 2014, the United States announced Madagascar's re-eligibility for trade benefits under AGOA, effective immediately. Re-eligibility for AGOA is projected to reignite growth in the textile industry and increase exports to the United States.

STATE OWNED ENTERPRISES (SOES):

The main SOEs are the *National Malagasy Air Transport Company* (Air Madagascar) and the *Malagasy Water and Energy Company* (Jiro Sy Rano Malagasy, or JIRAMA). JIRAMA has signed with Miami Capital and K-Energy for a new power plant. Madagascar has concluded bilateral investment agreements with Belgium, Canada, China, France, Germany, Mauritius, Norway, Sweden, Switzerland, and Thailand.

Madagascar has also signed double taxation treaties with France and Mauritius. The Malagasy government previously expressed interest in negotiating a bilateral investment treaty with the United States.

*(except in Export Processing Zones, where the requirement is 95 percent)