“...it is time to end the Malagasy paradox.” With this bold, forward-looking statement, the democratically-elected President of Madagascar, Hery Rajaonarimampianina, perfectly encapsulates the challenges facing the country in the quest to emerge as a driving force in Africa and also sets the road ahead. International indicators have welcomed his arrival in power, putting an end to five years of political turmoil that lasted from 2009 to 2013 and deeply affected the economy.

The Malagasy paradox consists of two diverging circumstances. Madagascar is a country blessed by Mother Nature. It is unique in many ways, from its incomparable biodiversity and exceptional mineral endowment to its vibrant and engaged youth. But another circumstance is hitting the island: 92 percent of its 22 million inhabitants still live below the poverty line. This paradoxical situation is explained by years of political mismanagement and a lack of rule of law. For Rajoanarimapianina, the situation will be reversed thanks to political will, good governance measures and the inclusion of all Malagasy people in the country’s destiny.

While Madagascar undoubtedly bears the stamp of five years of political, economic and social turmoil which turned the country’s path away from its development goals, the Malagasy people are proving their ability to overcome crises and believe in their success. With the election of H.E. Hery Rajaonarimampianina in January 2014, the one-year anniversary of a sound reform program for sustainable and inclusive development marks the time for Madagascar to enter a new era and unlock its tremendous potential.

TREASURE ISLAND

Ideally positioned at the crossroads between fast-growing Africa and Asia, Madagascar is a jewel in terms of natural capital, flora and fauna. Given its size and diversity, it is no surprise that the country has earned the nickname of the “island continent”.

Superlatives abound to describe the ecosystem of the island. Surrounded by 5,000 kilometers of coastline with beautiful lagoons and landscapes, Madagascar has five percent of the world’s biodiversity, of which more than 80 percent are to be found nowhere else on earth. Often associated with the famous lemurs that have become the country’s symbol, together with its baobabs and travelers palm trees, Madagascar is also home to 190 types of amphibian, 250 types of reptile and thousands of plant varieties. In addition to this exceptional environment, Madagascar’s land is extremely fertile and yet remains largely unexplored.

In statistics, the country’s potential is even more impressive and with gold, nearly half of the world’s sapphires, and a huge variety of precious stones such as rubies and emeralds, Madagascar is the new Eldorado for mining, a sector which accounts for only one percent of the GDP.

Finally, the favorable weather of the Big Island, ranging from temperate to tropical, facilitates the exploitation of diversified cultivation. Madagascar is one of the few nations capable of exporting agricultural products throughout the year and across the seasons. The country currently produces 80 percent of the world’s vanilla and is one of the leading exporters of spices and essential oils.
RETURN TO DEMOCRACY

The political transition which is now underway has been widely praised by the international community as a decisive turning point in Madagascar’s development. The President’s determination and his policies to reinstate the rule of law and good governance represents a first step towards the restoration of solid democratic foundations. In his words, the “rule of law and good governance are the pillars of Madagascar’s reconstruction.” He continues: “Only through these two founding principles will we be able to normalize our relations with donors, international investors and all the democratic countries in the world.”

“The rule of law and good governance are the pillars of Madagascar’s reconstruction.”

H.E. Hery Rajaonarimampianina
President of Madagascar

Since taking office, the eighth President of Madagascar has clearly distanced himself from the former transitional regime by forming a government of national unity to engage the structural reforms needed by Madagascar for a stable and prosperous future. This new government is unified in its commitment to emerge from the five-year political crisis and put an end to the bad practices linked to previous regimes. Prime Minister Roger Kolo backs the President in this approach: “Nearly 40 percent of Madagascar’s budget is directly or indirectly diverted. The establishment of a good governance process starts with a strict control of public spending.” With political risk now minimized, Madagascar is ready to open up a process of national reconciliation through an independent judicial system and better wealth distribution across the country. This will be fundamental in building institutional integrity and will keep Madagascar on its democratic course.

THE PATH TOWARD INCLUSIVE GROWTH

The island intends to take advantage of the new democratic breath to accelerate its development. According to the International Monetary Fund (IMF), Madagascar’s economic growth is projected to be at three percent in 2014, and should rise to four percent in 2015. But it will not stop there: “We aim to achieve double-digit growth from 2016,” ambitiously predicts the Minister of Commerce and Consumer Affairs, Narson Rafidimanana. To turn this goal into reality, Madagascar is developing a new National Development Plan (NDP). For the next five years, it will serve as the reference framework to support the country’s economic recovery.

The NDP also marks a clear government will to regain autonomy in establishing Madagascar’s development strategy after years under the supervision of international institutions. The Minister of Economy and Planning, Herilanto Raveloharison, is categorical: “We must identify and meet citizens’ expectations to restore the credibility of the State […] If Madagascar does not have any development plan, investments will be focused on the priorities established by international donors.” This new strategic roadmap will be pivotal in helping the island to establish inclusive growth that will benefit the largest number of the Malagasy. According to Roger Kolo, “the Malagasy people […] have demonstrated tremendous mental strength and solidarity to withstand years of poverty. It is now a great time to give them hope for the future.” The importance placed on education, health, and infrastructure in the amended Financial Law for 2014 bears witness to the government’s determination to step over the poverty line and achieve sustainable growth. The law aims to integrate the USD 150 million of additional budgetary support received from international donors since the appointment of the President. “It is necessary that the budgetary allocation has a real impact on the Malagasy people. It is our responsibility to optimize public spending to achieve tangible results and improve their lives,” concludes the Minister of Finance and Budget, Jean Razafindravonona.

To learn more, visit: www.countrystrategic.com/madagascar2015
A Stable and Democratic Country
The recent democratic election of Madagascar’s new president Hery Rajaonarimampianina marks a welcome return to stability and good governance, paving the way for growth.

An Investor-Friendly Environment
Madagascar’s government is committed to establish an attractive environment for the international investment community.
- Balanced and effective public-private partnership (PPP) policy
- Modernized investment code
- Clear and transparent legal framework

A Strategic Location
Madagascar, the world’s fourth largest island, is ideally positioned at the crossroads between the fast-growing African and Asian markets.

Preferential market access to the United States (Africa Growth Opportunity Act), Europe (Madagascar-EU) and Africa (Common Market for Eastern and Southern Africa).

An Exceptional Ecosystem
- Over 18 million hectares of usable land still unexploited
- 5,000 kilometers of coastline lined with coral beaches and lagoons
- 80 percent of endemic species

As an active and engaged partner in the Wealth Accounting and Valuation of Ecosystem Services (WAVES) initiative since 2011, Madagascar is committed to integrate the value of its natural capital into national planning.

An Untapped Potential
Internationally recognized for its immense underground wealth, including deposits of cobalt, nickel, iron, graphite, bauxite, uranium, and 50 percent of the world’s sapphires, Madagascar has recently joined the club of oil producers in Africa.

"Madagascar can build on the abundance of its natural resources to obtain sustainable growth". World Bank, 2014

For more information:
Ministry of Economy and Planning
http://www.mei.gov.mg/
After almost five years of political crisis, what are your priorities as President to start a new chapter in Madagascar’s development?

From 2009 to 2013, Madagascar was ostracized by the international community. Today, our country is entering a new era. The Malagasy people and I want to turn the page on 50 years of poverty and write a new chapter of our story. We want to end “the Malagasy paradox”, where our country has tremendous natural resources yet still figures among the world’s poorest economies.

My ambition is to bring the Malagasy people what they have always aspired to, namely peace, happiness, and prosperity. We were hit by several crises caused by political mismanagement in a context of economic inequality. These events resulted in significant social and regional gaps. We must learn from these crises to build the country’s future, hence my motivation in preaching the importance of establishing an inclusive and sustainable growth.

This vision is based on the concept of national reconciliation which applies primarily to the economic sphere. We need the regions that have the highest concentration of the country’s wealth to participate in the economic development of Madagascar. Every Malagasy should have the same opportunities to access education and healthcare.

My responsibility is to regain authority through the rule of law. It is a prerequisite for the establishment and enforcement of good governance in Madagascar. Rule of law and good governance are the pillars of Madagascar’s reconstruction. Only through these two founding principles will we be able to normalize our relations with donors, international investors and all the democratic countries in the world. These two principles are also essential for the implementation of an independent judicial system and an effective policy to fight corruption.

What specific measures are necessary to generate an inclusive economic growth to benefit all Malagasy people, with special attention to vulnerable groups?

Our development strategy must be coherent, inclusive and sustainable. We must focus on the rural areas which account for nearly 80 percent of the population. The Malagasy agriculture is still archaic. It must be modernized to become more competitive and productive. My objective is to improve agricultural productivity. This will contribute towards achieving two main goals: food self-sufficiency and increased farm income.

Encouraging greater private sector participation in Madagascar’s economy is one of your priorities. What makes Madagascar a unique destination for investors?

Firstly, under my responsibility, the Malagasy government aims to reassert the authority of the State. We will put a secure business environment in place for both people and goods to ensure long-term...
profitability for investments.

Then, in line with our growth strategy, Madagascar will focus on developing a comprehensive infrastructure framework and an efficient training plan. The primary strength of Madagascar lies in its youth. We must take advantage of it. Malagasy youth is well-educated and highly capable of contributing to the development of the country.

Moreover, Madagascar is a peaceful country. We do not share borders with any other countries and we have never been at war. Finally, our island has diverse natural resources and unique biodiversity.

Madagascar is not a land of adventure, it is a land of opportunity. I urge foreign investors to come and explore this land which offers all the necessary guarantees and incentives.

Your participation in the U.S.-Africa summit last August and the reintegration of Madagascar in the African Growth Opportunity Act (AGOA) testifies to the ability of Madagascar to become a privileged partner of the United States. How would you like to use this momentum to increase bilateral trade and develop synergies with the United States?

The U.S.-Africa Summit was an historic occasion that reflected the special attention given by the United States to the African continent as a whole. Africa is waking up just as China did 30 years ago. Building on an exceptional growth rate, a young population, and significant natural resources, Africa should occupy a prominent place in the community of nations. For this to happen, Africa faces a number of challenges in the reorganization of production chains and in good governance.

For Madagascar specifically, this meeting marked the recognition of our return to the international scene, not only from the United States, but from all African countries. The summit was an opportunity to seek new partnerships in agriculture, energy and education and to discuss opportunities for further collaboration between Malagasy and American companies. Companies including Exxon Mobil - already present in Madagascar - Boeing, large mining and infrastructure corporations, and universities have all shown an interest in partnering with us.

Madagascar is regaining its place in the international community through its reintegration within the AGOA. This agreement will be accompanied by the creation of tens of thousands of jobs in Madagascar. The AGOA is first and foremost an institutional synergy between Madagascar and the United States. It will also lead to increased commercial exchanges between American and Malagasy companies. As well as the reinstatement of Madagascar in the AGOA, other partnerships with American agencies such as the Millennium Challenge Corporation (MCC) should be re-launched.

What is unique about the Malagasy model of public-private partnerships (PPPs)?

Madagascar wishes to develop win-win partnerships with respect for each other’s sovereignty. Sharing and respecting our policy of regional and inclusive development are two elements at the heart of our partnership policy. In all the projects we undertake with foreign investors, we attach great importance to training and technology transfer.

What would be your message to the readers of this feature and the participants in the annual meeting of the World Economic Forum in Davos?

Madagascar has changed. This change is reflected in our ambition to work toward inclusive growth and sustainable development. Madagascar wants to establish a secure and attractive environment for investors. I sincerely hope to see investors benefiting from the advantages offered by Madagascar: the dynamism of our population, our unique biodiversity, our tourism potential and our natural resources.

As a democratically-elected president, I want to emphasize that Madagascar is a country of law committed to respecting the fundamental principle of good governance.
Following the internationally-praised appointment of Hery Rajaonarimampianina, Malagasy officials have been taking part in meetings with other world leaders and positioning the country as the new opportunity hub in Africa. After five years of diplomatic isolation, the return of the island to the community of nations began with the participation of the President in the African Union Summit in January 2014. Since then, Madagascar has been renewing old friendships from summit to summit and steadily regaining its place on the international scene, while showcasing the new investment prospects that are rapidly arising in the island. The country has now been reinstated in the major trade zones including the Indian Ocean Commission (IO), the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC) and the United States-sponsored African Growth and Opportunity Act (AGOA).

Madagascar’s new global status goes hand-in-hand with the support of international donors such as the World Bank and the International Monetary Fund (IMF) in the implementation of the government’s economic policy. As the Minister of Industry and Private Sector Development, Jules Etienne Rolland, rightly notes, this international acceptance is fundamental; not only does it contribute towards “restoring trust between the Malagasy government and investors” but it also offers guarantees to foreign companies: “Madagascar is fully engaged with the World Bank Group to secure foreign investment through the Multilateral Investment Guarantee Agency (MIGA).”

“Investors who arrived after the election of the President realize that the country is changing [...] it is the right time to invest in Madagascar.” - Eric Robson, Deputy CEO of the Economic Development Board of Madagascar (EDBM)

With political risk minimized, the participation of private capital in Madagascar’s economy will be essential to continuing along the path of growth. According to Eric Robson, Deputy CEO of the Economic Development Board of Madagascar (EDBM)—an investment agency acting as the interface between the private sector and the administration—“investors who arrived after the election of the President realize that the country is changing [...] it is the right time to invest in Madagascar.”

Now that the State has been widely recognized as a trusted partner, Madagascar’s government is eager to create the ideal framework for the empowerment of the private sector. Entrusted with this task, the Minister of Economy and Planning, Herilanto Raveloharison, is determined that the attractiveness of Madagascar to the investment community lies in the preservation of the country’s precious resources. In his words, “over 80 percent of our resources are endemic to Madagascar and their preservation should be a prerequisite for their exploitation.” As such, the Minister calls for the ongoing commitment of investors in Madagascar’s future development.

By connecting the island to the world, Air Madagascar’s mission is to become the country’s engine of growth.

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Supporting growth through Public-Private Partnerships (PPP)

Building on an improved business climate and the renewed dialogue with private companies, the government is committed to establishing a modernized PPP framework. “This new policy will intensify the use of concession contracts through the Build-Operate-Transfer (BOT) principle and will greatly contribute towards financing large-scale investment projects and anticipated public utilities,” explains the Minister of Finance and Budget, Jean Razafindravonona. A new Ministerial Department for the promotion of PPPs composed of financial, fiscal and customs experts has recently been created in this regard and its mission will be to drive the new strategy implemented by the government. The Malagasy model of PPP is based on a balanced relationship between the government and private enterprises, creating a win-win situation. Minister of Transport and Meteorology, Ulrich Andriantiana, summarizes the principle as follows: “A PPP policy is effective only when each side is satisfied with the terms of the agreement. We need the State to retain some control, whatever form of partnership is chosen.” The priority now is to consolidate dialogue between the Malagasy government and the private sector to establish a common vision and improved business climate.
The creation of a Ministry of State in charge of Infrastructure and Spatial Planning demonstrates the priority given to this sector of the economy by H.E. President Rajaonarimampianina. What is the motivation behind this decision?

This decision is at the heart of President Hery Rajaonarimampianina’s vision of a modern and developed Madagascar. Despite the support of the international community, Madagascar is still lacking both rural and urban infrastructures. Based on this fact, we decided to develop a comprehensive and coordinated infrastructure strategy for the next 50 years. This will contribute towards stimulating domestic consumption as well as directly and indirectly creating jobs.

What policies are made by your Ministry to strengthen the participation of foreign investors in the development of major infrastructure projects?

At the moment, the government can only participate with up to half the required budget for the implementation of infrastructure projects in the country. Our priority is to establish public-private partnerships to provide new sources of funding in order to develop our infrastructure network. Our role is to be transparent and send a clear message to any international companies which are interested in Madagascar. The Ministry of State in charge of Infrastructure and Spatial Planning has put in place a strategy based on three principles: a modern land policy, a national spatial planning scheme and the creation of a Directorate-General responsible for the monitoring of major infrastructure projects. Finally, securing concessions through a clear regulatory framework is essential to reassure investors.

The United States announced their commitment to invest USD 14 billion in Africa during the first U.S.-Africa summit in July 2014. How will Madagascar take advantage of this opportunity to develop the U.S.-Madagascar relationship?

The participation of Madagascar in the U.S.-Africa Summit and our reintegration into AGOA are both tremendous assets in boosting Madagascar’s economy and in future job creation. This will contribute towards unlocking the market potential of Malagasy products. The State of Madagascar will support national companies in this process and make sure that our products meet international standards.

What are the factors that make Madagascar an attractive destination for investment?

Madagascar undoubtedly has a strategic geographical position with a significant maritime territory. In addition, the return to constitutional order is a strong signal to the international investment community. We have demonstrated that we are now engaged in a process of good governance and in the establishment of clear legislation to secure investment. I am convinced that we need private partners who believe in the potential of Madagascar and that their presence will be fundamental in developing our economy. My office is committed to taking into account the specific characteristics of each company interested in our country. Madagascar is now on the right track and has considerable potential in all sectors of the economy. The role of the Ministry of State in charge of Infrastructure and Spatial Planning is to secure investment and earn the trust of the Malagasy people. Madagascar attaches great importance to the principle of reciprocity: we understand and accept companies’ profitability requirements and we expect them to comply with our legal framework. Major infrastructure projects will emerge very quickly. We are ready to engage in a constructive dialogue with international investors in a spirit of respect and mutual understanding.

“We are ready to engage in a constructive dialogue with international investors in a spirit of respect and mutual understanding.”

Rivo Rakotovao
Minister of State in charge of Infrastructure and Spatial Planning

Hydroelectric dam operated by state utility Jirama
Representing 20 percent of the country’s GDP, agriculture is the most impactful growth engine with huge potential for development in the years ahead. In accordance with African Union frameworks, notably the Comprehensive Africa Agriculture Development Program (CAADP), President Rajoanarimampianina has cited agriculture as a means to lift the country out of poverty and achieve sustainable and inclusive growth.

**THE MALAGASY GREEN REVOLUTION**

At the moment, only 25 percent of exploitable land is being cultivated, meaning there is significant potential on the world’s fourth largest island. Guided by the ambition to meet the 2003 Maputo Declaration Target (i.e. devoting 10 percent of the national budget to agriculture), the Ministry of Agriculture and Rural Development is launching a locally-owned green revolution. In line with the recommendations of the 2014 Africa Progress Panel report to reduce poverty and inequality more rapidly, the Malagasy government is seeking to boost its agricultural and fisheries sectors through facilitated access to loans and insurance for farmers.

Minister of Agriculture and Rural Development, Roland Ravatomanga, an agronomist heading the Ministry since 2011, categorically states: “Our country currently uses only a quarter of the arable land. There is so much potential in Madagascar.”

In the short term, there are two goals driving him: (1) Madagascar’s production will feed the country and its neighboring islands which are not so well endowed with arable land. (2) To become the Indian Ocean’s food basket, a measure favored by the Commission of the Indian Ocean’s countries at their July 2014 summit. The first step will be to achieve food self-sufficiency, starting with rice. Ravatomanga explains: “Madagascar currently produces 2.5 million tons of milled rice annually. We are aiming to achieve self-sufficiency in rice by 2016,” insisting that “this is a realistic goal.” Capitalizing on the country’s huge natural resource potential, from crop cultivation to fishing, “there is strong political will to transform this potential into investment opportunities,” he concludes.

**THE MALAGASY BRAND: PRODUCTS OF EXCEPTION**

Madagascar already benefits from an international brand for some of its high-value products which are recognized around the globe as being the highest quality. Famed worldwide for its vanilla production which accounts for 80 percent of the global demand, Madagascar also ranks top for shrimps, spices and essential oils such as ylang-ylang, cinnamon and cloves. The quality of the soil also makes Madagascar’s coffee and chocolate beans among the world’s finest. “Our country currently uses only a quarter of the arable land. There is so much potential in Madagascar.”

Roland Ravatomanga
Minister of Agriculture and Rural Development

To protect the island’s fragile ecosystem and to meet the needs of an increasing number of socially-responsible consumers, the Minister of Agriculture and Rural Development is “currently working on the possibility of a transition towards fully organic farming,” following in the footsteps of countries such as Morocco.

His vision is to merge modern agricultural techniques which preserve the natural properties of the soil and produce, giving priority to environment-friendly fertilizers. The protection of the island is also fundamental to long-standing private sector operators such as TAF Products’ manufacturer, the Greek-born entrepreneur Panayotis Taloumis. Although he proudly explains the world’s best coffee and chocolate contain Malagasy beans, like many of his peers, he also insists that investments in Madagascar must take long-term considerations into account.
CELEBRATING THE RENEWED U.S.-MALAGASY FRIENDSHIP

As the U.S. government is increasingly turning its attention towards the African continent and after having recently announced USD 7 billion in new financing under the Doing Business in Africa (DBIA) campaign, Madagascar has a number of factors in its favor to become a preferred destination for U.S. investors. An observation shared by Peter W. Hallinan, President of the American Chamber of Commerce in Madagascar (Amcham): “Madagascar should naturally be a regional hegemon [...] there is only one place on the globe with the growth opportunity of Africa and the geopolitical safety of Australia, and that is Madagascar. There is a lot of commonality between the Malagasy and Americans. The Malagasy are a very entrepreneurial people”.

Following the 2009 coup, the United States suspended direct assistance to Madagascar’s governmental authorities and all non-humanitarian activities but today, both countries are beginning a new chapter of collaboration. Scott Reid, CEO and Executive Director of the Amcham explains what makes the country an ideal place for American companies wishing to start doing business in Africa: “We are part of Africa and Asia—it is the best of both worlds—and as an island, there isn’t the geopolitical risk of common borders. In addition, with a population of only 22 million people, it is relatively easy to penetrate the market.” Building on its strategic location and its highly-skilled, low-cost labor force, Madagascar is destined to become the natural gateway to Africa. This ambition is echoed by Salim Ismail, Chairman and CEO of the Socota Group, a front-runner in the textile industry: “Madagascar is undoubtedly a leader in the labor-intensive manufacturing industry [...] If a company succeeds in Madagascar, it has the potential to succeed on a larger scale throughout the African continent.”

RETURN TO AGOA

The renewed U.S.-Malagasy friendship has been highlighted by the decision on June 26, 2014 to reinstate Madagascar’s eligibility under the African Growth and Opportunity Act (AGOA). This return of Madagascar to the family of AGOA nations acknowledges the government’s efforts towards transparency and democratic rule and offers exciting opportunities to expand bilateral trade. Zouzar Bouka, Founding Board Member of Amcham and Chairman of the fast-growing company, Vision Madagascar (VIMA), stresses the political dimension of this announcement: “As the U.S. saw the Malagasy political situation from a disinterested perspective, they offered a true lesson in integrity [...] they were the first to support the newly-elected President without expecting anything in return.”

Zouzar Bouka, Founding Board Member of Amcham and Chairman of Vision Madagascar

Before the transition period which marked an end to the U.S.-Malagasy economic partnership, AGOA products accounted for 36 percent of the country’s GDP and what’s more, 85 percent of the island’s textile exports were destined for the United States at that time. Armed with the conviction that the U.S.-Malagasy relationship needs to be strengthened in the future, President Rajaonarimampianina took advantage of his participation at the U.S.-Africa Summit and the 69th Session of the UN General Assembly last September to advocate Madagascar’s inclusion in AGOA and to seek an extension beyond 2015.

AGOA in Figures

- Duty-free benefits for approximately 7,000 items including apparel, footwear, minerals, motor vehicle components, agricultural products, chemicals and steel
- Direct creation of 40,000 jobs and an additional 200,000 indirectly
- A total export figure of USD 1 billion for textile products expected in five years

“The U.S. saw the Malagasy political situation from a disinterested perspective, they offered a true lesson in integrity [...] they were the first to support the newly-elected President without expecting anything in return.”

Zouzar Bouka, Founding Board Member of Amcham and Chairman of Vision Madagascar
VIMA Group

Creating a New Madagascar

Founded in 2000 by Zouzar Bouka, Vision Madagascar (VIMA) acts as the host for all foreign companies wishing to establish themselves in Madagascar by accompanying them along their development road and offering solutions and services to help them grow. In 15 years, VIMA Group has successfully diversified its activities to become a leader in the construction, real estate, procurement, and wood industries. Building on its recognized experience with prestigious clients, the Group is now ready to accelerate its development and become a major player in the support of oil and gas companies coming to Madagascar.

Zouzar Bouka
From Antananarivo to Washington

Born in Madagascar, the 44-year-old visionary businessman has a special relationship with the U.S. After having spent several years in Florida, he decided to return to his home country and has been driven by his entrepreneurial spirit and the strong conviction that it is possible to “get things moving”. But Bouka’s fondness for the American continent has never left him and he has rapidly become an ambassador for the U.S.A. on the Big Island. He believes the U.S. and Malagasy cultures can complement each other: “Madagascar attaches great importance to community efforts whereas in the U.S., there is more focus on personal accomplishment. Each culture can learn from the other and find the right balance”. As a Founding Board Member and Immediate Past President of the Amcham in Madagascar, the Chairman of VIMA has played a pivotal role in strengthening the relationship between the two countries. In 2010 and 2014, he was selected to attend the Summit on Entrepreneurship initiated by President Obama. More recently, VIMA Group was the only Malagasy company to accompany H.E. Hery Rajaonarimampianina to the U.S.-Africa Leaders Summit. In his opinion, “this Summit highlighted the efficient American way of doing business and forging partnerships through effective networking.”

“the secret of change is to focus all of your energy, not on fighting the old, but on building the new.” This well-known quote from Socrates encapsulates the vision of VIMA Group’s Chairman, Zouzar Bouka, who has a deep conviction that the key to Madagascar’s success is to be open to the world: “Foreign direct investment in Madagascar will provide employment and training for people.” In one of the world’s poorest countries, the Group has made it a mission to contribute to the Malagasy welfare by easing the arrival of foreign investors to the island. “VIMA Group guides foreign companies at every step of the way, from their arrival to their sustainable establishment in Madagascar, and helps to build entities tailored to their needs.” Bouka explains. As a pioneer in the construction of business parks and as an exclusive partner of Regus—the largest provider of flexible offices solutions—VIMA is perfectly placed to meet the highest standards of quality and performance. Building on significant experience with a variety of organizations, VIMA CONSTRUCTION has proven its ability to design and build a large portfolio of properties, including that for the diplomatic mission of South Africa and the impressive Antananarivo City Hall. “At first, investors will be provided with a short-term office thanks to Regus, then we will arrange the office space they need through VIMA CONSTRUCTION,” he continues. However, the Group’s ambition goes further: VIMA REAL ESTATE is currently erecting Majungasaurus Mall, one of the biggest industrial parks ever created in Madagascar. Located in the economic hub of Mahajanga, the 646,000-square-foot project will offer premium facilities to international businesses specialized in AGOA activities. And with the arrival of fiber optic connection developed by Orange in 2015, Bouka wants “Madagascar’s West Coast to become our Silicon Valley; a city dedicated to IT exports based on the development model of Bangalore.” In addition, the Group is the holder of Century 21’s master franchise in Madagascar, Mauritius and the Seychelles. According to the Chairman, “this activity is still under development but is fully in line with our strategy to support foreign investors in the country, responding to their housing needs.” The company has also extended its scope of activities to procurement through its branches VIMA SERV and VIMA OIL AND GAS. In Bouka’s words, “the added value of VIMA SERV and VIMA OIL AND GAS lies in their ability to provide business products and services in a very short time.” With the latter, the Group has become a privileged partner of specialized petroleum product suppliers. “We already have a Board in place and we are in talks with Brazilian, U.S., and British companies”, Bouka concludes. As the exclusive licensee of World Trade Centers Association, VIMA organizes sporting events, such as the Marathon of Antananarivo, and is aiming to construct a prestigious building. The final branch of the Group is VIMA WOODS, the only forest tree company running under Forest Stewardship Council (FSC) standards. “We comply with rigorous safety and environmental norms and we do not have a detrimental impact on the forest’s natural growth” Bouka enthuises.
Could you share the priorities of your Ministry with us?
Our priority is to restore investors’ confidence by creating a sound and attractive business climate through effective public-private partnerships. To this end, we work in close collaboration with the Economic Development Board of Madagascar—under the Ministry of Industry and Private Sector Development—to support and facilitate the participation of foreign investors in the country. The Ministry of Industry and Private Sector Development is fully engaged with the President in his fight against poverty, helping him to achieve the goal of creating 500,000 jobs by the end of his term.

What concrete steps does the Ministry take to encourage the participation of private capital in Madagascar’s economy?
The foundation of our strategy is the establishment of incentives for investors. Specifically, we will soon be creating a Special Economic Zone (SEZ) and two Free-Trade Zones (FTZ). Prompted by my Department, there are also plans to launch three ethanol production plants and an overall aim to reach a total of 50 plants across the country by 2015. These projects are extremely promising because Madagascar offers a favorable environment for the cultivation of sugar cane. The development of ethanol will create jobs while revitalizing the country’s industry.

With the reinstatement of Madagascar to AGOA, which sectors have you identified as offering the most promising opportunities for cooperation with the United States?
The return of Madagascar to AGOA is a synonym for hope for the Malagasy population and for its industry players. Not only will it benefit the textile industry, but it will also offer a unique opportunity to find new methods of industrial cooperation. In particular, I see areas such as mining, petroleum, agriculture and the processing of semi-precious stones as offering the most potential for expanding trade between the nations. Beyond AGOA, I seek the establishment of additional partnerships with American Development Funds such as the Millennium Challenge Corporation or the Power Africa initiative. As the world’s largest foreign investor, the United States is a partner of choice for Madagascar and we have much to learn from the American entrepreneurial spirit and industrial know-how.

DZAMA RUMS Natural jewels of the Malagasy industry

It was in Nosy-Be, an island paradise in the Mozambique Channel, that Compagnie Vidzar’s story started some thirty years ago in 1982. Among fields of ylang-ylang, cloves, black pepper and vanilla, entrepreneur, Lucien Fohine, realized that sugar canes grew in a matchless environment thanks to Madagascar’s exceptional natural flora and thus produced rum with a distinctive flavor. He created the company ‘Vieux Rhum de Dzamandzar’—subsequently shortened to Vidzar—by setting up a distillery in the city of Dzamandzar and baptized his rum DZAMA to remind consumers of the product’s origins.

DZAMA rums rapidly conquered the taste buds of regional and national markets and are now recognized as being truly the best rums of Madagascar. When Fohine’s oenologist son with international training, Franck, became head of the company in 1996, he began to bring the flavor of DZAMA rums to the attention of the world. He has since developed innovative premium rums for demanding global consumers and as he explains, “like the gemstones of Madagascar, DZAMA rum gradually takes on different colors and differing aspects of intensity and light.” For Vidzar, this has led to rapid expansion thanks to meticulous attention to the products’ quality, an impeccable marketing strategy and a profound respect for Malagasy traditions.

Undoubtedly, DZAMA rums are among the world’s best: international competitions, such as the Miami Rum Festival, have regularly acknowledged the outstanding quality of the products. The company recently set itself a new challenge to conquer the world’s biggest rum consumer market: the United States. While the U.S. may be more familiar with rums from the Americas, Fohine says: “We offer a novel product compared to the more traditional rums,” in a market where “there are genuine connoisseurs.” He admires Bacardi, while maintaining its differentiation strategy. DZAMA is an “alternative to the rums U.S. customers already know.” How so? “We offer a spicier rum with hints of vanilla”.

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MINING: PATHWAY TO PROSPERITY

With precious metals such as gold, nearly half of the world’s sapphires and a huge variety of other gemstones from rubies to emeralds, Madagascar is a bountiful and largely unexplored land. Mining contributes between 0.5 and 1.5 percent to the GDP and is expected to rise to at least eight percent by 2018.

Driven by two major projects in development—Ambatovy and QIT Madagascar Minerals (QMM)—the Malagasy mining industry offers exciting prospects for the years ahead. According to the Minister attached to the Presidency for Strategic Resources, Joéli Valérien Laliharisaina, “in addition to these two large mining projects, exploration for coal in the south of the island, bauxite in Manantenina and iron in Soalala, are extremely promising prospects for investors.”

Established with the support of the World Bank in 2002, the Law on Large-scale Mining Investments (LLMI) has significantly contributed towards ensuring regulatory stability and incentives for investors. Additionally, in order to accelerate the development of the mining industry and encourage companies in the resumption of their activities, the Ministry has appointed a committee in charge of reviewing the mining framework. Laliharisaina explains: “We plan to revise the current mining code soon in order to strike a better balance between private and public interests.” The government is aware that only sustainable and transparent management of Madagascar’s non-renewable underground resources will enable the island to maximize the benefits of the mining sector for the economy. The decision to lift the suspension of Madagascar from the Extractive Industries Transparency Initiative (EITI) in June 2014 marks an important step in that direction. “Our reintegration into the EITI system reflects a desire to establish a sustainable, balanced and inclusive management of the mining industry,” concludes the Minister.

OIL: A NEW SEA OF OPPORTUNITIES

With the current high oil prices and declining investment opportunities worldwide, Madagascar is perfectly positioned to attract oil companies that are looking for new growth leverages. Despite the country’s hydrocarbon potential having been explored for over a century, it is only recently that the island has come to the attention of the investment community. Last June, Madagascar Oil S.A. launched the first sale of crude oil, leading Madagascar into the exclusive club of oil producers. The Big Island is therefore living through a pivotal period in the development of the oil industry.

It took advantage of the unique momentum to carry out an in-depth reform of its petroleum code. Developed by the Office des Mines Nationales et des Industries Stratégiques (OMNIS), the State regulatory authority and promotion agency for strategic resource industries, this new code will facilitate the arrival of foreign partners. Bonaventure Rasoanaivo, CEO of OMNIS, passionately outlines the key elements of the new petroleum code: “The general principle of the future petroleum code is good governance.” This implies a clear identification of all agencies in charge of oil policy in Madagascar. Another priority, he adds, “is the simplification of the regulatory framework to make it more transparent and more efficient for foreign investors.” It is also planned that the code will improve local content, i.e. the extent to which the output of the extractive industry sector generates further benefits for the economy. Finally, particular attention will be paid to environmental protection to ensure the preservation of the unique biodiversity of the island. As summarized by Rasoanaivo: “Oil companies will benefit from a modernized regulatory framework inspired by the best practices in other countries but adapted to the specificities of Madagascar.”
Major international oil companies such as EXXON Mobil and TOTAL are already operating in Madagascar. Sixteen international oil companies have concluded 23 production sharing contracts.

**OMNIS** (Office des Mines Nationales et des Industries Stratégiques) is the lead institution promoting partnership with international oil companies. Strengthened by its 38 years of experience in the oil industry, it implements Madagascar’s national policy in terms of oil and gas exploration and exploitation, and updates exploration data on a systematic basis in order to better facilitate explorations.

**Hydrocarbon potential**

Madagascar is embedded in 820,000 km² of sedimentary basins onshore and offshore, favorable for hydrocarbon exploration, especially on the west coast. Additionally, 264 free offshore blocks and 39 onshore blocks will shortly be subject to promotional campaign.

**New petroleum code**

Madagascar’s petroleum code and the decree on mining exploration, exploitation and transportation were initially promulgated in 1996. In order to better address the current reality in the sector, OMNIS and the Ministry of Strategic Resources are preparing a new code. This framework will reflect the international context, industry practices and, of course, will provide incentives for international oil companies.