



TRADE POLICY REVIEW

REPORT BY

MADAGASCAR

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Madagascar is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Madagascar.

CONTENTS

1 INTRODUCTION	3
2 RECENT DEVELOPMENTS IN THE ECONOMY.....	4
2.1 Economic situation.....	4
2.2 Trade policy developments.....	5
2.3 Investment regime	11
3 ECONOMIC REFORMS	12
3.1 At the macro level	13
3.2 At the sectoral level	17
3.3 Trade prospects	28
4 INTERNATIONAL RELATIONS	30
4.1 WTO	30
4.2 Regional agreements and arrangements	30
4.3 Bilateral agreements	33
4.4 Technical assistance needs	33
5 CONCLUSION.....	35

1 INTRODUCTION

1.1. Situated in the south-western Indian Ocean, 350 km from the south-east coast of Africa, Madagascar is the fourth largest island in the world, with an area of 587,041 km² and an estimated population of 23 million in 2010. As well as biological diversity and an exceptionally high rate of endemism (80% for its fauna and 90% for its flora), it has a very rich subsoil containing various minerals.

1.2. In spite of its enormous potential, particularly in agriculture, and a plentiful workforce, it falls into the category of the least developed countries (LDCs). Difficulties in obtaining access to finance and a supply of electricity hinder business development, whilst difficulties in physical and virtual connectivity hamper competitiveness and integration into regional and global value chains. The asymmetry of information critical to decision-making penalizes business leaders, disrupts the supply of goods and services in the local market and restricts export positioning.

1.3. The recent socio-economic crisis, Madagascar's longest, has left a much stronger mark on the economy and Malagasy society than previous similar events. The aftermath requires strong action for national reconciliation, in-depth structural reforms and immediate implementation of quick-impact, urgent measures and actions. With the support of its technical and financial partners, the Government of Madagascar intends to pursue its macroeconomic stabilization and sectoral reforms programme in accordance with the country's development plans including the National Development Plan (NDP) 2015-2019, which will take over from the Madagascar Action Plan (MAP) adopted in 2007.

1.4. The multi-faceted nature of development calls for a strategy that goes beyond a concern that focuses solely on income. The succession of political and economic crises has hampered any attempt to create conditions conducive to "Fihavanana", a concept that places solidarity and mutual respect between Malagasy citizens above all other considerations and/or other types of wealth. The originality of the approach and design of the NDP are intended to distinguish it from its predecessors whose most important features were their links to traditional planning techniques; indeed, the guiding principle of the NDP is "Malagasy people in tune with their environment" is intended to ensure that actions are consistent and sustainable.

1.5. The foundations of the NDP and the many layers that build upon them reflect both the process of inclusive growth and its outcome. They will highlight, align and systematize urgent action and long-term reforms. The cornerstones will ensure sound, sustainable development, namely the wealth and assets that we must generate and bequeath to future generations. The superstructure reflects the vision of "Madagascar, a modern, prosperous nation" as expressed as follows by His Excellency the President of the Republic when he talked of: "Building a new Madagascar, a strong Madagascar, thereby bequeathing to future generations a united, prosperous, peaceful country that has become a world leader in developing and conserving its huge natural capital based on strong, inclusive growth for fair and sustainable development in all regions."

1.6. The Constitution states that the institutions of the State are the Presidency of the Republic, the National Assembly and the Senate, the Constitutional Court, and the Government. The presidential mandate is for a five-year term, renewable once.

1.7. The Republic of Madagascar is a State based on a system of decentralized territorial authorities. In conformity with Article 143 of the Constitution, the Decentralized Territorial Authorities are the Communes, the Regions and the Provinces.

1.8. Since its second Trade Policy Review in 2008, Madagascar has faced many constraints on effective implementation because of the situation obtaining in the country. The Malagasy Government took pains to reiterate its support for the commonly agreed rules on multilateral trade and transparency despite the lengthy difficult period that brought with it substantial losses in terms of deterioration of infrastructures, slowdown in growth, increased poverty, reduced tax revenues, and erosion both of the authority of the State and of good governance. Preparation for the third review is under way and once again demonstrates the importance that the Government of Madagascar attaches to the multilateral trading system under the WTO.

1.9. The Ministry of Trade and Consumer Affairs is responsible for formulating Madagascar's trade policy in collaboration with the other ministerial departments. In this report they set out the new approach in Malagasy trade policy focused chiefly on introducing healthy, fair competition to offset the negative effects of liberalization and anti-competitive practices experienced by our domestic industries and producers.

1.10. The private sector too is involved in formulating trade policy through sector-based groupings and forums for consultation, occupational groupings or associations. Public-private dialogue in the 4th Republic is also a matter for the Head of State and the Government because close cooperation between them will enable Madagascar to develop its economy with ease.

1.11. Madagascar is committed to the process of regional integration, and is pursuing closer ties with neighbouring African nations. In this context, intra-regional trade should fully reflect each member country's comparative advantages, particularly in promising sectors.

1.12. The ultimate aim of this report was therefore to outline and implement for the next six years the various sectoral policies that make up trade policy. The resulting inclusive economic growth achieved through a better system of income redistribution will contribute to a sustained reduction in the poverty, vulnerability and insecurity that affects most of the country's population.

2 RECENT DEVELOPMENTS IN THE ECONOMY

2.1 Economic situation

2.1. Growth occurred at a period of particular change historically: first implementation in 1979 of the all-out investment policy where (chiefly) industry-driven growth reached 9.0%; introduction of economic liberalism toward the second half of the 1990s characterized by growth led, exceptionally, by only a few sectors in 1991; steady economic performance as a result of the effects of buoyant agri-business, tourism, mining and Industrial Free Zones (IFZ) toward 2007 and 2008. However, the benefits of growth have not been felt, particularly among the vulnerable sectors of the population. The years since then have seen a non-stop succession of social demands leading to frequent changes of government. The reason for this was on the one hand that growth was not sufficiently broad-based, but focused on a few sectors and on the other hand it was not accompanied by significant job creation.

2.2. A significant proportion of the population is forced to focus on subsistence and excluded from growth; unemployment is growing and affects qualified young people in particular. An ILO report has counted over 4 million unemployed among the working-age population and over 400,000 young people join the labour market each year. In 2012 the labour market was dominated by underemployment and inadequate employment, according to INSTAT surveys. Poverty levels are high (76.5% in 2010 and 71.5% in 2012), and poverty is particularly prevalent in rural areas where the social protection system is precarious.

2.1.1 Economic growth

2.3. Between 2009 and 2013 growth averaged only 0.9%. This stagnation was a result of uncertainty about economic recovery, loss of some preferential market access, particularly under the AGOA, the suspension of budgetary assistance, capital flight and natural disasters. A modest upturn that was chiefly the result of the two major mining projects, namely QMM and SHERITT, began only in 2011. Economic growth is well below demographic growth, a fact that has led to a considerable fall in per capita income from US\$510 in 2008 to US\$504 in 2013, accompanied by increased poverty.

2.4. Economic growth will be driven by more buoyant sectors that are more resilient to external shocks and capable of exercising a significant spill-over impact on the rest of the economy. The sectors will have to have comparative advantages that produce cohesive social effects through the distribution of the income they generate. The sectors in question are: major mining projects, development of tourism reserves; infrastructure incorporating social housing; intensive farming including fisheries, and free zones and enterprises, especially in the textiles sector.

2.5. In accordance with the NDP objectives, economic growth will rise to more than 10% in 2019.

2.1.2 Public finances

2.6. The tax ratio stood at 10.7% in 2013, compared to 13% in 2008. The external current account deficit has fallen to the equivalent of 10.2% of GDP compared to 18.9% in 2008. Exports rose more quickly than imports, partly offsetting the increasing deficit in the capital and financial account. The State is aiming to achieve a ratio of 12.8% by 2018.

2.7. With a view to improving governance and facilitating coordination of the budget system, the Integrated Public Finances Management System (SIGFP) has been put in place. The development of a computer master plan will beef up the system, which since 2008 has controlled and strengthened both the expenditure chain and bookkeeping, and its power will increase as of this year.

2.8. The institutional landscape of the bodies with internal audit and inspection duties is as follows:

- The State Inspector's Office (IGE) has extensive inter-ministerial powers. Recruitment is under way to increase the numbers of Inspectors currently in post;
- The Treasury Audit Squad takes a more systematic approach to drawing up its inspection plan for public accountants;
- The National Audit Office (IGF), whose first intake of staff was in 2014;
- By contrast, Internal Audit Departments for Ministries were recently set up at the Ministry of Finance and the Budget.

2.1.3 Monetary policy

2.9. Monetary policy will build on matching money in circulation with the real needs of the economy to support productive activities against a background of slower inflation. Accordingly, depending on internal and external economic developments, indirect monetary regulation instruments will be used to keep the money supply within the limits consistent with the outlook for stabilization and growth.

2.10. Exchange policy seeks to preserve the stability of the external value of the currency and the overall competitiveness of the economy. The free play of market forces will continue for the 24-hour market-based exchange-rate formation mechanism. The Central Bank may intervene to prevent wide exchange rate fluctuations, particularly as part of a sterilization policy linked to sudden changes in autonomous liquidity factors.

2.11. The Government's strategy in this area is to apply a tight monetary policy in order to contain inflation and promote the stability of the currency while smoothing fluctuations in the foreign exchange market.

2.2 Trade policy developments

2.12. Madagascar has pursued a policy of liberalizing domestic and foreign trade focused on promoting exports, creating a modern institutional framework to protect domestic industries and producers against anti-competitive practices in the form of the Competition Council and the National Authority for Trade Remedies; encouraging the private sector; and collaborating closely with regional and international organizations and with technical and financial partners.

2.2.1 Trade policy objectives

2.13. The overall objectives of the trade policy place emphasis on:

- the effective introduction of healthy and fair competition, and the maintenance of non-discriminatory rules;
- the promotion of international trade with special emphasis on "Made in Madagascar" export activities, and diversification of export products and export markets;
- the exploitation of the trade benefits offered by developed and developing countries, and of the flexibilities proposed by regional and international organizations;
- continued efforts to promote compliance of products with the international standards and quality required by trading partners;
- the phasing out of non-tariff barriers; trade facilitation measures in general;
- a broadened platform for ongoing cooperation with the private sector;
- making commercial activities more professional;
- the integration of Madagascar into international and regional arenas by integrating trade into the national development strategy and in particular making trade the foundation for leveraging national development;
- increased diversification of export products and expansion of external markets especially in areas where Madagascar has export capacities. This goes hand in hand with bringing products into compliance with the international standards and quality requirements set by trading partners so that Malagasy products can compete globally;
- achievement of the Sustainable Development Objectives / Post-2015 Development Agenda.

2.2.2 Trade policy implementation

2.14. Implementation of Madagascar's trade policy falls chiefly to the Ministry of Trade and Consumer Affairs, the body responsible for the national and international regulations concerning international trade, fair trading practices and the drafting and implementation of standards. Accordingly, the Ministry has responsibility for multilateral trade issues as well as regional initiatives such as the Common Market for Eastern and Southern Africa (COMESA), the Southern African Development Community (SADC), the Indian Ocean Commission (IOC), and the Tripartite Free Trade Area (Tripartite).

2.15. Madagascar's trade policy reflects at national level the rights and obligations under the WTO Agreements. In that context, the Malagasy authorities are striving to ensure that they comply with the rules of the multilateral trade system.

2.16. A Steering Committee comprising all national stakeholders in trade (Government, Private sector, civil society, donor community) will be set up to provide unified and inclusive management of trade issues and better coordination of trade-related activities.

2.17. The instruments of the trade policy are:

2.2.2.1 Customs tariffs

2.18. In order to meet the requirements of a liberalized economy, Madagascar embarked on a reform of its tariff system at the start of the 1990s. It reorganized its tariff structure and now applies five rates: 0%, 5%, 10%, 15% and 20%. Most of the duties in the Customs Tariffs are *ad valorem*.

2.19. Since 2007, Madagascar has bound 30% of its tariff lines, including all agricultural and some non-agricultural lines, and applies the 0% rate to members of the COMESA Free Trade Area (FTA). In EPA negotiations, Madagascar has already aligned itself with the common external tariff (CET) that COMESA plans to implement in the framework of its Customs Union.

2.20. Madagascar's tariff comprises 6,530 eight-digit tariff lines from the 2012 version of the Harmonized Commodity Description and Coding System (HS).

2.2.2.2 Customs valuation

2.21. The rules established by the WTO Agreement on Customs Valuation are reproduced in Madagascar's Customs Code and, according to a Customs Note of 25 February 2015, the minimum values for the customs valuation of certain goods have not been used since 3 March 2015.

2.22. Madagascar also maintains a reservation regarding the order of the methods to be used if the transaction value is rejected.

2.23. The four-year contract concluded with the Société Générale de Surveillance (SGS) for the management of a programme for inspection and verification of goods upon entry ended on 30 March 2007. Since 01 April 2007 collaboration with the SGS has continued in a more innovative form with the creation of GasyNet, a company incorporated under Malagasy law.

2.24. The Cargo Tracking Note (BSC) is a document that the person exporting to Madagascar fills-in in advance to facilitate import controls on goods. It incorporates the main elements of the export declaration.

2.2.2.3 Trade facilitation measures

2.25. The Customs Code grants customs clearance facilities to operators whose businesses are in order. Duties and taxes are paid either by means of a clearing credit or by direct payment. An accelerated customs clearance procedure has also been introduced to facilitate customs clearance procedures for operators that satisfy strict criteria and conditions. A Customs Clearance Times Observatory composed of all bodies involved in the customs clearance process has been in place since 2011 and has helped to identify bottlenecks and find appropriate solutions.

2.26. Madagascar grants duty- and tax-free entry for imports by diplomatic missions and charitable organizations, materials covered by the Florence Agreement adopted by UNESCO, and goods imported in the context of changes of residence, small consignments, etc. Exemptions from customs duties and taxes are also granted to goods imported in the context of major mining investments, companies eligible under the free-zone regime, companies engaged in oil prospecting and exploration operations, and the QIT Madagascar Minerals (QMM) Company under its Establishment Agreement. Ambatovy Minerals and Dynatec are subject to the Law on Major Mining Investments, QMM to the Establishment Agreement and as such may be granted: temporary admission either duty free or subject to duties based on the phase reached in the project.

2.27. The actual start-up of the IT platform has made it possible for all public and private partners involved in international commercial transactions to be networked as a single window system. However, the customs clearance system is still based on ASYCUDA++.

2.28. The customs administration continues to modernize the system by introducing a paperless customs clearance procedure that is currently being piloted at some customs offices.

2.29. Madagascar is currently implementing the WTO Trade Facilitation Agreement established during the Ninth Ministerial Conference in Bali. Madagascar's degree of compliance with the standards referred to in the Agreement has already been assessed and the steps required to establish the National Committee on Trade Facilitation have already begun.

2.30. As part of the implementation of the international Convention, in particular the Customs Convention on the A.T.A. Carnet for the temporary admission of goods (A.T.A. Convention), the Federation of Chambers of Commerce and Industry of Madagascar (FCCIM) was appointed as a guaranteeing and issuing association for the issue of A.T.A. carnets in Madagascar;

it has been operational since 22 April 2013. The carnet is an international document that allows duty- and tax-free admission of temporarily imported products. The A.T.A carnet is a streamlined, rapid, reliable customs procedure that facilitates customs clearance of temporarily exported goods at a very advantageous rate of duty.

2.2.2.4 Market Access

2.31. Through their competent sanitary and/or phytosanitary authorities, the Ministries of Agriculture, Livestock and Fisheries and of Public Health, are responsible for implementing the WTO Agreement on Sanitary and Phytosanitary Measures. Prior authorization in the form of a sanitary or phytosanitary permit delivered by the three competent authorities listed below is needed for the importation onto Malagasy territory of foodstuffs of animal origin, live animals, animal feedstuffs, live plants, seeds or parts of live plants, plant products, soil and growing media, and plant material packages. Those authorities are also responsible for issuing sanitary and phytosanitary certificates for exports of foods, agricultural products and fish on the strength of import permits issued in the importing country. The competent authorities in question are the Veterinary Services Directorate for livestock products, the Fisheries Sanitary Authority for aquaculture and fisheries products, and the Plant Health Directorate for plant products. They must ensure compliance with the SPS requirements of importing countries in order to guarantee market access for the exported products.

2.32. In order to promote activities geared to the domestic and external markets, the number of structures (farmers' organizations, markets, Regional Industrial and Trade Development Centres, Chamber of Commerce, AGOA) relaying market signals to producers has been increased. With a view to diversifying agricultural production, the regions have established priorities for the domestic market and for exports.

2.33. In order to increase the value added of agricultural goods, efforts are under way to develop agro-industry and cooperatives and to increase the number of agri-business centres as a means of providing technical and market access support for producer groups.

2.34. Finally, Madagascar's tariff policy gives relatively higher nominal protection to agricultural products than to non-agricultural products.

2.35. Since 1989 Madagascar has implemented a policy to liberalize its economy by the reduction or even removal of certain trade barriers that impede market access.

2.36. All products may be freely imported and exported except those contained in the negative list in Annex III to Decree No. 92-424 of 3 April 1992, as amended by Decree No. 92-782 of 2 September 1992.

2.2.2.5 Sanitary and phytosanitary measures

2.37. The competent authorities for SPS issues at the Ministries of Agriculture, Livestock and Fisheries and of Public Health, are responsible for the formulation and implementation of legislative and regulatory texts in the SPS field. The texts are based on the standards laid down by the international reference organizations for the World Trade Organization, including the International Plant Protection Convention (IPPC), the World Organization for Animal Health (OIE) and the Codex Alimentarius Commission.

2.38. The health legislation and regulations formulated by the competent authorities referred to above govern activities related to food safety, animal health and plant health, especially with regard to SPS inspection and certification, in conformity with the international standards laid down by the three standard-setting organizations (OIE, IPPC, Codex Alimentarius). They apply to both animal and plant products, from production to marketing, regardless of whether their destination is the local or the export market.

2.2.2.6 Technical regulations and standardization

2.39. The Quality and Packaging Division (SOC) of the Ministry of Trade and Consumer Affairs is the competent authority for issues concerning technical barriers to trade. It has responsibility for

formulating, publicizing and implementing legislative and regulatory texts concerning compliance assessment procedures, the quality of agricultural products of vegetable origin and foods as well as for packaging, marking and labelling requirements.

2.40. Standards or part of a standard can be transcribed into technical regulations in line with the needs of consumers, domestic industries, importers or exporters, or on the basis of a proposal by the National Standardization Council (CNN). All such texts are drawn up on the basis of guidelines laid down by international organizations, having regard to the Agreement on Technical Barriers to Trade.

2.41. The SQC coordinates quality control activities (physical, chemical, packaging, packing, etc.) at national level for agricultural products of vegetable origin for export and upon completion issues a certificate of inspection of packaging and origin (CCCO) for compliant products.

2.42. In Madagascar, Law No. 97-024 of 14 August 1997 on the national system for standardization and certification of products, goods and services provides for the introduction of the National Standardization/Quality System. Two entities are affected by the "Standardization" aspect, namely the National Standardization Council and the Madagascar Standards Bureau.

2.43. The National Standardization Council is a standing consultative body and forum for debate. It is a consultative body responsible for the general approach to standard-setting. According to the decree on its rules of procedure and organization its powers are as follows: review and analysis of the requirements for standards in the various sectors of the national economy; proposals for the Annual Standardization Work Programme taking account of the national priorities set out in, *inter alia*, the Public Investment Programme; and submission of proposals to make certain standards compulsory. The National Standardization Council has the Division responsible for quality in the Ministry of Trade and Consumer Affairs as its secretariat.

2.44. The national standards body in Madagascar is the Madagascar Standards Bureau (BNM). Established in 1998 under Decree No. 98-944 of 4 November 1998, the BNM is an administrative public establishment (EPA) for implementing national policy on standardization/quality. Currently governed by Decree No. 2014-1570, it is under the technical supervision of the Ministry responsible for trade. Among other duties, the BNM is responsible for standardization, promoting the implementation of standards, certifying products and managing the national compliance mark, delivering training and supporting operators in upgrading their products and facilities to meet the standards. The standardization work is the task of Technical Committees for Standardization (CTN) composed of representatives of the entities concerned with the various sectors of the economy in Madagascar. Decisions are taken by a consensus of all members. Standards thus validated are submitted to the Administrative Council for approval prior to their promulgation in the Official Journal of the Republic of Madagascar.

2.45. Given the requirements of international markets, the BNM has devised standards on the basis of the priorities and needs of the various economic actors. For the most part the standards concern the agrifood sector, including edible oils and tubers, cash crops with high export potential, dairy products, fresh and dried fruits and vegetables; they also relate to building materials and a few cleaning products.

2.46. Certain products deemed sensitive may not be marketed in Madagascar without a statement of compliance. Those requirements concern medicinal products, processed food, soaps and detergents and building materials. The issuance of a "certificate of suitability for human consumption" is the responsibility of the Agency for Monitoring Food Safety and Quality (ACSQDA) at the Ministry of Public Health. The Ministry in charge of trade provides support to the Agency in the certification process.

2.47. Compliance with a Malagasy standard is certified by the national compliance mark *MALAGASY* together with its distinctive logo NMG. The BNM is the body with competence to administer the national compliance mark. Certification is voluntary unless otherwise required by regulatory provisions.

2.2.2.7 Trade-related aspects of intellectual property rights

2.48. Madagascar has been a member of the World Intellectual Property Organization (WIPO) since 22 December 1989. It has ratified a number of international treaties, including the Paris Convention for the Protection of Industrial Property; the Patent Cooperation Treaty; the Agreement on the Trade-Related Aspects of Intellectual Property Rights; and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks. In Madagascar intellectual property protection is shared by the Malagasy Industrial Property Office (OMAPI), which is responsible for industrial property, and the Malagasy Copyright Office (OMDA), which is responsible for literary and artistic property.

2.49. The legislative framework for intellectual property in Madagascar falls under the legislative framework of Ordinance No. 89-019 of 31 July 1989 establishing the Industrial Property Protection Regime and subsequent texts (Decree No. 92-993 of 2 December 1992 implementing that Ordinance and Decree No. 92-994 of 2 December 1992 establishing and organizing the Malagasy Industrial Property Office). Literary and artistic property is governed by Law No. 94-036 of 18 September 1995.

2.50. The efforts begun since Madagascar's first TPR to ensure respect for intellectual property rights, and in particular to combat piracy and counterfeiting, are continuing. To that end, an anti-piracy squad was set up by the Ministry of Culture pursuant to Decree No. 2012-135 of 31 January 2012 on the creation, organization and operation of the Special Squad to combat the Piracy, Theft and Illicit Removal of Cultural Property.

2.51. As an LDC, Madagascar intends to ratify the Protocol amending the TRIPS Agreement in respect of the compulsory licensing of patents for medicinal products.

2.2.2.8 Trade in services

2.52. Concerning the General Agreement on Trade in Services (GATS), Madagascar is still at the early commitments stage and is preparing to broaden its commitments in professional services, communication services, financial services and tourism services.

2.53. As a member of the two regional bodies COMESA and SADC, Madagascar is in the process of drawing up its schedules of specific commitments for their four priority sectors (communications, tourism, finance, transport), in conformity with the GATS.

2.2.2.9 Rules of origin

2.54. As it is a member of the COMESA Free Trade Area and the IOC and has made an offer to lower its tariffs within the SADC as part of the implementation of the latter's Protocol on Trade, Madagascar applies the rules of origin of these organizations.

2.55. It also uses the rules of origin of the AGOA and the EPA (Cotonou Plus) for its exports to the United States and the European Union.

2.2.3 Legal and regulatory framework for trade policy

2.56. The Constitution is the supreme legal text, followed by laws, ordinances, decrees and orders.

2.57. Currently, trade policy is contained in the National Development Plan.

2.58. The President of the Republic has the power to negotiate and conclude international agreements, which must undergo a constitutionality review by the Constitutional Court and have the prior approval of the National Assembly and the Senate for ratification. The Prime Minister negotiates and signs international agreements that are not subject to ratification.

2.59. On 24 September 2014, Madagascar ratified the United Nations Convention on Contracts for the International Sale of Goods. It will enter into force on 1 October 2015 and is a major challenge for Madagascar in terms of international trade.

2.2.4 Government procurement policy

2.60. Madagascar's government procurement regime has been totally overhauled. The new regime was prepared with technical assistance from the World Bank and adopted in 2004. It aims to ensure "efficient public procurement and the proper use of public funds".

2.61. The Malagasy Government Procurement Code is contained in Law No. 2004-009 of 26 July 2004. Transparent procurement processes, equal treatment and free access are the hallmarks of the Code.

2.62. The organization and functioning of the Government Procurement Regulatory Authority are governed by Decree No. 2005-215 of 03 May 2005, which sets forth the statutes, tasks and responsibilities of the Regulatory Authority and establishes its administrative, financial and technical organization.

2.63. The Government Procurement Code of Ethics is contained in Decree No. 2006-343 of 30 May 2006.

2.3 Investment regime

2.64. Investment policy in Madagascar generally applies to Malagasy and non-Malagasy persons equally. Three laws that fall within the ordinary law regime and the exceptional regime respectively, govern investments in Madagascar:

2.3.1 Ordinary law regime

- The Investment Law

2.65. Investment Law No. 2007-036 of 14 January 2008 based on the principle of freedom of investment provides that "Any physical or legal person, whether Malagasy or foreign, shall be free to invest and become established in the national territory, in conformity with the laws and regulations, subject to the provisions that apply to certain sectors governed by specific regulations". That category includes in particular the banking, insurance, mining, petroleum, telecommunications, medical, paramedical and pharmaceutical sectors.

2.66. Additionally, foreign investors may freely hold up to 100% of the shares in the company in which they operate subject to the provisions that apply to activities governed by specific regulations, although that does not prevent them from freely transferring abroad without prior authorization all payments for current transactions, including after-tax earnings, dividends, income from salaries, fringe benefits and the savings of expatriate employees.

2.67. The Investment Law aims chiefly to (i) establish an investment promotion framework that encourages investment with equal treatment of investors; (ii) streamline many administrative procedures to improve the business climate; (iii) introduce the occupational visa to act as a valid residence and work permit; and (iv) allow access to land to companies established under Malagasy law whether they are controlled by foreign capital or not.

2.3.2 Exceptional regime

- The Law on Free Zones and Enterprises in Madagascar

2.68. Free zones and enterprises in Madagascar are governed by Law No. 2007-037 of 14 January 2008 which (i) is based on streamlined financial, customs and fiscal procedures for eligible companies, and (ii) applies to investments by Malagasy or foreign investors, or a combination of both, in export-oriented activities.

2.69. The State guarantees the restrictiveness and the stability of the fiscal regime for companies that qualify for the free zones and enterprise scheme.

2.70. The Economic Development Board of Madagascar (EDBM) issues a statement attesting to free zone or enterprise status. Any free zone or enterprise wishing to benefit under the free-zone scheme must file an application for approval to the EDBM.

- Law No. 2001-031 of 8 October 2002 on Major Mining Investments (LGIM)

2.71. This Law supplements the Mining Code and provides for a special regime for major mining investments to promote the launch of major mining projects on the one hand, and industrialization on the other hand. It gives stability to the legal and fiscal framework by providing for a lower tax band for minerals processed locally.

2.72. In order to offer investment guarantees to protect investors from non-commercial risks, Madagascar has also acceded to the Multilateral Investment Guarantee Agency (MIGA).

2.73. Moreover, to cover, *inter alia*, political risks affecting commercial and financial transactions, Madagascar is also a signatory to the Agreement establishing the African Trade Insurance Agency (ACA/ATIA).

2.74. In 2003 Madagascar set up the Single Window for Investment and the Development of Enterprises (GUIDE) pursuant to Decree No. 2003-938 of 9 September 2003. It was replaced by the Economic Development Board of Madagascar (EDBM) under Law No. 2007-036 of 14 January 2008 on Investment in Madagascar.

2.75. The EDBM, an autonomous body acting on behalf of the Malagasy State, is responsible for facilitating approval of investment projects and promoting and developing investment in Madagascar. Madagascar has called on UNCTAD for support in the run-up to the investment policy review that will take place in October 2015.

2.76. In spite of these incentives, FDI remains low for a country with Madagascar's strong potential. Be that as it may, there was an increase of 9.1% in FDI flows in 2012 compared to 2011, in other words, around MGA 1,783.4 billion. Madagascar is also party to international investment agreements and as such has signed bilateral investment promotion and protection agreements (APPI) with France, Mauritius, the OPEC countries, the Belgium-Luxembourg Economic Union, China, Germany, South Africa and Switzerland. The agreements are in force and provide for the promotion and protection of investors and their investments.

2.3.2.1 Land tenure regimes

2.77. Any foreign investor is authorized to acquire real estate in Madagascar subject to certain conditions: submission of an investment plan and programme, provision of certification that funds in an amount of US\$500,000 or more or the equivalent in foreign currency have been invested. Depending on the sector of activity involved, the authorization issued by the EDBM relates to areas of between 5,000 m² and 25,000 m² with the possibility of a waiver, depending on the size of the investment in foreign currency.

2.78. The possibility of entering into a leasehold contract for State or private lands continues to exist for private investors for a period of between 18 and 99 years with rights *in rem* subject to mortgage. Other measures have also been taken to support access by foreigners to land tenure, such as the establishment of dedicated industrial zones, including a pilot free zone currently being set up in Toamasina, the country's chief port; the establishment of tourism reserves; and, more generally, the establishment of special economic activity zones - ZAES.

3 ECONOMIC REFORMS

3.1. Since emerging from a lengthy political crisis that became a crisis of governance, Madagascar has committed to a new pathway towards inclusive, sustainable development. Though growth in per capita GDP remains a significant development index and is an essential route to achieving the objectives of society, it is not enough in itself.

3.2. "Build a new Madagascar, a strong Madagascar, thereby bequeathing to future generations a united, prosperous, peaceful country that has become a world leader in developing and conserving

its huge natural capital based on strong, inclusive growth for fair and sustainable development in all regions." – this will be the vision for "Madagascar, a modern and prosperous nation" from 2015. That vision is reflected in projects and activities contained in the NDP.

3.1 At the macro level

3.1.1 Governance, rule of law, security, decentralization, democracy, national solidarity

3.3. This is the core of the entire mechanism to strengthen the authority of the State and revive institutions. It is embodied in a Code of Ethics and Conduct as well as the application of the principle of social accountability. Moreover, Madagascar has to embark on a process of national reconciliation with the end goal of permanently stamping out the recurring political crises that have destabilized both its social fabric and structure, and its institutions, particularly the judicial and security systems at all levels. The fragile nature of those systems has encouraged the development of almost ubiquitous acts of corruption, thereby preventing public policies from meeting people's expectations.

3.4. In that context the following actions have been included in the NDP and will be carried out by the Government:

- improvement of economic governance;
- combating corruption;
- promotion of a sustainable rural economy;
- food and nutritional security;
- revival in tourism;
- promotion of the private sector;
- development of transport;
- revitalization of the Malagasy Water and Energy Company (JIRAMA);
- tracking and consolidation of the public finances for greater credibility and transparency;
- land reform;
- upgrading of the mining and hydrocarbons sector;
- prioritization or redirection of labour-intensive investment towards decent jobs for the poor.

3.5. Macro-economic equilibria have been maintained since 2009 despite the fall in the State's total revenue, at the cost, *inter alia*, of a sharp contraction in capital spending. Although strongly influenced by variations in the prices of agricultural products on local markets and the price of imported petroleum products, inflation has been contained at below 8% since that date, in part because of rising prices on world markets and despite the sharp fall in rice production in 2013.

3.6. This resulted in a sharp fall in average economic growth in Madagascar from 5% before 2009 to 0 between 2009 and 2013, following a strong decline in gross fixed capital formation over that time span. Nonetheless, the IMF estimated GDP growth of 3% in 2014, increasing to 5% in 2015.

3.1.1.1 Infrastructure development

3.7. At the global strategy level, the NDP has prioritized the development of basic infrastructure to promote private sector investment and trade. In this context, the challenges to be met consist in densifying communications and transport infrastructures, rehabilitating State-owned companies

and making them profitable, satisfying domestic demand and achieving energy transition, and improving accessibility to ICT and reducing its cost.

3.8. The Ministry for Presidential Projects, Regional Planning and Facilities is currently drafting the National Development Policy for Infrastructure and Facilities to increase the country's competitiveness and socio-economic vitality. This policy will guide the establishment and/or rehabilitation of all basic infrastructure in Madagascar in the short, medium and long term. The national infrastructure investment programme will be available from 2016.

3.9. Maritime transport is conducted through four ports, namely Toamasina, Mahajanga, Antsiranana and Toliara. The deep-water mineral ore port constructed in Tolagnaro has been open to trade since 2011. A study is currently under way into extending Toamasina port.

3.10. The State has established Madagascar Civil Aviation (ACM), as the regulatory authority for air transport. The Government has implemented the policy to liberalize the air transport sector.

3.11. The focus of Government action will be the rehabilitation, renewal and modernization of existing infrastructure and the maintenance of secondary airports and weather stations.

3.12. The rural transport policy, adopted in 2001, is aimed at extending the network of metalled roads and rehabilitating rural tracks, and at resolving funding problems by decentralizing their maintenance.

3.13. Progress has been made in ports and airports, and the main priorities focus on the rehabilitation of existing infrastructure.

3.14. Tourism infrastructure, including transport, accommodation and related services, is confined to a few regions, such as Antananarivo, Nosy-Be and Île Sainte Marie. Madagascar has adopted a new strategy for the sustainable development and management of tourism.

3.15. The authorities attach great importance to the development of the telecommunications sector. The incumbent operator continues to invest in the installation of backbone fibre-optic cable infrastructure, with a view to developing fixed telephony and broadband services. Postal services are managed by Paositra Malagasy, a public company.

3.16. Appropriate infrastructure maintenance could increase Madagascar's trade by 20%.

3.1.1.2 Maintaining economic stability

3.17. Maintaining macroeconomic stability improves the predictability of the domestic economic environment by providing a stable macroeconomic framework and controlling inflation to support the public and private investment programme. The three specific objectives are to: (i) increase fiscal space, (ii) reform the banking and financial system, and (iii) enlarge the domestic market and develop foreign-trade relations.

3.18. Madagascar requires a developed financial system that meets the needs of its population and economic actors and produces strong, inclusive growth conducive to development. The hallmark of the system should be reform of the legal and regulatory framework that governs the financial sector, a competition-dominated financial sector, technological development and product diversification, a high level of financial education and broader access for the various economic agents to financial products and services, professionalism and resilience on the part of financial stakeholders and establishments to all forms of risk, financial securitization and client protection.

3.19. Stability not only makes strong growth more secure, but more importantly it can also effectively underpin sustainable development. The task at hand is to sustain growth by identifying and improving the State's room for manoeuvre in terms of fiscal capacity, tax effort, expenditure allocation efficiency and borrowing capacity.

3.1.1.2.1 In the real sector

3.20. In 2013 the tertiary sector accounted for 48.8% of nominal GDP, the primary sector 27.5% and the secondary sector 14.5%.

3.21. The implementation of a macroeconomic policy based on prudent management of the money supply and preservation of internal and external balances enabled inflation to be brought gradually under control, despite market prices having been liberalized.

3.22. The economic outlook for Madagascar is based on growth targets of 5% in 2015, 7% in 2016, 8.9% in 2017, 10.4% in 2018, and 10.5% in 2019, chiefly through agriculture, fisheries, mining, free enterprises, public works and civil engineering, tourism and transport. The investment rate is likely to reach the equivalent of at least 30% of GDP as an annual average over the period in question because of financial inflows from multilateral and bilateral donors in the form of loans, aid and foreign investment, in addition to the domestic resources raised and the exploitation of national potential from a public-private partnership. Inflation will be contained at below 8% through strict management of liquidity, deficit reduction and increased supply.

3.1.1.2.2 In the external sector:

3.23. Improvement of the business climate with a view to attracting investment, particularly FDI, is a major concern.

3.24. The Law on Major Mining Investments is supplemented by the IFZ exceptional regime, the aim being to promote implementation of some large-scale projects.

3.25. These mining investments should lead to a rise in imports, particularly of materials and equipment necessary for mining. In spite of the deterioration in the external current account likely to ensue, the balance of payments should remain in surplus because of substantial inflows of FDI.

3.26. The structure of Madagascar's external trade has not changed a great deal. About one half of exports comprises primary products (shrimp, vanilla, cloves, chromite and graphite), and one quarter consists of exports of clothing from the IFZ under the AGOA which has resumed following Madagascar's suspension during the crisis.

3.1.1.2.3 At government level

3.27. As the budget is the Government's main tool for macroeconomic policy and stabilization, the question of tax and budget reforms is a major concern of the State.

3.28. In the framework of its development programme, Madagascar has applied a sound budgetary policy, including reduction of the budget deficit, through reforms of the tax and customs system and improved management of expenditure that have led to a fall in public-sector borrowing, an increase in private savings and credit to the economy and, consequently, to growth in private investment.

3.29. The State continues to withdraw from the production and distribution sector and to devote itself more to its role as facilitator and guide. It also attaches greater importance to the social field and is putting in place infrastructures that are needed to develop the private sector.

3.30. In order to improve tax revenue and progressively reduce the dependence on customs revenue, the administration has adopted a number of measures such as broadening the VAT base while controlling inflation, improving security of customs revenue, restricting exemptions, and reorganizing the tax and customs administration in order to increase the tax ratio to 12.8% in 2018.

3.1.1.2.4 In the financial and monetary sector

3.31. The Malagasy financial sector comprises 43 credit institutions, including 11 banks, 4 financial establishments and 28 micro-finance institutions.

3.32. The financial system suffers from a limited supply of medium- and long-term finance. The private sector's finance needs remain largely unsatisfied. Access by small and medium-sized enterprises to short-term financing remains limited. Use of the banking system by the population remains low (5%) and as yet there is no stock market.

3.33. The micro-finance institutions support small private initiatives, but the 3% monthly borrowing rate is very high.

3.34. A national strategy for inclusive finance was drawn up in 2012. Its chief aim is to increase the unbanked population's access to low-cost, secure financial services.

3.35. Monetary policy is geared to maintaining single-digit inflation by strict and prudent management of liquidity. Market instruments (open market operations) are increasingly used as a means of regulating liquidity.

3.36. Since the floating exchange regime was adopted in 1994, the external value of the national currency has been freely determined by supply and demand on the interbank foreign exchange market. Intervention by the Central Bank in this market is aimed at avoiding excessive volatility in the daily exchange rate and at attaining its objectives for foreign exchange reserves.

3.1.1.2.5 In the land sector

3.37. The Malagasy land reform adopted in 2005 by the Government was launched by the Land Policy Letter. Its aim was to "respond to the massive demand for more secure land tenure quickly and at a cost appropriate to the economic climate, through the formalization of unwritten land rights and the safeguarding and formalization of written land rights". The reform was implemented around four strategic priorities, namely: (i) the restructuring, modernization and computerization of topographical and land records, (ii) the decentralization of land management, (iii) the updating of regulations on State-owned and private land, and (iv) implementation of a national training plan in real-estate-related professions.

3.38. The implementation of "Act 1" of the national land programme led to several achievements and assets that can be regarded as genuine legal, institutional and technical innovations and merit closer attention. First, the chief innovation is legal in nature, namely the abolition of the presumption of State ownership through the formalization of private property that is not covered by a title deed by the introduction of the Land Certificate. The revision of forms of land tenure in the Framework Law of 2005 led to new legislation and the promulgation of other laws.

3.39. Institutional innovations affected the decentralization of land management and the establishment of Single Window Offices for topographical and State-owned land districts. The outstanding feature of decentralized land management is the transfer to municipalities, in the form of Municipal Land Offices, of competence to manage private property that is not covered by a title deed.

3.40. In order to make "Land a pillar of the country's socio-economic development", it would appear to be necessary not only to continue with the innovations that have already begun, but also to bring land policy into line with the other sectoral policies. Accordingly, the process of reform consolidation, or Act 2, was launched in 2014. It aims to establish a land policy that reconciles land use and the needs arising from a wide range of economic, social and ecological interests in urban and rural settings. It encourages methods of land governance appropriate to linking local, national and international dynamics. For 15 years from 2015 it is therefore essential to have long-lasting, consistent and appropriate legal, institutional and technical frameworks that meet the country's needs at international, national and local level.

3.41. The vision set out in the consolidated policy features concerted, transparent management; inclusive planning; and access for all to the land under a more secure system of tenure. These are the major pillars upon which land can be the source of sustainable, population-led socio-economic development that is open to investment and grounded in local dynamics. The consolidated policy proposes five areas of focus:

- Area 1: A more secure system of land tenure rights
- Area 2: Joint management and planning of land use;
- Area 3: Encouragement of access to land and land betterment
- Area 4: Improved, synergized decentralization and devolution of land management;
- Area 5: Undertakings on transparency and accountability

3.2 At the sectoral level

3.2.1 Agriculture and fisheries

3.42. With the support of COMESA, in 2013 Madagascar adopted the Sectoral Programme for Agriculture, Livestock and Fisheries (PSAEP) to bring the country into line with the Comprehensive Africa Agriculture Development Programme (CAADP) under the African Union's New Partnership for Africa's Development (NEPAD). The related compact with the regional and international financial and technical partners in Madagascar was signed in 2014 (regional: NEPAD/AU and COMESA; international: European Union, USAID, IFAD, JICA, African Development Bank ABD, French Development Agency AfD, Arab Bank for Economic Development in Africa ABEDA, etc.). Technical and financial support to implement the new PSAEP in Madagascar is expected from 2015.

3.43. Implementation of the PSAEP should achieve the five following specific major objectives: (i) extend and sustain areas/zones for the production and exploitation of resources; (ii) sustainably increase productivity and promote competitive production systems; (iii) contribute to greater food and nutrition security, and reduce the risks for vulnerable populations, (iv) build on access to national markets and promote the repositioning of Malagasy exports; (v) improve institutional governance and build up the capacity of the sector's actors.

3.44. The plans for better access to national markets and repositioning of Malagasy agricultural exports envisage: (i) improved market access and marketing, (ii) development of promising sectors, (iii) establishment of a positive environment that is conducive to the private sector operating in investment zones; (iv) the need for more widespread use of the contract-based system between the private sector and family farmers.

3.2.1.1 Measures specific to the agricultural sector

3.45. Rice is the staple food for a large majority of the people of Madagascar and continues to be the subject of special efforts by the government to ensure food security nationally. Surplus production will be exported, especially to neighbouring islands in the Indian Ocean area as Madagascar is the area's designated "breadbasket".

3.46. The diversification efforts undertaken in the last few years will be continued in order to develop other primary commodities demanded by the Indian Ocean market, especially maize, beans and onions. This project has been placed under the responsibility of the IOC Secretariat.

3.47. Food security is central to the concerns of the IOC and its member States. The Donor Conference on the Food Security Project held in Antananarivo on 19 and 20 February 2015 has given a new impetus to Madagascar and the IOC region. The sum of EUR 694 million will be committed to food security in the Indian Ocean area, and especially Madagascar, by 2020.

3.48. Over the period 2015-2016, Madagascar will receive support from the European Union by way of the unexpended balance from the Tenth EDF to ensure conformity of agricultural products for export to the European market. The support will cover the cost to the competent authority

(the Plant Health Directorate) incurred by the process of bringing the products into conformity with international SPS standards.

3.49. As part of the implementation of the Regional Integration Support Programme (RISP 3) and development of the Tripartite market (COMESA-EAC-SADC), in 2015 COMESA will provide support to Madagascar to help it comply with the SPS requirements of the South African market so it is able to export fresh lychees there. Particular support will be given to groups of small producers and women involved in this sector to enhance their technical and organizational skills.

3.50. Concerning the seed sector, the African organization Coalition African Rice Development (CARD) will provide support to Madagascar to formulate a strategy where (i) the first area of focus is the production of certified rice seeds to facilitate access by small producers to quality declared seed. The objective is to cover 50% of small producers' needs for seed by end-2018, (ii) the second area is to provide proximity supply of quality declared seed. This implies participation by various actors in the value chain, including researchers, propagation centres, groups of seed producers and private distributors, (iii) the third area relates to support for the national agency (ANCOS) in enforcing the legislation and regulations in place to ensure the continuity of the sector.

3.51. A catalogue of certified seeds will be established at the SADC from 2015 to promote intra-regional trade in seeds certified by the member States.

3.52. Work on developing the "biofuels" subsector will be stepped up with a view to extending it to other suitable regions for such activities.

3.53. Accordingly, a legislative and regulatory framework governing the ethanol sector has been established through Law No. 2013-013 of 20 February 2014 on the production and marketing of fuel ethanol; Decree No. 2014-903 of 13 August 2014 implementing the Law on the production and marketing of fuel ethanol and Order No. 25 938-14 of 14 August 2014 authorizing the production of fuel ethanol.

3.54. As part of the development of decentralized cooperation with the French Department of Mayotte, a partnership to support the private sector and producers' groups was set up in 2014 to develop the "fresh vegetables" sector with a view to exports to the market of Mayotte.

3.55. Concerning livestock, the considerable demand in the regional (IOC) and international (Asia and Persian Gulf) markets, has meant that the private sector and the Ministry have continued to favour the same products, including ruminant meat (cattle, sheep/goats), *foie gras*, honey, silk and milk. By introducing infrastructures that meet international standards (meat, honey, milk, etc.), the veterinary authorities and the private sector will follow up the new measures to ensure compliance with the sanitary requirements of importing countries. Other partnerships of this kind have developed under the decentralized cooperation framework with the Department of Mayotte with a view to exporting beef to Mayotte and dairy products to Mayotte and Réunion.

3.56. The enhanced animal disease surveillance arrangements will be maintained both nationally and regionally (Indian Ocean area). Compartmentalized areas will be introduced for ruminants, ducks and geese raised for the production of *foie gras*, for dairy livestock and beehives so that the products obtained from them can be exported.

3.57. Plans to monitor chemical residues in the farmed products referred to above are to be validated by the importing countries in addition to other actions that will be taken to improve product quality. The support of the European Union (unexpended balance from the Tenth EDF) has been obtained to ensure conformity of agricultural products for export to the European market. The support will cover the needs of the competent authority (the Veterinary Services Directorate), incurred by the process of bringing the products into conformity with international sanitary standards.

3.58. Silk production will be stepped up both in the highlands and in the coastal regions in order to respond to growing demand for domestic silk and wild silk.

3.59. Work will be done to encourage domestic production of fertilizer (both chemical and biological) with a view to gradually reducing imports of fertilizer and increasing agricultural productivity nationally. The regional (COMESA and SADC) market penetration of Malagasy guano (bio fertilizer) will be revised upwards as a result of the high level of current demand.

3.60. Through the PROCOM project and the EDES Programme, the European Union will provide support to a few national laboratories to conduct the food analyses required for access to the European market, including the detection of pesticide residues, mycotoxins, sulphur and heavy metals.

3.61. Through the SADC, the FAO will support the Malagasy competent authorities with responsibility for SPS matters in food safety, animal health and plant protection to continue their work to ensure conformity with international standards with a view to increasing productivity and increasing trade in agricultural products within the SADC region.

3.2.1.2 Measures specific to the fisheries sector

3.62. In the interests of conserving fishery resources, Madagascar intends to pursue measures aimed at gradually reducing fishing levels (tuna, shrimp, lobster, crab, etc.).

3.63. Accordingly the measures set out below will be implemented over the next five years to:

- step up action against illegal fishing, including overfishing by approved vessels;
- improve and strengthen organization of the Fishing Surveillance Centre so as to extend surveillance to the entire Malagasy coastline;
- step up sea surveillance in the framework of regional partnerships (IOC and SADC);
- implement a more reliable system of statistics for catch data;
- establish a service to coordinate fisheries and aquaculture research in order to produce tools for decision making.

3.64. Efforts in this sector will be geared towards developing aquaculture so as to maintain or increase annual exports. Priority will be given to the following products: (i) trepang and seaweed (marine aquaculture); (ii) telapia and eel (continental aquaculture). The former destinations for exports are to be maintained (EU, Japan, China), but the regional market is also targeted (IOC, COMESA, SADC).

3.65. Financed by the Africa Solidarity Trust Fund (ASTF) and managed by the FAO, the project will support Madagascar from this year (2015-2017) in developing a new "bivalves" sector for which demand is rising on the European market. The support will help us comply with the required international sanitary standards.

3.66. Partnerships with national and foreign research centres will be reinforced, especially as part of the monitoring programme (i) for aquatic animal diseases (members of the SADC e.g. Mozambique and Namibia) and (ii) with Réunion for seafood poisonings (ICAM).

3.67. Concerning sanitary matters, work will continue to upgrade products and boost the capacity of the Fisheries Sanitary Authority (ASH), with the support in particular of the European Union (EDES programme and PROCOM project) and the FAO through the ASTF.

3.2.1.3 Measures common to both sectors

- Continued support for investment, the establishment of new agro-industries and better access to high quality services;
- Promotion of the export of agricultural/agri-food products at regional and international level;

- Establishment of a consistent institutional framework;
- Promotion of training for occupations in agriculture (including fishing) through the multiannual IFAD "FORMPROD" programme.

3.68. Technical and financial partners have undertaken to continue their support to develop agricultural and fishery products for export, including ensuring compliance with international standards and ensuring conformity of official services and analytical laboratories with inspection and certification responsibilities (EU, FAO, IFAD, etc.).

3.69. The IOC regional programme QUALIREG intends to take measures to develop agrifood products in the area (label, mark and geographical indication).

3.2.2 Environment and forests

3.70. According to official statistics, the forestry sector accounts for 5% of GNP and 17% of the primary sector. Aromatic and medicinal plant products, CITES species and non-CITES plant species account for most exports in the sector. The issuance of operating permits for wood products by single tender has been suspended since 2000. Operations are gradually resuming with the introduction of a bidding system for the award of permits. Work is also under way to combat illegal trafficking in precious woods.

3.71. Malagasy forests are home to an exceptional range of flora and fauna and are one of the foundations of ecotourism.

3.72. The operation to clean up the precious woods sector and improve the economic performance of the forestry sector sets the following objectives:

- Meet the growing demand of the local market for better quality products;
- increase the value added of products in the interests of the national economy;
- exploit a wider range of species (woods);
- recover and use hitherto unexploited byproducts;
- promote non-wood products;
- standardize products;
- regulate the exportation of forestry products;
- consolidate processing structures;
- improve the operation of marketing channels;
- develop eco-tourism;
- promote the traceability of wood products;
- combat the illegal trafficking and exportation of precious woods and CITES products;
- relaunch the establishment of eight priority KoloAla sites;
- update all stakeholders in the forestry products sector;
- issue the text on traceability;
- rationally manage forestry resources by taking an integrated approach that can deliver sustainable management.

3.73. From this year (2015-2017), the project financed by the ASTF and managed by the FAO will also provide support to Madagascar to implement phytosanitary surveillance and monitoring measures to protect our forests from the adverse effects of pests and diseases that can result in a fall in national forestry output. Leaving aside the not inconsiderable value to the country of annual exports of forestry products (both in the rough and processed), wood is still the chief source of fuel for homes in Madagascar (fuelwood and coal).

3.2.3 Energy

3.74. Madagascar imports all its oil requirements. The Malagasy Hydrocarbons Office (OMH) issues permits for the import, processing, transport, storage and sale of hydrocarbons and ensures supply of the national territory. Since 2004, pricing policy has shifted away from price ceilings towards liberalization. Imports of petroleum products are subject to specific taxes and VAT. On IMF instructions, subsidies for import prices that were in place during the transition (2009-2014) have been gradually relaxed since 2014.

3.75. Since the 2003 surge in world prices oil companies have significantly increased investment in research and offshore exploration in Madagascar. World oil prices have fallen sharply, especially in 2014.

3.76. A large proportion of the electricity consumed in Madagascar comes from hydroelectric stations, and the rest from thermal stations. The State-owned company JIRAMA holds a monopoly on the transmission and supply/distribution of electricity, and restructuring the company is one of the Government's priorities in overcoming the problems of electricity supply (Programme to Improve Operational Management in the Electricity Sector).

3.77. The State has undertaken to liberalize the generation, transmission and supply/distribution of electricity, but so far few private enterprises have invested in this sector. The Ministry of Energy is responsible for awarding concessions and authorizations in its capacity as the awarding authority. The Electricity Regulation Board (ORE) is responsible for the procedure for awarding concessions. The concession holders must pay a levy in line with the type of contract and energy sources used, and the sums collected go to the National Electricity Fund. The Fund's purpose is to finance rural electrification.

3.78. Forestry, mining, tourism-related or industrial enterprises may generate electricity provided that 70% is for their own consumption. They may sell the remainder and are free to supply rural communities.

3.79. Wood and coal are the main sources of energy for households. However, the continuing use of these resources poses a threat to the environment. In order to provide energy for all consumers while conserving the environment, the Government has made it an overall objective in this sector to supply high-quality energy on a sustainable basis at an affordable price, and to extend services gradually to the whole population.

3.80. Three fundamental principles underpin the action to be taken in this field:

- rationalization of the conditions of energy supply, generation, distribution and consumption with due regard for the country's long-term interests;
- respect for fundamental environmental balances and encourage rational management of rural areas where forests are being exploited for energy purposes;
- provision to both the rural and the urban population of access to at least basic energy services.

3.2.4 Mining

3.81. Industrial investment accounts for the bulk of mining (QMM, AMBATOVOY, KRAOMA) and major new mines currently at the design and feasibility stage. Foreign Direct Investment (FDI) has the advantage of bringing in capital, technologies and trade opportunities while stimulating direct and indirect job creation.

3.82. Mining is a key sector in Madagascar's development strategy. The country has an abundance of mining resources including chromium, gold and precious stones. The mining policy is developed in the new Mining Code and a Law on Major Investments has been adopted introducing a more attractive tax regime for investors. The general principles governing this sector are liberalization and withdrawal of the State.

3.83. Mining policy is in line with the Government's economic reform programme; it defines the roles of the State and the private sector, calls for private investment and spells out clearly each side's rights and obligations.

3.2.5 Tourism

3.84. Through its Ministry of Tourism, Transport and Meteorology, the Malagasy Government envisages making Madagascar a modern, prosperous, genuinely sustainable, emerging destination.

3.85. The overall objectives are to:

- make tourism a key growth sector;
- make the tourism industry competitive;
- develop domestic and international tourism;
- improve knowledge of the sector through making the Tourism Satellite Account operational.

3.86. The gradual development of tourism is the combined outcome of the policy to revive the sector following the 2009 crisis. The statistics illustrate achievements in consolidating the short- and/or medium-term outlook for the policy. They show that in 2014 there were 222,374 tourists, resulting in the creation of 36,716 direct jobs.

3.87. The major lines of tourism policy were set with a view to achieving a target of one million tourists and generating 64,619 jobs by 2020. The policy is structured around four major lines:

- attracting high quality investment;
- improving the visibility and supporting the promotion of Madagascar as a destination;
- supporting management of the tourism sector and bringing a professional dimension to the sector;
- improving the quality and diversity of tourism products.

3.88. The objectives and strategies set out in the NDP should be achieved through the key actions for intensive expansion and promotion of the sector so as to make Madagascar an attractive destination.

3.89. As part of inter-island cooperation in the Indian Ocean, Mauritius, Seychelles, Réunion and Madagascar created the Vanilla Islands Organization (VIO) in August 2010. Other islands have joined the initiative since that date, including Comoros, Mayotte and Maldives. The aim is to secure a (renewed) foothold in the international market through shared promotion of combined inter-island itineraries /products.

3.2.6 Transport

3.90. Through the Ministry in charge of transport, the Government is continuing the gradual process of institutional reform in the transport sector on three fronts:

- focusing the Government's role on strategic planning, monitoring and coordination (statutory functions);
- the establishment of independent agencies;
- State withdrawal from operational activities in favour of the private sector through the award of concessions that incorporate the mechanisms necessary to preserve national sovereignty and statutory control.

3.91. Implementation of the reforms relies on all stakeholders contributing to:

- the standardization and modernization of infrastructures;
- the repositioning of ports in regional and international maritime trade;
- the updating of legislation and regulations in line with international agreements (Malagasy Civil Aviation Code, Highway Code, Maritime Code and subsequent texts) and their effective implementation.

3.92. The reforms instituted by the Government, especially the withdrawal of the State from industrial and commercial activities, are reflected in:

- making regulatory agencies for each subsector operational and beefing up their roles (Malagasy Civil Aviation for air transport, the Land Transport Agency and the River and Maritime Ports Agency).
- the partnership with the private sector to operate transport services, such as the award to Madarail of the railway transport operating concession (northern network), the award to MICTSL of the concession for the container terminal and maintenance of containerized goods at Toamasina.
- the liberalization of transport services with a view to tailoring them to users' needs;
- the Public-Private Partnership for transport security and safety as well as the development and modernization of infrastructures.
- an improvement in intermodal synergy and complementarity to facilitate freight processing for local products, exports and imports. In addition to protecting road infrastructure, the carriage of heavy goods by rail assures operators that their goods are secure and will be available in time for subsequent operations.
- an increase in the quantity of goods imported or exported either by air or by sea. The tonnage of goods in transit through the port of Toamasina rose from 2,374,457 t in 2009 to 4,467,165 t in 2013. Air freight rose from 12,632 t in 2009 to 14,677 t in 2013. Hence the construction of a new freight terminal to ICAO standards as part of the project to expand Ivato airport.
- the increasing number of air agreements with countries that have trading relations with Madagascar such as China, Seychelles, Indonesia, Hong Kong, Turkey, Thailand, India, etc. Between 2008 and 2014, six new air agreements were signed.
- the formulation of master plans to develop the two main airports (Ivato and Nosy-be) focusing on ensuring conformity of freight terminals with the handling requirements relating to the goods in transit through them.

3.93. Aware of the importance of transport for the promotion of national and international trade, and in addition to enhancing the reforms under way, the Government is taking the necessary steps to increase the capacity of Toamasina port, extend the wharves and hardstand area and increase the draft. In the medium term the investment, estimated EUR 300 million, will enable Toamasina port to accommodate all types of vessel transiting through or bound for Madagascar. The Government is working to improve the infrastructures used for national cabotage and to develop the inland waterway transport that helps to get local products to market nationally and to end isolation. Concerning air transport, a start has been made on extending freight and passenger terminals and on extending and reinforcing the runways to accommodate fully laden large carriers such as the B 777.

3.2.7 Telecommunications

3.94. The chief aim of the Ministry for this five-year period will be to develop the digital economy. In order to secure investments, improve the business climate, facilitate broadband access and have qualified, competitive skills, the sectoral strategy of the Ministry of Postal and Telecommunication Services and New Technology (MPTNT) will focus on introducing a legal and regulatory framework that complies with international standards, fostering financial and digital inclusion, and capacity-building.

3.95. The Ministry's action plan will be built around the following strategic areas for the telecommunications/ICT sector:

- renewal of licences for mobile telephony network operators in compliance with Law No. 2005-023 of 17 October 2005 on Institutional Reform of the Telecommunications Sector;
- securing networks against cyberattacks, diversion of traffic and tax evasion;
- promotion of access to ICT-enabled services for village communities and young people in schools;
- development of broadband communications infrastructures and digital terrestrial television (TNT);
- participation in work to develop telecommunications/ICT internationally and regionally;
- promotion of training for young people in ICT jobs, and support for all training programmes and incubator projects in the digital field;
- establishment of a new legislative and regulatory framework for digital matters;
- establishment of the Digital Development Agency (ADN);
- establishment of digital windows at the higher education institutions for telecommunications;
- formulation and implementation of the "Digital Municipalities" programme;

3.96. The three implementing decrees No. 2014-1650 laying down the procedures and measures to be implemented by the Regulatory Agency to regulate the sector; No. 2014-1651 regulating telecommunications networks and services; and No. 2014-1652 establishing a framework for mutualization in the telecommunications sector have been issued to bring the law into force and the Communications Technology Regulatory Authority (ARTEC) was established in November 2014.

3.97. Investors can freely invest in this area and all investors are treated equally.

3.98. The Government's relationship with the regulator has changed. ARTEC, the new Regulatory Agency, now has a broader mandate and has spelled out transparency rules aimed at achieving fair competition and accountability, in the interests of removing measures that hampered

development in this sector. New investment opportunities are opening up for the private sector in telecommunications and ICT.

3.99. The three mobile telephony operators posted turnovers of MGA 592.83 billion in 2013, up by 11% on the previous year. Additionally, the number of subscribers rose by 3.5% over the same period.

3.100. This is the result of subscribers' use of new services such as mobile internet. By contrast, the shift to mobile services resulted in a 2% drop in turnover in fixed services.

3.101. Work continues to extend fixed and mobile telephony coverage: penetration rose from 12% in 2007 to 39.80% in 2013.

3.2.8 Handicrafts

3.102. With its abundance of raw materials of animal, plant and mineral origin as well as recycled material, Madagascar has potential for the export of handicraft products.

3.103. The objectives of the handicrafts sector are as follows:

- to increase the handicraft industry's contribution to GDP to 18%;
- to improve the competitiveness of the sector in order to satisfy market needs;
- to provide the sector with a structure;
- to encourage this area of activity to become part of the formal sector and increase exports;
- to bring a professional dimension to the crafts industry.

3.104. Accordingly, the following actions have been undertaken and are being pursued in order to achieve those objectives:

- formulation of the Handicrafts Code;
- revitalization of chambers of trades;
- revitalization of Malagasy Regional Handicrafts Centres (CERAM);
- registration of craftsmen to increase their awareness, encourage them to move out of the informal sector, and foster partnerships and subcontracting with industry in the CERAMs;
- heightening of craftsmen's awareness with a view to their integration into professional circles;
- training of craftsmen in financial management and social protection;
- training of craftsmen in various fields in order to improve handicraft manufacturing and ensure the quality of handicraft products;
- establishment of a purchasing centre and a sales centre;
- trade facilitation through ICTs (internet, Trade Map);
- promotion of craftsmen through the provision of support, advice and assistance and establishing contacts between craftsmen and national and international operators;

- production and distribution of marketing aids such as leaflets, brochures, catalogues, etc.;
- organization of and participation in economic and trade events;
- establishment of a "handmade" certification window for export products;
- revision of the customs nomenclature.

3.2.9 Industry

3.105. The industrial sector plays a key role in the national economy as a whole as the engine of economic and social change, and is regarded as one of the main growth sectors since it generates both employment and income.

3.106. The main function of the Ministry of Industry and Private Sector Development is to implement public policy to develop the Malagasy private sector so that it can play its role as the engine of development.

3.107. Development will come about through technological innovation, conformity with standards and improved competitiveness to incentivize the private sector as a whole to take part in steady, balanced economic growth while complying with good industrial governance. Accordingly, the Ministry of Industry and Private Sector Development is responsible for designing, coordinating, monitoring and evaluating a short- and medium-term approach to development of the private sector in general and the industrial sector in particular with a focus on management of natural resources as a basis for integrating Madagascar into the world economy.

3.108. Despite Madagascar's potential and comparative advantages, the industrial sector contributed only 16% to GDP in 2008, a figure that fell to 14% in 2012 because of the political crisis in the country between 2009 and 2013.

3.109. Action to develop the sector focuses on two main priorities:

- institutional and production capacity building, in order to increase industrial competitiveness at national and international level (strengthening centres for the production and organization of industrial information; building up national pilot structures for industrial restructuring and upgrading);
- support for income-generating activities in rural areas (targeting the poorest populations); actions focused on processing industries, including fruit and vegetables, essential oils and silk.

3.110. The Industrial Policy will be implemented along the following strategic lines:

- change in economic structure and increase of over 25% in industry's share of national GDP;
- establishment of a competitive core industry and completion of the transition from low value-added industry to very high technology industry through:
 - increased competitiveness of local industries for the domestic market;
 - industry support to improve competitiveness and secure a foothold in the international market;
 - development of a business environment that is conducive to development of the private sector in general and the industrial sector in particular.

3.111. The Ministry of Industry and Private Sector Development has embarked on and will pursue:

- protection of investments through enhancement of international investment agreements;
- support for industrial infrastructure and the development of industrial zones;
- revitalization of State-owned industries;
- involvement in improving the *Doing Business* indicators;
- establishment of a programme to restructure and upgrade export enterprises;
- promotion of partnerships and joint ventures; the development of cooperative facilities; and the promotion of one promising sector in each region.

3.112. Other activities are envisaged as follows:

- support to formulate a national strategy for innovation and industrial property;
- formulation of an Investment Code;
- formulation of the National Entrepreneurship Strategy.
- establishment of the Observatory of Industry;
- establishment of the National Industry Council;
- establishment of Entrepreneurship House;
- establishment of the National Guarantee Fund as part of action to support and promote SMEs/SMIs;
- strengthening of the standard-setting and quality grading system for industrial products, in conformity with an ecologically sustainable approach to industrial development;
- identification of market opportunities and promising sectors;
- alerting of industrialists to the benefits of regional integration;
- promotion of technology transfer;
- development of the existing leasing system;
- development of tailored occupational training (development of technical and vocational training to ensure a sounder command of technologies and encourage the modernization of SMEs).

3.2.10 Services

3.113. The services sector has high development potential for Madagascar. Strengthened by use of technology, it can today act as a strong lever for other sectors and as a powerful driver of higher value-added exports.

3.114. Accordingly, Madagascar has already embarked on reform of its regulations, in particular by promulgating its first laws on e-commerce.

3.115. The laws will provide greater visibility for the growing use of technologies, generate greater confidence in the sector, and encourage both users and investors to make use of new tools such as websites, social networks, mobile networks, data centres, the cloud or remote services

3.116. The mechanism will increase use of the various facets of e-commerce such as on-line purchasing or sales, internet-based provision of services and, by extension, communication, payments, management tools, accountancy, monitoring and traceability of both local and export trade.

3.117. In 2014 Madagascar brought in five laws on e-commerce to provide greater security for on-line transactions and enable development of trade in associated goods and services. Additionally, Law No. 2014-008 on combatting cybercrime was adopted on 17 July 2014.

3.3 Trade prospects

3.118. Madagascar's international trade efforts will focus on enhancing the competitiveness of its exports and opening up more to trade beyond its borders. It has already defined priority projects and activities to attain these goals:

- introduce a single export window and accelerate reforms to facilitate trade;
- facilitate access to credit by establishing a special fund for exports and other types of trade finance;
- step up the promotion of the country as a destination for tourism, investment and trade;
- increase partnerships with trade support bodies at national level;
- encourage promotional activities by embassies and consulates;
- set up export offices in target countries and organize promotional activities for Madagascar and its products;
- foster a high-standard promotional campaign;
- accredit chemistry, microbiology and metrology laboratories;
- boost the harnessing and coordination of trade-related technical assistance;
- focus on local industrial processing of raw materials by sector and by region;
- develop reliable trade statistics and indicators;
- better coordinate international negotiations;
- increase private-sector participation in international negotiations.

3.119. In connection with trade and the environment, and in line with the expectations of sustainable development provided for in the preamble to the WTO Agreement, the Ministry in charge of trade has to lay the foundations for a sustainable trade system. The system will minimize the negative repercussions of trade activities. The aim of sustainable trade is to protect the environment.

3.120. Madagascar intends to establish a fair trade system. Stakeholders are currently validating the draft law on the fair trade charter.

3.121. The Trade Department is also working with UNCTAD to develop trade in organic products; this involves promoting sectors based around Malagasy cultivars. The ITC is helping the country to link trade and the environment.

3.122. Despite a degree of disorganization in domestic trade following the heavy inflow of imported products that sometimes compete unfairly with local products, Madagascar is working hard to increase the competitiveness of its export products and develop the external market further. Accordingly, its priorities are as follows:

- Updating the existing texts or bringing them into line with reality, focusing on proper guidelines as part of the policy of liberalization;
- Establishment of a Competition Council to implement the Law on Competition;
- alerting and supporting other sectors in competition and consumer protection matters (telecommunications, health, financial services, tourism, transport);
- making commercial activities more professional;
- stepping up cooperation with the private sector;
- compilation of reliable statistics for economic studies;
- capacity-building.

3.123. Madagascar will work hard to honour its commitments under multilateral, regional and bilateral agreements.

3.124. Strategies have been formulated to develop external trade, namely:

- promotion of international trade based on greater competitiveness of exporting enterprises, the exploitation of Madagascar's comparative advantages and compliance with international requirements in terms of standards and quality;
- enhancement and strengthening of the technical and capacity-building assistance supplied by the international, regional and bilateral organizations to which Madagascar belongs;
- exploitation of all the advantages available to Madagascar as a result of its membership of these organizations;
- posting of senior officials from the Ministry of Trade and Consumer Affairs to key embassies to support the rollout of trade promotion policy;
- integration of trade into the rollout of the national development plan and national pro-trade lobbying activities;
- effective implementation of the Enhanced Integrated Framework;
- formulation of the Aid for Trade Matrix to increase export opportunities for products;
- effective introduction and rollout of the National Trade Remedies Authority (ANMCC) to prevent trade practices that may be prejudicial to the interests of domestic industry;
- operational launch of the National Committee on Non-Tariff Barriers;
- operational launch of the Single Export Window (GUE).

4 INTERNATIONAL RELATIONS

4.1 WTO

4.1. Madagascar attaches critical importance to the establishment of rules and legal frameworks in economic and trade relations and to compliance with them. Clear, transparent and predictable rules are vital in a world where each nation may be inclined to resort unilaterally to unfair practices that may prove disastrous to another nation. The preservation of the rules-based system alongside monitoring activities to ensure that each Member abides by the WTO principles, and the very existence of the trade policy review system provides countries from the largest to the smallest with sufficient assurance to take part in highly decoupled global trade.

4.2. Madagascar is willing to contribute fully to establishing a post-Bali work programme, to increase its commitment to conclusion of the Doha Development Agenda, and to give its steadfast support for agreements that help to improve the country's competitiveness and attractiveness.

4.2 Regional agreements and arrangements

4.2.1 African Union

4.3. Madagascar is a founding member of the African Union (AU), and the African Economic Community (AEC) founded in June 1991 under the auspices of the AU pursuant to the Treaty of Abuja.

4.4. The Treaty provides for the establishment of a Common African Market as a result of a process based on the coordination and harmonization of tariff and non-tariff measures between various commercial and subregional groups (called Regional Economic Communities), with a view to establishing a continental customs union.

4.5. The New Partnership for Africa's Development (NEPAD), an AU programme whose Planning and Coordinating Agency is based in Johannesburg, South Africa, makes the private sector and investment promotion central to its work, and its objectives also include trade integration and improving access to the markets of developed countries.

4.6. Madagascar has been chosen by the African Union to be among those countries that will receive support under the PAN-SPSO project to help them improve transparency in SPS matters in their relations with their trading partners and their participation in the work of the WTO SPS Committee. The aim of the African Union initiative is to establish a pool of African negotiators on SPS matters. The African Union programme has been in place since 2013 with support from the WTO Division with responsibility for SPS matters.

4.2.2 Common Market for Eastern and Southern Africa (COMESA)

4.7. Madagascar became a full member of COMESA in 1995. The organization's objective is to improve and broaden the integration process among its members by various means, including the adoption of more comprehensive trade liberalization measures, such as the complete elimination of tariff and non-tariff barriers to trade and the adoption of a common external tariff (CET); the free movement of capital, labour and goods, and the right of establishment within COMESA; the adoption of a common set of technical standards and regulations, quality control procedures, certification schemes and sanitary and phytosanitary regulations; the harmonization of tax rates (particularly VAT and excise duties) and conditions for technical cooperation, particularly regarding company law, intellectual property rights, and investment legislation; and finally the establishment of a monetary union.

4.8. The establishment of the Free Trade Area (FTA) involves the reciprocal elimination of customs duties on products originating in COMESA. In December 2014 Madagascar ratified its membership of the COMESA Fund to develop regional integration among the member countries. Madagascar's financial contribution to the Fund is US\$400,000 under the breakdown drawn up by COMESA.

4.9. Madagascar will host the 19th COMESA Summit of the Heads of State and the Economic Business Forum in October 2016. It will hold the Presidency of the organization during the Summit.

4.10. Activities planned include cooperation to implement the Customs Union, trade in services, rules of origin and the formulation of the common programme on trade facilitation in the light of WTO instruments.

4.11. The programme on the free movement of persons is to be implemented in several stages.

4.12. Madagascar has adopted the ASYCUDA system and EUROTRACE (ASYCUDA ++) to facilitate trade in the region.

4.2.3 Southern African Development Community (SADC)

4.13. Madagascar became a full member of the SADC on 18 August 2005 and acceded to various protocols. The ultimate objective of the Protocol on Trade is to establish a Free Trade Area.

4.14. Although Madagascar was suspended from the activities of the SADC in 2009 because of the political crisis, trade between operators continued despite a chronic deficit in the trade balance

4.15. Madagascar complied with its tariff reduction schedules under the Trade Protocol. The Protocol also provides for the establishment of a tribunal to settle disputes between members.

4.16. The SADC is currently updating its Regional Indicative Strategic Development Plan (RISDP) for 2015-2020 in the aim of setting new targets, new time-lines and, where necessary, introducing new strategies on the various programmes that will be implemented in line with the new dynamics crossing the region, the continent and the world.

4.17. The RISDP states that the mission of the SADC is to promote sustainable and equitable economic growth and socio-economic development through efficient productive systems, deeper cooperation and integration, good governance, and sustainable peace and security, so that the region emerges as a competitive and effective player in international relations and the world economy.

4.18. As part of intra-regional trade enhancement within the SADC, Madagascar and seven other members were selected to receive support under a new project financed by the FAO through the ASTF. The three-year project will be launched at the beginning of 2015 and will work in the areas of food safety, animal health (including aquatic animals) and plant health (including forestry products). The title of the project is "Strengthening controls on food safety, plant and animal pests and diseases to boost agricultural productivity and trade in Southern Africa".

4.2.4 Tripartite

4.19. In 2011, the Second Summit of Heads of State and Government of the three Regional Economic Communities (RECs), namely COMESA, the EAC and the SADC, the 26 member countries reached agreement on the signature of the declaration to launch the Tripartite Free Trade Area (FTA) negotiation process. As Madagascar was not represented it was not able to sign the declaration until 2014.

4.20. The Tripartite FTA is not currently in effect and negotiations are still under way but launch is planned for June 2015. No study has been conducted into the accession of Madagascar to the FTA, but the country has already submitted an application to that end.

4.2.5 Indian Ocean Commission (IOC)

4.21. The Indian Ocean Commission has five member States: Comoros, Madagascar, Mauritius, Réunion (France), and Seychelles. It was established in 1984 under the General Cooperation Agreement.

4.22. The main objectives of the Commission are to promote trade between its members; strengthen the ties of friendship and solidarity among the people of the member States while respecting each State's sovereignty; improve living standards by developing cooperation in all sectors, particularly in the diplomatic, economic, social, cultural and technical fields. Seventy % of the Commission's work is financed by the European Union through the European Development Fund.

4.23. Madagascar has received technical and financial support from the IOC and there are plans for a project to make the country the Indian Ocean's food warehouse. Food security is central to the concerns of the IOC and its member States. The donor conference on the food security project held in Antanaviro on 19 and 20 February 2015 opened the way for a fresh boost for Madagascar and the IOC region. A budget allowance of EUR 694 million will be committed to food security in the Indian Ocean region, in particular Madagascar, by 2020.

4.2.6 Relations with the European Union (EU)

4.24. Madagascar is one of the 79 ACP (African, Caribbean and Pacific) countries that concluded the Cotonou Agreement with the European Union (EU). The trade provisions of that agreement constitute one of the mechanisms of cooperation between the ACP countries and the EU.

4.25. Various agreements (Lomé I to Lomé IV bis and the Cotonou Agreement) have been concluded to serve as a framework for cooperation between the two parties.

4.26. New trade arrangements consistent with WTO rules have been concluded and will take the form of an Economic Partnership Agreement (EPA) between the EU and various regional groupings of ACP countries.

4.27. Madagascar is taking part in the EPA negotiations as a member of the Eastern and Southern Africa (AfOA) Group within COMESA.

4.28. The six negotiating areas of the AfOA group cover fisheries, agriculture, development, services, market access and trade-related matters.

4.29. The EPA negotiation process began on 27 September 2002 and involves a WTO-consistent free trade agreement based on reciprocity over a 15-year period starting in January 2008.

4.30. Pending negotiation of a full EPA, Madagascar signed an interim Economic Partnership Agreement in August 2009 in Mauritius with the three other AfOA countries (Mauritius, Seychelles and Zimbabwe) and consequently chose not to take up the "Everything but Arms" initiative extended by the EU to LDCs.

4.31. Madagascar has implemented the i-EPA since January 2014 and has already notified the WTO and the COMESA Secretariat to that end. As a result of implementing the i-EPA, it has received EUR 950,000 to finance some of the priority projects in its development matrix.

4.32. A new Trade Programme (PROCOM) financed by the European Development Fund (EDF) was established in November 2014 for the Malagasy private sector to support employment and regional integration. Worth EUR 8 million over five years, the overarching aim of the project is to stimulate trade-led, inclusive, sustainable economic growth and its specific aim is to increase the capacity of the private sector to expand and grow in competitiveness.

4.2.7 Relations with the United States of America

4.33. In 2009 Madagascar was suspended from the AGOA because of the sociopolitical crisis but was reinstated at the beginning of 2014. Since 26 June 2014 it has qualified for the special fabric provision in the AGOA. Under the Act, until October 2015 eligible countries are granted duty- and quota-free access to the United States market for a range of products, including selected agricultural and textile products.

4.34. In January 2015 exports from Madagascar of clothing products under the AGOA amounted to 114,182 t or US\$899,374. They are rising in line with the increase in eligible businesses and their exports. There are 16 eligible businesses.

4.35. The new law on Industrial Free Zones and its enhancements issued in January 2008, together with government measures aimed at attracting FDI, amplify this trend in the textile and clothing sector. Madagascar has also adopted customs facilitation measures, including the introduction of paperless procedures for the dispatch, loading and unloading of goods.

4.3 Bilateral agreements

4.36. Many countries, including Canada, China, India and Japan, grant (non-reciprocal) preferential tariff treatment under the GSP for goods originating in Madagascar.

4.37. Madagascar has signed bilateral trade agreements with several countries, including Japan, Switzerland, Finland, Spain, Denmark, Norway, USSR, Algeria, Cuba, Seychelles, China, Mauritius, Turkey, South Africa, and Botswana.

4.4 Technical assistance needs

4.38. The implementation of the State's main policy guidelines reflects a major commitment by the government to tackle its most pressing priority, namely the establishment of inclusive, sustainable development based on inclusive growth to combat poverty, vulnerability and insecurity.

4.39. As part of its third trade policy review, the Malagasy authorities would like to receive enhanced trade-related technical assistance in order to pursue their goals.

4.40. The Fifth WTO Ministerial Conference in Hong Kong in 2005 recommended that the Integrated Framework should be strengthened or supported by additional funding from international organizations or donor countries.

4.41. Madagascar is one of the Integrated Framework (IF) and Enhanced Integrated Framework (EIF) beneficiary countries.

4.42. Since 2001, Madagascar has received financial and technical support under the EIF to meet its trade-related development needs. Following a break in the programme in 2009, the EIF process resumed in 2014.

4.43. Aware of how it lags behind other EIF countries, Madagascar recognizes the importance of speeding up and ensuring the effective implementation of the EIF programme. It is currently updating its Diagnostic Trade Integration Study (DTIS) with a view to identifying the constraints and major problems that the country must address as part of the trade integration process and making recommendations; it is also implementing a pre-DTIS project to familiarize stakeholders in trade with the EIF programme and set up National Implementation Arrangements (NIAs) for the EIF. An EIF Tier I project for institutional strengthening of the NIAs is in preparation.

4.44. Madagascar intends to build on support from the EIF programme, especially through Tier II supply-side capacity-building projects to maximize the opportunities offered by trade liberalization with a view to effective integration into the international trading system.

4.45. As an LDC Aid for Trade beneficiary through the EIF, and other programmes, Madagascar requests ongoing support from donors to implement the EIF effectively and the second phase of the programme from 2016.

4.46. The WTO has established a reference centre in the premises of the Ministry of Trade and Consumer Affairs. In 2013 the WTO provided the reference centre with new equipment and arranged training for the Coordinator at the Symposium for Reference Centre Coordinators in Geneva in November 2013. Madagascar also requests the WTO to provide ongoing training for the Coordinator.

4.47. Madagascar currently needs trade-related technical assistance in a number of areas: implementation of trade-related agreements; participation in the WTO's day-to-day activities; capacity-building for participation in trade negotiations and for trade policy formulation; removal of supply-side constraints; and integration of trade and development policies.

4.48. Financial and technical support is also required for the channel chosen by the Ministry of Trade and Consumer Affairs to promote trade, especially the National Institute of Trade and Competition (INCC).

4.4.1 Implementation of agreements, training and policy formulation

4.49. Madagascar's main implementation-related concerns relate to WTO rules, such as anti-dumping, countervailing and safeguard measures; sanitary and phytosanitary measures (SPS); technical barriers to trade (TBT); trade-related aspects of intellectual property rights (TRIPS); and trade facilitation.

4.50. Madagascar requests ongoing support from its cooperation partners so that the needs identified in the TRIPS-related priorities matrix drafted in 2013 and forwarded to the WTO can receive support from those Members who are in a position to provide it.

4.51. Madagascar would like further technical assistance and support to build capacity in the field of trade facilitation while continuing to support the priority requirements identified in the national consultations.

4.52. Madagascar needs technical assistance for training, courses at Missions and in the Netherlands, or Geneva-based, national or regional seminars (for the public and private sectors) in the following areas: trade negotiation techniques; establishment of institutional structures; harmonization of Malagasy laws and regulations with WTO principles and rules; notifications; and dispute settlement.

4.53. As regards rules, the Malagasy Government wishes to establish a national authority responsible for trade remedies (safeguard measures, anti-dumping actions and countervailing measures), and legislation governing anti-dumping and countervailing duties and safeguard measures.

4.54. Support measures to meet international standards for exports of agricultural products, especially plants, fresh fruit and vegetables, meat and other food products and to disseminate information about international standards are still inadequate in Madagascar. These problems reduce the opportunities to access the various regional and international markets.

4.55. As regards cross-cutting issues and in order to implement the various Agreements, Madagascar will need capacity-building and technical assistance to bring its domestic regulations into conformity with the WTO rules.

4.56. Madagascar has so far participated as a third party in the WTO dispute settlement process and hopes to be able to rely on support from the WTO and the Advisory Centre on WTO Law (ACWL) should it need to resort to such procedures.

4.4.2 Supply-side constraints

4.57. Supply-side constraints are the principal factors limiting the expansion of Madagascar's external trade. The Government has already taken measures to develop infrastructure, but it requires further trade-related technical assistance in order to facilitate trade. The lack of competitiveness of Malagasy products both internationally and regionally remains one of the main factors hampering the country's exports.

4.58. Madagascar has enormous potential in trade in services and is planning measures intended to make the sector a cornerstone of its development. Technical assistance is required to identify promising sectors, submit tenders, make complaints, establish national regulations compliant with our WTO commitments, and to support Madagascar in its national assessment programme.

4.59. Agriculture is Madagascar's leading sector but it is poorly structured. Producers have difficulty in gaining access to production factors and therefore suffer from low agricultural yields which prevent the country from taking advantage of foreign outlets. Madagascar requests further efforts by its technical and financial partners to help it increase and diversify production and obtain support for product processing and the creation of value added.

4.60. Madagascar's exports have suffered from the dismantling of the Multifibre Arrangement, preference erosion and falling commodity prices on the international market. The lack of competitiveness of Malagasy products both internationally and regionally remains one of the main factors hampering the country's exports.

4.61. Investors have recently been faced with restrictions on access to energy and water. The banking system's limited financing of business activities, at SME level in particular, low coverage of microfinance institutions, especially in rural areas, and inadequate service provision restrict the country's supply-side capacity. Madagascar therefore seeks support in these areas.

4.4.3 Integration of trade into development strategies

4.62. Madagascar has consistently devised programmes aimed at upholding its development strategy. The vision of "Madagascar, a modern, prosperous nation" involved updating of the Madagascar Action Plan. The country is now embarking upon implementation of the NDP.

4.63. With regard to the development of Madagascar's external trade relations, the challenges posed in the NDP are to strengthen the country's external position and to promote competitiveness and integration into world and regional markets.

5 CONCLUSION

5.1. This report has been prepared within the context of the third WTO review of Madagascar's trade policy, which enables the country to meet its obligations within the multilateral system, whilst drawing investors' attention to Madagascar's business environment, presenting its programme for development and stating its expectations vis-à-vis its development partners.

5.2. The report takes stock of Madagascar's economic situation, emphasizing efforts already undertaken since the second trade policy review in 2008 and highlights the challenges that the State will address through the strategic actions it will take.

5.3. Although progress has been achieved, more ambitious programmes are yet to be implemented.

5.4. Through the analyses contained in this document, Madagascar has identified the strengths and weaknesses of its trade policy.

5.5. Technical assistance from donors and development partners will enable us to overcome our shortcomings efficiently and tackle the challenges we have set.
