



INVEST IN TEXTILE & GARMENT

Madagascar,
one stop shop for woven





MADAGASCAR

strategically located in the axis Africa-Asia and having a highly skilled workforce, is the ideal destination for any project in the textile industry.

Madagascar was one of the first countries in Africa to establish an export apparel industry, and it remains among the most successful as the country is again the 1st largest apparel exporter to European Union in Sub-Saharan Africa. The quality and the reputation of products made in Madagascar scattered in the world market testify this situation.

Madagascar's textile and apparel industry receives the 2nd largest share of FDI after the mining sector. Its share in country's total exports 30%.

Today, this industry includes more than 100 global and local firms employing more than 150,000 people (30% of jobs in the country's industrial sector). It represents 19.35% of GDP

MADAGASCAR AT A GLANCE



Area : **587,295 km²**,
4th largest island
in the world



Population :
24 million



Capital:
Antananarivo



GDP per capita
(USD): **401**



Time Zone:
GMT +3



Official
languages:
**Malagasy
and French**



Currency:
Ariary (MGA)



GDP Growth rate
in 2017: **4.3%**



CLIMATE

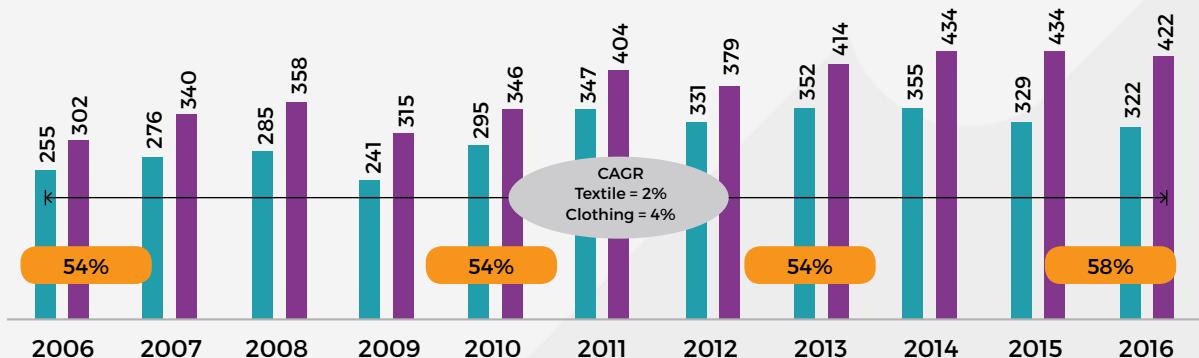
- Hot and humid summer from November to April
- Fresh and dry winter from May to October

OVERVIEW OF TEXTILE AND CLOTHING INDUSTRY

WORLD'S TEXTILE AND APPAREL TRADE

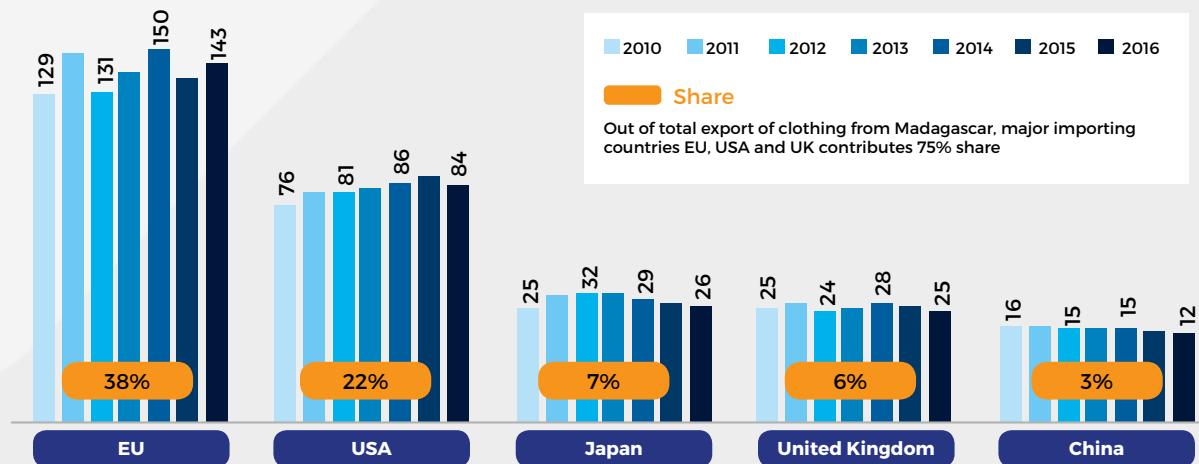
WORLD TRADE OF TEXTILE & CLOTHING [Bn US\$]

■ Textile ■ Clothing ■ Share % of clothing



source: UN Comtrade

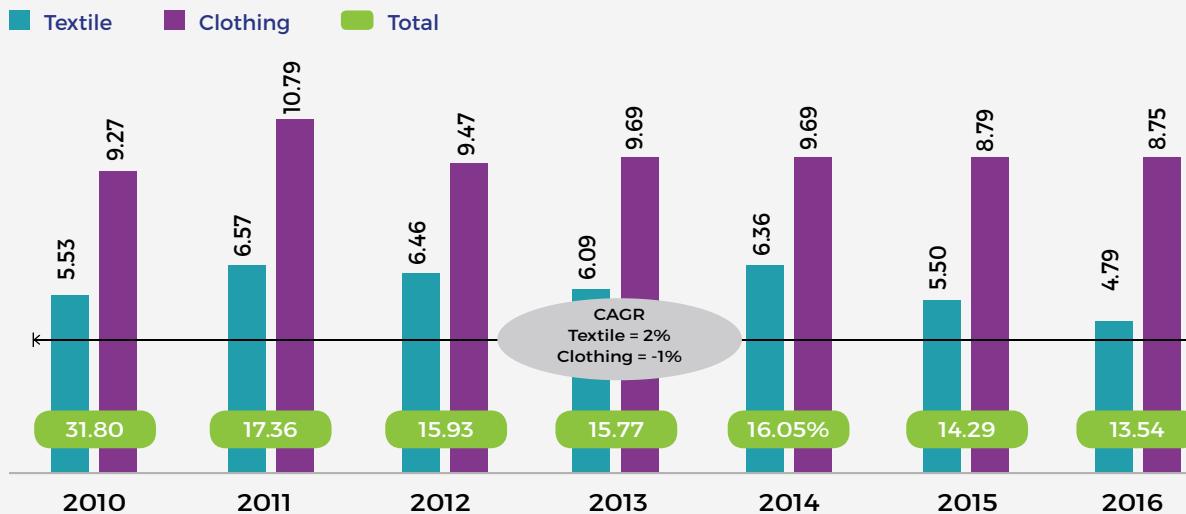
WORLD TRADE OF TEXTILE & CLOTHING [Bn US\$]



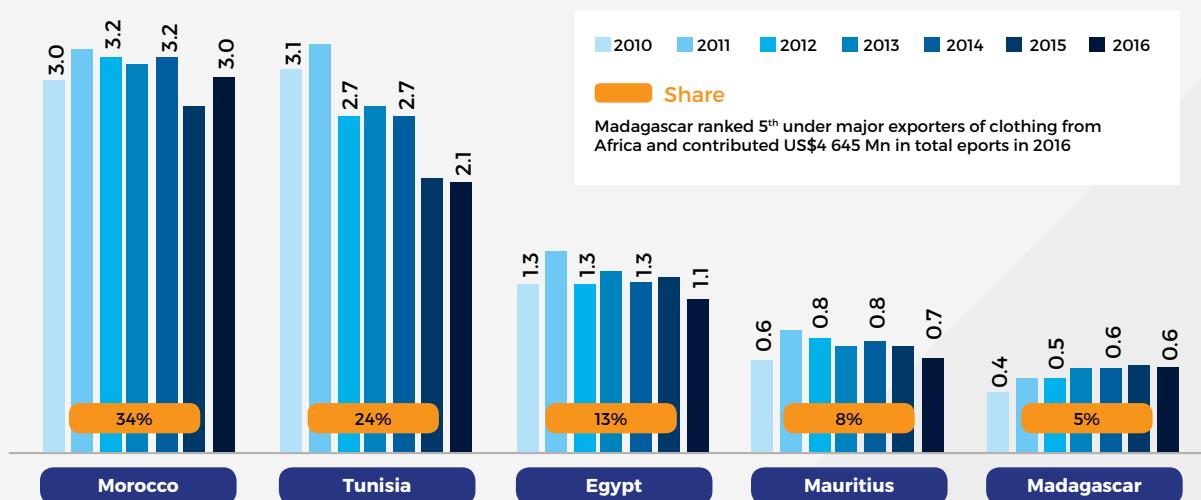
source: UN Comtrade

AFRICA'S TEXTILE AND APPAREL TRADE

AFRICA'S TRADE OF TEXTILE & CLOTHING [Bn US\$]



MAJOR EXPORTERS OF CLOTHING FROM AFRICA [Bn US\$]



WHY MADAGASCAR?

I. POTENTIAL ACCESS TO THE GLOBAL MARKET

REGIONAL MARKET

Investors have an access to **600 million potential consumers in 34 african countries** co-members of **regional economic community**:

- **SADC** (Southern African Development Community)
- **COMESA** (Common Market for Eastern and Southern Africa)
- **IOC** (Indian Ocean Commission)

In July 2017, Madagascar has signed the Tripartite Free Trade Agreement (TFTA), a proposed African free trade agreement between SADC, COMESA and the East African Community (EAC) covering 57% of the total African population.

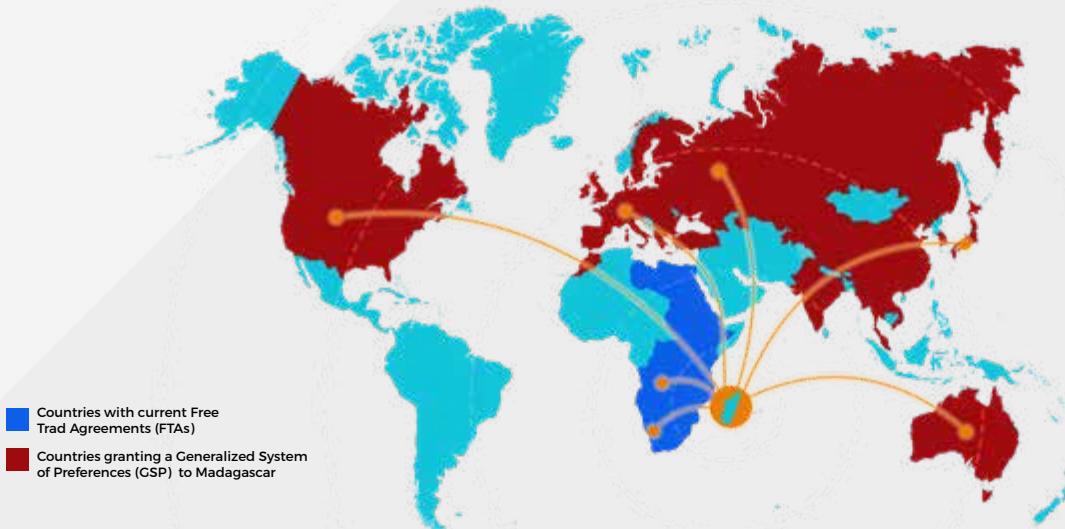
INTERNATIONAL MARKET

A **strategic hub for trade**, Madagascar is connected with most major international economies through **FTAs** (Free Trade Agreements) and **GSP** (Generalized System of Preferences). Moreover, the country has **unrestricted duty-free** access to the United States under **AGOA** (African Growth and Opportunities Act) and European Union under **EPA** (Economic Partnership Agreement).

Major advantages over AGOA:

- Single transformation rules in place under AGOA
- Meaning Madagascar can utilize third-party fabrics and by converting them to garments, still be eligible for its duty-free benefits.

Besides, there are other deals signed by Madagascar: BIT (Bilateral Investment Treaties) and DTA (Double Taxation Agreements)



II. QUALIFIED HUMAN RESOURCES

Madagascar offers a highly skilled workforce with a reputation for manual dexterity and productivity. In the apparel industry, there is a talent base of more than 200,000 workers with significant experience. There is no employee strike as in other potential countries and people can work the entire year without interruption.

III. COMPETITIVE FACTOR COSTS

Madagascar offers one of the most attractive location in the world for low-cost production with recognized quality products.

Description	Madagascar	International standard
Labor wages (all charges included)	US \$ 100 per month	US \$ 150 - 500 per month
Lease price of Industrial Site	US \$ 1.7 per sqm per month	US \$ 2 - 4 per month
Electricity cost for Industrial Use	US \$ 0.09 per kWh	US \$ 0.07 - 0.13 per kWh
Water cost for Industrial Use	US \$ 0.37 per m ³	US \$ 0.50 - 1.65 per m ³
Fuel cost	US \$ 0.67 per liter	US \$ 0.50 - 1.00 per liter
Ocean freight US	US\$ 2.000 / 40' container	US \$ 1.500 - 2.000/ 40' container

WHY MADAGASCAR?

IV. EXISTENCE OF INFRASTRUCTURE FOR EXPORT

SEAPORT

The port of Toamasina is the first port of entry and ensures 90% of the flow of goods on the borders of the country. The project to extend the port has been started, it will include the development of a new 10-hectare storage area, the extension of the breakwater, the construction of a new wharf with a length of 320 meters, the deepening of the platforms and the installation of new handling equipment.



AIRPORT

There are 12 airports, of which 6 are international which can accommodate jumbo jets.

Ivato Airport in Antananarivo is the most important. There are Air France Cargo and Air Mauritius Cargo which can serve as important links for short orders, or, if there are machines out of order, sending parts by air could be done quickly through Airlines.



V. TAX INCENTIVES

A GENEROUS TAX REGIME FOR EXPORT-ORIENTED PROCESSING COMPANIES, WITH 100% EXEMPTION FROM CUSTOMS DUTIES, VAT AND CORPORATE TAXES.

In 2008, the Free Zones and Companies law was promulgated in order to give tax incentives for companies exporting at least 95% of their productions.

0% for the first 5 years

for transformation activities, then 10% Exemptions from customs tax and VAT on imports on all inputs (equipment, raw materials, construction materials, ...)

So, instead of paying 20% of VAT, companies pay 0%. Also, instead of paying 20% of corporate tax, they pay only 10%.

More than 225 companies have now agreements and benefit from this incentive regime.

46% of them are in the textile sector.

VI. SUPPORT FOR INVESTORS

The Investment law encourages people to set up their companies in Madagascar:

- Freedom to hold up to 100% of the shares
- Freedom to invest for all nationalities and sectors
- Freedom to transfer profits, dividends, etc.
- Freedom to recruit and dismiss foreign employees
- Protection of patent rights



VII. EXISTING COMPANIES' SUCCESS

Many manufacturers employ state-of-the-art looms and there is real differentiation to the fabric on offer.

They respect the international norms (e.g. no child employment, no discrimination, etc.), get easily certifications related to quality management or fair trade such as ISO, WRAP, OCS, GOTS, etc.



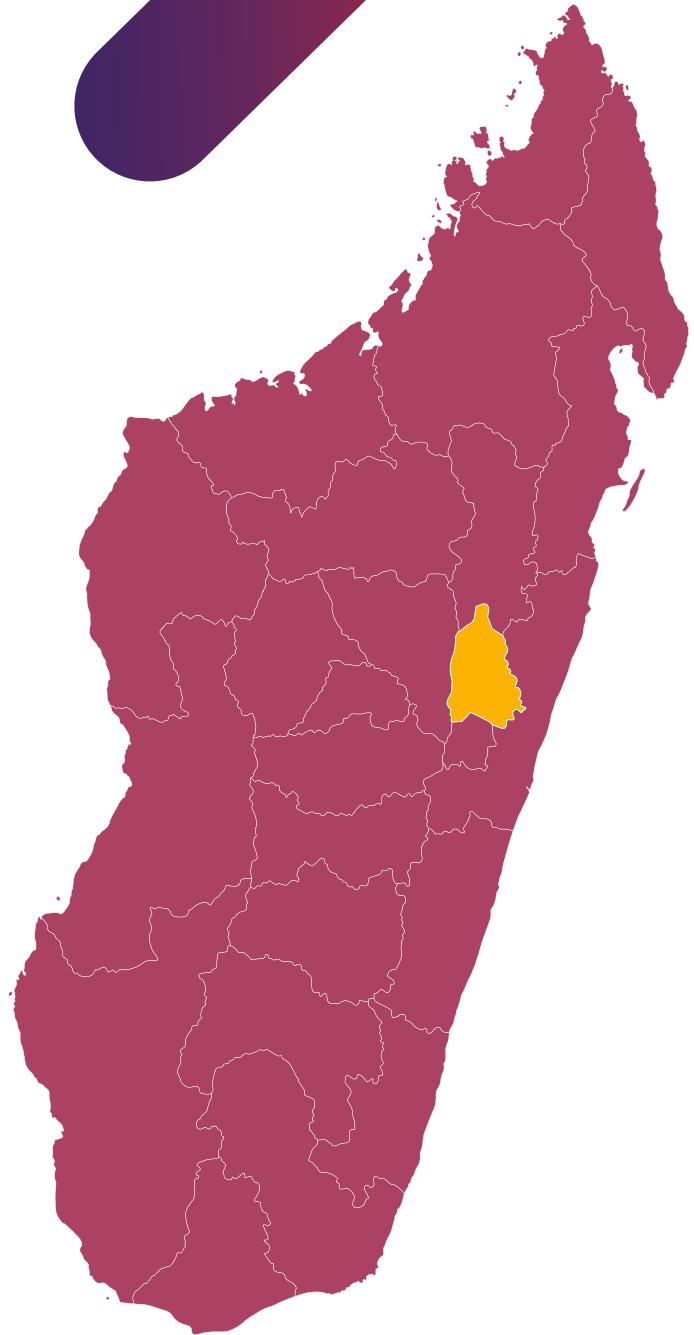
VIII. TEXTILE CITY PROJECT

The Special Economic Zone law to support this Textile City project will be soon implemented in the country.

Located on the future highway connecting Antananarivo (the capital) and Toamasina (the biggest port of Madagascar), the site will be built on an area of 100 to 600 hectares and will be able to accommodate more than 100 production plants.

This totally integrated zone is a new city that will offer all logistic administrative customs, banks, a single window for investors, residential and commercial infrastructure, necessary for the residents' daily operations and needs. The electrical connectivity will be good as the energy source is just close to this area.

Moreover, there is a presidential project to build a new highway to link the capital and the port Toamasina in order to reduce the time allotted.





ASSETS SUMMARY

MADAGASCAR OFFERS ONE OF THE MOST ATTRACTIVE LOCATIONS IN THE WORLD FOR LOW-COST APPAREL PRODUCTION

2016	Madagascar	Bangladesh	Cambodia	China	India	Kenya	Lesotho	Mauritius	South Africa	Vietnam
Duty-free access to EU	4	1	1	0	0	4	4	5	2	1
Duty-free access to US	4	0	0	0	0	4	4	2	2	0
Duty-free access to SA	5	0	0	0	0	0	4	5	4	0
Labour costs	4	4	4	2	5	5	4	2	2	5
Labour productivity	5	4	4	4	4	2	2	4	2	4
Large, well-established skill-base	4	4	4	4	4	5	5	4	4	4
Local supply-base (fabric, accessories, etc.)	5	4	5	4	4	2	5	4	4	4
Real-estate cost	4	5	5	1	2	2	4	2	2	2
Electricity cost	2	2	2	5	5	2	2	2	5	5
Shipping cost & time	2	5	5	4	4	1	0	5	4	5
Taxes / Incentives	5	5	5	2	2	5	5	5	2	5
Ease of doing business	2	2	2	5	2	2	2	4	4	5

A SUCCESS STORY



Madagascar was one of the first countries in Africa to establish an export apparel industry, and it remains among the most successful:

- The industry first took off in 1989, and today includes more than 95 foreign-owned and local firms employing +150,000 people
- After liberalization of global apparel trade in 2005, Madagascar was the fastest growing apparel exporter in Africa and the 3rd fastest in the world (behind China and Vietnam)
- The sector regained its momentum: since 2015, Madagascar is again the 1st largest apparel exporter to the European Union market amongst in Sub-Saharan African countries

2000's

2004:
RECORD YEAR IN TERMS
OF EXPORTS WITH MORE
THAN 400 MILLION USD

2007:
LAW NO.2007-037
DATED 14 JANUARY 2008
ON FREE ZONES AND
COMPANIES IN MADAGASCAR

2008:
MORE THAN 200,000 JOBS

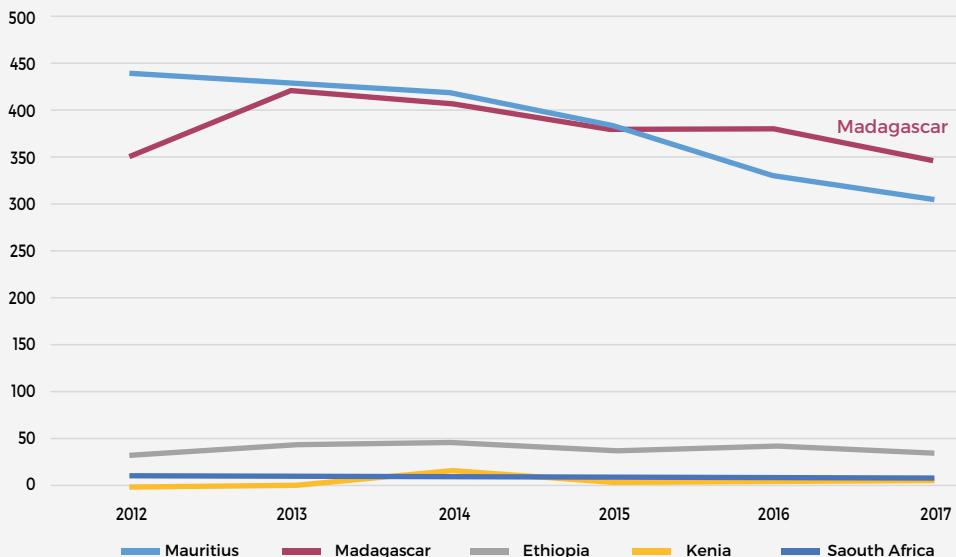
- 2016:**
- A MAJOR GROWTH IN TEXTILES FREE ZONES HAS BEEN WITNESSED
 - UNDER AGOA, EXPORTS OF TEXTILE HAVE INCREASED

**+95 FREE ZONES
AND COMPANIES
US \$ 645 MILLION
(VALUE EXPORTED)**

2016
-
2017

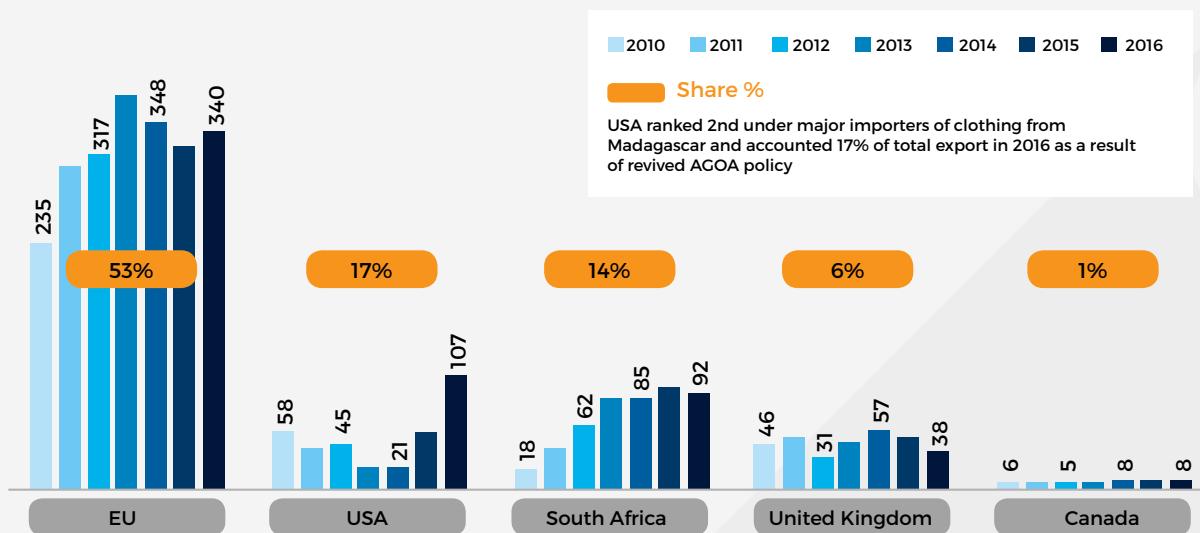


TOP 5 SUB SAHARAN AFRICAN EXPORTERS OF APPAREL TO EU, 2012-2017 (USD M)



SINCE 2015,
MADAGASCAR
HAS BECOME THE
#1 SUB-SAHARAN
AFRICAN EXPORTER
OF APPAREL TO THE
EUROPEAN UNION

TOP 5 IMPORTERS OF CLOTHING FROM MADAGASCAR [Mn US\$]



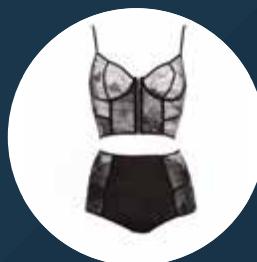
A LARGE NUMBER OF GLOBAL APPAREL FIRMS HAVE CHOSEN TO ESTABLISH OPERATIONS IN MADAGASCAR, ACROSS PRODUCT SEGMENTS



WOVENS 52%



KNITWEAR 14%



LINGERIE 7%



EMBROIDERY 7%



DENIM 4%



KIDS WEAR 7%



HIGH FASHION 2%



COSTUMES 2%



MEDICAL CLOTHES 2%



SPORTSWEAR 2%



WORKWEAR 2%



BOTTOM / TROUSERS

WORLD'S BEST KNOWN FASHION BRANDS AND
RETAILERS ARE PRODUCED IN MADAGASCAR



JCPenney

Sears

Walmart

Jacadi
PARIS

CASUAL MALE
retail group inc.



Eddie Bauer

EXPRESS

NAUTICA

Santine et Chocolat

RIVER WOODS
NORTH-EASTERN SUPPLIERS



celio*

G-STAR
RAW

Etam
lingerie

DSQUARED2

Von Dutch

PAUL & JOE



M&S
EST. 1884

KENZO

LISE CHARMEL

divatex

L.L.Bean

La Redoute

Empreinte

SP
SIMONÉ PÉRELE
PARIS

wenaas

STEVE & BARRY'S
SPORTSWEAR

Reebok

GAP

TESCO

DOCKERS

PUMA

CALVIN KLEIN

HEMA

JONES NEW YORK

Levi's

KWINTET

Pepe Jeans
LONDON

SOOBAYA
MADE IN MADAGASCAR

ZARA

QUIKSILVER

Vanity Fair

PRINCESSE
tam-tam

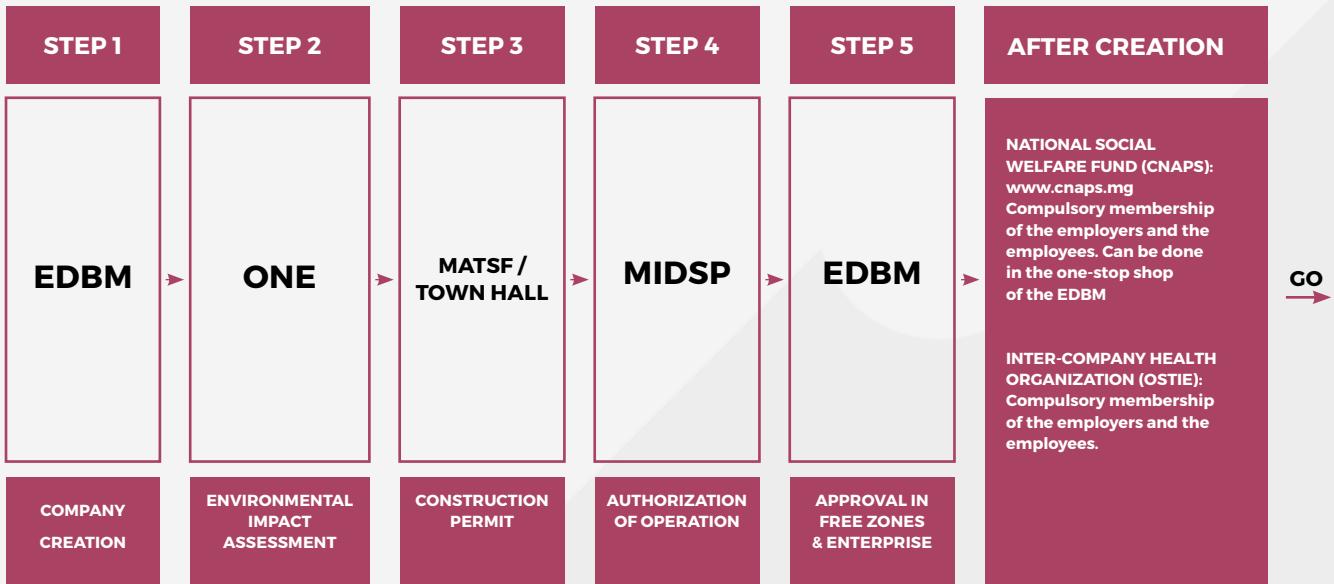
Christopher
& Banks

clawmoney

CAMATEU

Gloria Vanderbilt

PROCEDURE



USEFUL LINKS

PRESIDENCY OF THE REPUBLIC OF MADAGASCAR
PRESIDENCE DE LA REPUBLIQUE DE MADAGASCAR
www.presidence.gov.mg

MINISTRY OF INDUSTRY AND PRIVATE SECTOR DEVELOPMENT
MINISTERE DE L'INDUSTRIE ET DU DEVELOPPEMENT DU SECTEUR PRIVE
www.industrie.gov.mg

MINISTRY OF COMMERCE AND CONSUMPTION
MINISTERE DU COMMERCE ET DE LA CONSOMMATION
www.commerce.gov.mg

GENERAL DIRECTION OF CUSTOMS
DIRECTION GENERALE DES DOUANES
www.douanes.mg

MADAGASCAR EXPORT PROCESING ZONE ASSOCIATION
GROUPEMENT DES ENTREPRISES FRANCHES ET PARTENAIRES
www.gefp.com

“

Improving the business climate in Madagascar, promoting local and foreign investment, facilitating the implementation of investment projects

”

The Economic Development Board of Madagascar (EDBM)

is the partner of reference for investors in Madagascar. As an investment promotion agency, the EDBM has set itself the following objectives: to strengthen the competitiveness of the Malagasy private sector, increase foreign direct investment, develop incentives linked to private investment in Madagascar, accompany investors in their implementation by providing them with dedicated services through a one-stop shop for business creation and specialized advisors



EDBM'S SERVICES

- Provision of economic and sector information
- Liaison with central and local authorities.
- Identification and connection with local potential private partners
- One-Stop Shop: facilitation of establishment and support for your activities.



10 YEARS
Decree 2007,
Renewed in 2014



Directly attached to the
PRESIDENCY OF THE REPUBLIC



CLEAR MISSION
Business climate, promotion, facilitation



ONE-STOP SHOP
Representation from 9 ministerial departments involved in company creation



NATIONWIDE
8 regional offices across Madagascar



MULTI SECTOR
Board members from the public and private sectors. Personalized support for companies.



 +261 20 22 670 40

 dsi.lightindustry@edbm.mg

 www.edbm.mg

 **ECONOMIC DEVELOPMENT
BOARD OF MADAGASCAR**

EDBM Building

Général Gabriel Ramanantsoa Avenue

Antaninarenina - 101 Antananarivo - Madagascar