

## Madagascar

**Presidency of Republic, LAW N° 2007-036 DATED 14th JANUARY  
2008 relating to Investment law in Madagascar (2008)**

*Unofficial translation*

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The year indicated in brackets after the title of the law refers to the year of publication in the Official Gazette or, when this is not available, the year of adoption of the law.

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# Presidency of Republic, LAW N° 2007-036 DATED 14th JANUARY 2008 relating to Investment law in Madagascar

Law No. 2007-036

## PREAMBLE

The Republic of Madagascar wishes to attract investors and make the private sector the main engine for its development. Leaning on reference documents such as the Vision "Madagascar, Naturally" and the Madagascar Action Plan (MAP), the government has defined its main priorities in pursuing a high economic growth based on the development of a strong and competitive private sector.

The objective of this blue-print law is to provide a climate which is practical, attractive, transparent and avant-garde for all investment activities in Madagascar. It aims to adapt and boost rapidly the local economic fabric so that it converges into an international economic context which is particularly competitive and where Madagascar must constantly be in harmony with the main global trends. This perspective should efficiently attract the necessary capital to create new jobs in order that Madagascar grows to be an economically emerging country. By virtue of this blue-print law, the State plays a role in becoming a facilitator for the private sector which is the main creator of the Nation's wealth, the main actor for an economic growth through jobs creation, increase of productivity and standard of living whilst generating a tax base that is broadened and sustained in the medium and long run.

To execute this blue-print law, the Economic Development Board of Madagascar (EDBM) was created. That board is an autonomous body acting on behalf of the Malagasy State and tied to the Presidency. The EDBM is in charge of facilitating the approval of investment projects as well as promoting and developing investments in Madagascar.

The underlying principles behind that law are as follows:

Based on these principles, the present law has been divided into 7 chapters:

- Chapter I: General provisions
- Chapter II: The Economic Development Board of Madagascar's roles and prerogatives
- Chapter III: Registration and Companies Acts
- Chapter IV: Visas and Work permits
- Chapter V: Access to commercial property business

Chapter VI: Dispute settlement

Chapter VII: Final provisions

To be able to deal with international competition and to build a tangible competitive advantage, Madagascar needs to offer a very attractive business climate and must accordingly adopt a blue-print law applicable for all local and foreign investors, a law which has been drawn up following long dialogues between the public and private sectors stakeholders.

In order to improve the living standard of Malagasy people through jobs creation, acquiring expertise and continuing improvement of productivity, there is a need to substantially transform the investment climate in Madagascar, to work towards the booming of entrepreneurship and to provide private initiatives with the necessary guarantees for their accomplishment.

Above-mentioned is the purpose of this law.

The Senate and the National Assembly have adopted in their respective session dated 4th December 2007 and 19th December 2007,

THE PRESIDENT OF THE REPUBLIC,

Considering the Constitution;

Considering the decision N°02-HCC/D3 dated 9th January 2008 of the High Constitutional Court;

Promulgates the law which follows:

## **Chapter I. General provisions**

### **Article 1. Definitions**

Pursuant to this law:

### **Article 2. Freedom of investment**

Any natural person or legal entity, Malagasy or foreign, is free to invest and settle down on the national territory, in accordance with the laws and regulations in force, subject to provisions applicable to some activity sectors which are also subjected to specific regulations. These concern banking, insurance, mining, oil and gas, telecommunications, medical, paramedical and pharmaceutical activities.

### **Article 3. Equality of Treatment**

Foreign and Malagasy investors are equally treated.

They are free to hold up to 100% of the shares or company stocks in which they carry out their activities, subject to the provisions applicable to some activity sectors which are also subjected to specific regulations as mentioned in Article 2 above.

Provisions in this article as well as those stated in Article 2 above do not prejudice to wider rights and privileges investors can claim by virtue of agreement or treaties concluded between the Republic of Madagascar and other partner countries.

### **Article 4. Protection of patent rights**

The state guarantees that the individual or collective patent rights are respected.

The investor is guarded against any privatisation, expropriation or requisition measures with the exception of a public interest case which has been provided for. Failing this, the investor will be granted a fair and preliminary compensation in accordance with the appropriate laws and regulations.

### **Article 5. Freedom of transfers**

Foreign investors are authorised to freely transfer abroad without prior authorisation all payments relating to standard transactions namely after-tax profits, dividends, earned income, expatriate employees' indemnities and savings. Capital transactions and financial transactions such as transfer of shares or share capital, goodwill transfer or asset disposal, retrieval of assets, entitlements to any surplus in the event of liquidation and expropriation indemnities are authorised, but they must be registered at the Ministry of Finance.

Only certified agents can carry out these transfers.

### **Article 6. Stability**

The state uses its best endeavours to set up and maintain a favourable climate for investment by establishing a simple, fair and growth-conducive tax system for investors within the context of carrying out investment projects referred to in this Act.

### **Article 7. Fight against HIV/AIDS**

In compliance with the principles presented in Law 2005-040 dated 20th February 2006 relating to fight against HIV/AIDS and protection of the rights of those infected with HIV/AIDS, all companies must set up an awareness and education program for their staff as well as make it easy for those wishing to undergo a screening test

undergo a screening test.

# Chapter II. The economic development board of Madagascar

## Article 8. Introduction

In order to implement this Act effectively and in order to introduce and maintain a favourable investment climate in Madagascar, an organisation called the Economic Development Board of Madagascar (EDBM) was created.

The EDBM is in charge of promoting, facilitating and speeding up the approval of all investment projects.

It receives, processes and delivers the different administrative documents which are required.

In that capacity, the EDBM takes charge of assisting investors with the right steps to take, listing and looking into administrative procedures companies have to face. It is also in charge of proposing any amendments which aim to cancel, simplify and/or rationalise these procedures.

Different missions and activities may be entrusted to the EDBM within the framework of its supportive role towards investors.

The EDBM is a public institution of an industrial and commercial nature and is subjected to the rules stipulated in the codification of accounts in force.

The different ministries and public authorities assigned to grant visas, permits, licences and authorisations mentioned in Article 9 are represented by the EDBM acting as a one-stop shop.

Nevertheless, these visas, permits, licences and authorisations are granted and signed by the relevant ministers or their delegates or the competent administrative authority.

## Article 9. Scope of duties

1. To facilitate and accelerate administrative procedures which are necessary to carry out investments and set up businesses.

With the exception of any other State Service and public authorities, the EDBM processes applications relating to investment projects. The EDBM also makes sure that the delegates from different administrations it represents carry out its instructions and that they take action in the most transparent manner and within the best time limits.

In particular, the EDBM must receive and be informed of the following applications:

By way of exception to the provisions in this paragraph, when the creation of a non- trading or commercial company does not require any administrative formality, other than the company registration or the issuance of a Tax ID number and statistical identifier, this can then be carried out by the authorities competent in their jurisdiction according to the registered office.

2. Improving legal and tax frameworks for investments

Furthermore, the EDBM will be able to deliver a prior opinion with regard to the legislative or regulatory part of any bill which is likely to cause changes to the investment climate in Madagascar. This includes provisions on tax or customs and/or provisions of this Act or its implementing provisions.

Working closely with the concerned ministries, the EDBM will also take part in negotiating new treaties relating to the protection of investments, treaties on free trade as well as agreements intended to avoid double taxation.

3. Conflict resolution

The EDBM will be able to act as a mediator during settlement of disputes between companies or between companies and the public service in accordance with mediation proceedings it will establish.

## Article 10. Time limit for applications

With the exception of a specific time limit mentioned in this Act and without prejudice to shorter time limits which may be expected by means of special provisions, the EDBM ensures that authorisations, visas, permits and certificates which fall within its jurisdictions, are delivered within twenty (20) calendar days upon receipt of a complete application. It also ensures that the same time limit is applied if an application is refused. Failing this time limit, the authorisations, visas, permits or certificates are deemed to have been granted, without prejudice to the sanctions to which the responsible issuer agent is liable.

In such a case, the initial applicant can refer to the EDBM in order to be given a document certifying the filing of the initial application and the non-response obtained within the twenty- day time limit; that document reminds the provisions of this Article stating that the expected decision is deemed to have been granted failing that time limit. The EDBM shall be obliged to deliver, within ten (10) days, that document which will be enforced against any administrative authorities and third parties and which will serve as a certificate issued by the competent authority as long as the authorisation, visa, permit or certificate applied for has not been yet delivered by that authority.

#### **Article 11. Reinforcing transparency of companies**

The EDBM assists towards the transparency of companies as ordered by the Register of Commerce and Companies in compliance with Articles 5.1 and 6.3 of the Commercial Code.

For this purpose, the EDBM is in charge of receiving part of the resources generated by the subscribed declarations of registered companies or by publication of rights held by third parties on companies' assets such as pledge securities, security interest, leasing agreements and reservations of title clause. Such resources, perceived by the local registers as royalties, must be assigned to business assets and the necessary amortisation. The EDBM also receives royalties emanating from individual consultation of the national Register of Commerce and Companies database as well as the marketing of sets and subsets of national data.

In consultation with the competent authorities of the Ministry of Justice, it is the EDBM's responsibility to decide on how much of those resources are to be allocated for maintaining and improving information systems, as well as replacing equipment and supplying consumables for computerised sites.

For its own needs and those of investors, the EDBM can directly consult the national Register of Commerce and Companies. Wherever the place of registration of the concerned company may be, the appointed clerk at the EDBM is entitled to deliver certificates, copies or extracts of entries in the Register in compliance with the regulations in force.

The EDBM shall make any suggestions with regard to improvements to the system as well as any changes to the royalties' amount due at the Register of Commerce and Companies.

The procedures for implementing this Article will be specified by a decree examined by the Government Council.

## **Chapter III. Registration and memorandum of associations**

#### **Article 12. Registration of Companies**

Companies are registered at the Register of Commerce and Companies without distinction on grounds of its managing agent's nationality or residence. However, within three months of the company being registered, at least one of the managing agents must reside in Madagascar whether he is a Malagasy or an expatriate citizen holding a residence visa or the receipt of its filed application. Failing this, the company is running the risk of calling into question the benefits it is entitled to, particularly in regard to its free zone legal status or its access to land property. Any party concerned could then ask for its dissolution.

#### **Article 13. Registration of Memorandum of Associations**

With the exception of acts proving the incorporation, extension of duration, transformation or dissolution of a company, increase, amortisation or reduction of its capital and memorandum of associations, companies' deeds do not necessarily have to be formally registered. These deeds, in their original unaltered state, are admissible by all administrative services and particularly the Register of Commerce and Companies. Statements of the produced documents, in particular the date sealed on the documents, prevail, as appropriate unless countering evidence or plea of forgery is shown.

#### **Article 14. Dispense from legalising signatures**

Agreements, acts, minutes or documents which require an administrative formality of registration, transcription, publication, filing of a deed or any other formality, are not subjected to any legalisation process or recognition of the parties' signature.

The authenticity of signatures sealed on the documents prevails unless countering evidence is proved. This provision is not applicable to conventions which prove the sale of real estates by means of a transfer or the constitution of a perpetual lease.

# Chapter IV. Visas and work permits

## **Article 15. Extension and Transformation of entry visas and residence permits for investors**

The extension of entry visas and residence permits delivered by the Home Office services at the frontier as well as changing the nature of those visas to a professional one are carried out by the EDBM.

## **Article 16. Resident visa for professionals**

An Immigrant Visa called 'Professional Visa' is issued to all foreign investors, whether they are tied to a Malagasy company or by an employment contract or whether they fulfil their term of office within that company to assume the duties of a manager, general manager, assistant general manager, general director, chairman to the board of directors or Chief Executive Officer. That visa is delivered by the EDBM on behalf of the Ministry of the Interior.

That professional visa is valid for three (3) years starting upon receipt of the application.

Once granted, that visa is as good as a residence permit. Furthermore, a certificate is issued in compliance with the legislation in force.

Application for the visa renewal must be filed one (1) year before its expiry date.

Spouse and children dependent upon the visa holder will automatically benefit from the same rights during the same period.

## **Article 17. Freedom to recruit and dismiss expatriate employees**

Any company is free to recruit or dismiss specialised expatriate employees it may need for the good run of its business.

Expatriate employees' employment contracts may validly not comply with the labour laws and the social regulations regarding the following:

Practical arrangements for the cases above which require derogations will be established by regulatory means.

These derogations shall not undermine the fundamental rights of employees as recognised by Conventions and international agreements to which Madagascar is a party.

These specialised expatriate employees are automatically granted a professional resident visa.

# Chapter V. Access to commercial property business

## **Article 18. Foreign investors' access to real estate property**

a) Companies operating under the Malagasy law, whose management is controlled by foreign citizens or organisations themselves depending on foreign citizens pursuant to the modified Article 22 of the order N° 62-041 dated 19th September 1962 relating to the general provisions of domestic law and international private law, are authorised to acquire immovable property subject to fulfilling the two following cumulative conditions:

b) Foreign natural or legal entities cannot directly have land access. However, they are free, without any prior authorisation, to agree to a renewable perpetual lease which duration cannot exceed ninety nine years.

## **Article 19. Authorisation for land property acquisition**

1) The authorisation for land property acquisition is issued by the EDBM which acts on behalf of the Ministry of Public Lands. Application for that authorisation is submitted to the EDBM by the investor with the following documents:

2) Under no circumstances that authorisation constitutes a title deed for the property; it is solely a

2) Under no circumstances that authorisation constitutes a title deed for the property, it is solely a document allowing parties to carry out the necessary legal formalities for the immovable property transfer.

3) The acquired immovable property by means of the Authorisation of land property acquisition can be freely transferred with the exception of transfers assigned to foreign citizens.

The immovable property can also be transferred to companies operating under the Malagasy law whose management is controlled by foreign citizens or organisations themselves depending on foreign citizens, subject to the issuance of an authorisation for land property acquisition in accordance with the provisions in Article 17 above- mentioned and in this Article.

#### **Article 20. Withdrawal of the authorisation for land property acquisition**

The authorisation for land property acquisition can be withdrawn in the following cases:

- failure to comply with the fixed terms to gain the land property authorisation in particular if modifying, without prior permission, the land conditions of use to purposes other than those of the investment project;
- failure to carry out the investment project within a six-month time limit starting when the title deed was issued. Within the meaning of this paragraph, carrying out an investment project means, as appropriate, the start of the activity, start of scheduled building works or development works or the completion of the administrative, financial or commercial procedures necessary for the project kick-off. Prior to the withdrawal of the authorisation for land property acquisition, the investor must have been in the position of submitting his written remarks. In the light of the information provided, a time delay, which cannot exceed three (3) months, will be granted to remedy the situation.

The withdrawal of the authorisation for the land property acquisition is established by a reasoned order from the Public lands minister by request from the EDBM or from any person justifying an interest to this end.

The withdrawal of the authorisation for the land property acquisition automatically leads by rights to the cancellation of property rights and the return of immovable property and development works the investor had previously benefited, back to the State private domain without any kind of indemnities.

However, fittings, industrial equipments and devices remain the property of the investor who is liable to retrieve them unless otherwise arranged. The same applies to property belonging to third parties in particular leasing institutions.

## **Chapter VI. Dispute settlement**

#### **Article 21. Dispute settlement**

Disputes between national investors and the state relating to the interpretation or enforcement of this Act are submitted to the competent Malagasy jurisdictions unless the parties have agreed or agree to seek a different mean of dispute settlement.

Disputes between national investors and the state relating to the interpretation or enforcement of this Act are regulated in compliance with a legal or arbitration proceeding emerging from:

However, if the foreign investor requests for the proceeding, he is free to choose to submit the dispute between him and the State to the Malagasy competent jurisdictions, in place of the arbitration proceeding above-mentioned.

## **Chapter VII. Final provisions**

#### **Article 22. Miscellaneous provisions**

The following articles are repealed:

The following articles have been reinstated:

#### **Article 23**

Statutory texts will determine the necessary rules implementing this Act.

#### **Article 24**

This Act shall come into force subsequent to its promulgation by the President of the Republic and following its publication in the media regardless of its publication in the Republic's Official Journal. This Act shall be executed as state law.