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Madagascar, an example of US Investment feasibility.

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## What to consider if you invest in Madagascar

Reasons to invest in Madagascar include the following:

- Abundant natural resources (gemstones, industrial and decorative stones, oil, and rare metals for mining activities; a big and fertile land with a favorable climate)
- Low cost of local inputs and labor
- The strategic location between Asia and Africa
- Improving business environment
- Political stability since 2009
- Developing tourism sector
- Public debt mainly on concessional terms
- Incentives to export-driven companies with export processing zone status

Several factors still hinder Madagascar's FDI attractiveness:

- Dependency on agricultural and mining products
- Inadequate infrastructures (road, hydraulic and electrical networks)
- High levels of poverty (in 2019 75% of the population lived on less than USD 1.90 a day - World Bank, latest data available)
- The Malagasy people are subject to poor access to electricity (with a 15% rate access to electricity in 2019 - World Bank, latest data available)
- Weak financial system
- Limited access to education for the Malagasy population

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## Government Measures to Motivate FDI

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The government of Madagascar is trying to make the country a more attractive destination for FDI, through several initiatives and incentives. For instance, companies active in the renewable energy, tourism, industrial, civil work and construction sectors can benefit from a tax reduction equal to the tax calculated on 50% of the amount of investment that they realized during the related tax year. Similarly, the petroleum code provides a custom and importation duties exemption for hydrocarbon research, exploration, and exploitation activities. A mining company committing to invest more than USD 50 million can benefit from a minimum income tax exemption, a reduced corporate income tax rate for the transformation entity, exemption from custom and importation duties, and VAT reimbursement on locally purchased equipment and investments.

Furthermore, the Malagasy government has set up Export Processing Zones (EPZ). Export-driven companies located in the EPZ can enjoy tax exemption upon company registration; a reduced dividend tax rate at 10%; exemption from professional taxes; income tax exemption for the first five years (10% tax thereafter); exemption from customs duties and taxes on imported equipment and inputs; free transfer of funds upon the termination of activities.

The [Economic Development Board Madagascar](#), Madagascar's one-stop-shop for investment, manages business registration, which on average is completed within one to two weeks of receipt of complete documentation, one of the shortest times in Sub-Saharan Africa. Echotex Advisors is proud to be part of these efforts to develop this country and facilitate U.S. Investments in Madagascar.