

the two episodes of fixed peg, the authorities implemented a crawling peg. In 1994, Madagascar switched to a floating exchange rate regime.

IV. COMPETITIVENESS AND EXPORT PERFORMANCE IN MADAGASCAR¹¹

A. Introduction

1. This section presents information on some competitiveness indicators other than the exchange rate and then provides a more detailed analysis of the evolution of Madagascar's exports in terms of the structure and performance of exports, at the aggregate and product levels. The role played by export processing zones (EPZs) and by special factors such as textile exports driven by the African Growth and Opportunity Act (AGOA) will be discussed, as well as the implications of the termination of the Agreement on Textiles and Clothing (ATC) in 2005 and the expected termination of the third party provision under AGOA (AGOA III) in 2007. Based on qualitative information gleaned from interviews with exporters in Madagascar and on survey questionnaire responses, this chapter will discuss some underlying factors, which will determine the impact of these shocks. The results of these questionnaires are summarized in an appendix.

2. To summarize, Madagascar's performance has been relatively weak with respect to some qualitative indicators, and the signals provided by micro-based indicators are mixed in that they indicate competitive wages but also relatively low productivity and high nonlabor costs for certain exports. The analysis of export performance indicates that the relatively strong aggregate export performance masks some vulnerabilities. Exports from Madagascar have indeed increased as a share of GDP from about 14 percent in 1991 to about 20 percent in 2004. Since 2000, the increase in nontraditional exports, especially from the EPZ which comprise mostly of manufacturing goods, has been significant. However, diversity in the value of products exported and in terms of partner countries appears to have declined, and exports have become more concentrated in a few sectors and products. Moreover, a large part of the strength appears to have been driven by changes in external trade policies such as the preferential trade treatments, including that with the United States. The possible termination of such treatment in the coming years presents some significant challenges as well as some opportunities for Madagascar.

B. Some Indicators of Competitiveness

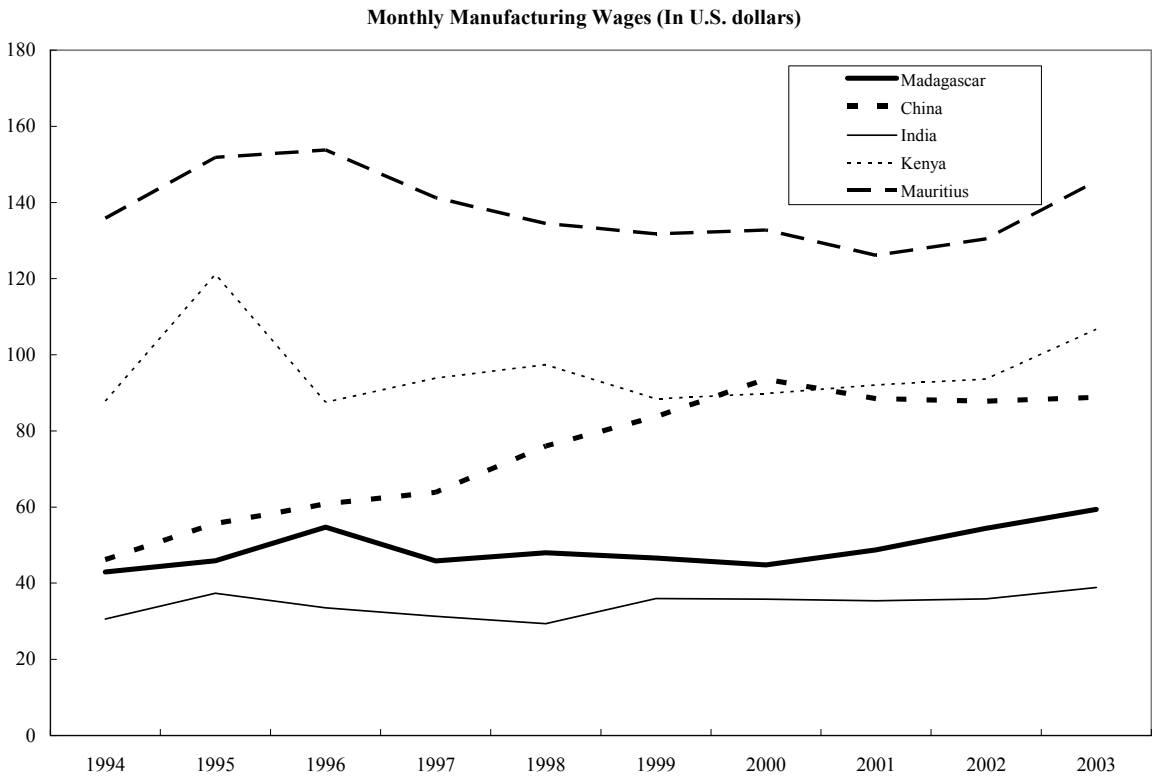
3. **External competitiveness has several facets that may not be adequately captured by the consumer price index (CPI)-based real effective exchange rate.** These variables include nominal wages, costs of doing business, including infrastructure costs, and the overall quality of the business environment. These are discussed further below.

4. **Competitiveness in Madagascar owing to low nominal wages is partly eroded by low productivity and high nonlabor costs.** Nominal wages are low in Madagascar relative to several low-income countries. International Labor Organization (ILO) data on wages for

¹¹ Prepared by Ritha Khemani.

example indicates that the average monthly wage in Madagascar is low relative to China, Kenya, and Mauritius (Figure 1).

Chapter III. Figure 1.



Sources: International Labor Organization data and staff estimates.

These are competitor countries for textile exports, but it is unclear if this advantage continues to prevail on a productivity adjusted basis. Aggregate productivity data are not available to examine this issue. Sector-specific information on productivity, wages, and nonwage costs provides useful insight. In this regard, in terms of the clothing sector (which now represents a significant share of Madagascar's exports, as will be shown below), nominal wages are low and competitive in Madagascar relative to several countries (Table 1). Wages in Madagascar, for example, are less than half those in China. However, the labor cost per shirt is not correspondingly lower, reflecting lower productivity (for example, as measured by the number of shirts per day produced by a worker) or the lower number of working hours per week. Moreover, nonwage costs are significantly higher and substantially reduce the competitive wage cost advantage. This suggests that Madagascar will face strong competition from exporting countries in the clothing and textiles sector in the near future.

Chapter III. Table 1. Some Wage and Non-Wage Competitiveness Indicators

| | China | India | Kenya | Lesotho | Sri Lanka | Maurititius | Madagascar |
|--------------------------------------|---------|--------|---------|---------|-----------|-------------|------------|
| Machine operator wage | \$150 | \$75 | \$65 | \$95 | | | \$65 |
| Labor cost per shirt | \$0.29 | \$0.17 | \$0.18 | \$0.19 | | | \$0.16 |
| Daily shirts productivity per worker | 22 | 16 | 15 | 18 | | | 15 |
| Working hrs per week | | | 45 | 45 | | 45 | 40 |
| Shipping costs of clothes | | | | | | | |
| To Paris | \$400 | | | | \$675 | | \$820 |
| To New York | \$1,000 | | | | \$1,395 | | \$1,350 |
| Other logistic costs | \$30 | | | | \$40 | | \$59 |
| Order to arrival time | 15 days | | | | 35 days | | 35 days |
| Shipping to arrival time | 2 days | | | | 4 days | | 7 days |
| Shipping time to US | | | 45 days | | 30 days | 27 days | 47 days |
| Electricity rates(per kwh) | | | 0.1 | 0.07 | 0.05 | 0.05 | 0.09 |
| Water rates | | | 0.43 | | 0.36 | 0.29 | 0.34 |
| Industrial rents | | | 2-3.3 | | | 1.8-2.2 | 3.5-11 |

Source: Cadot and Nasir (2001), Madagascar, Diagnostic Trade Integration Study

5. **Some qualitative indicators of Madagascar's competitiveness are not very positive.** While the real effective exchange rate is a sound measure of macroeconomic aspects of competitiveness, it does not capture some other critical elements of competitiveness are conducive to enhancing investment, exports, and economic growth. These include such factors as institutions, technology, rule of law, and corruption, which are important aspects of the cost of doing business. The Growth Competitiveness Index (GCI) and the Business Competitiveness Index (BCI) computed by the World Economic Forum capture some of these aspects that could have an important influence on foreign direct investment and associated exports.

6. **The World Economic Forum competitiveness report ranks Madagascar low in the GCI.** The Growth Competitiveness Index (Table 2) is composed of three pillars which are considered to be critical to economic growth: the quality of the macroeconomic environment, the state of the country's public institutions, and country's technological readiness.¹² Madagascar ranks lowest amongst its Comesa partners except for Ethiopia.

¹² With respect to the last component, the GCI economies are separated into two groups: core economies, for which technological innovation is critical, and noncore economies. Noncore economies are those that can still grow by adopting technology from abroad. Relatively less weight is given to technology in computing the GCI for these economies. In any event, some of the aspects of technology would already be embodied in real equilibrium exchange rate insofar as it is reflected in productivity.

Chapter III. Table 2. Growth Competitiveness Index (GCI) 2004
Comparison with Comesa Partners
 (Among 104 countries)

| | Technology Index | Public Institutions Index | Macroeconomic Environment Index |
|------------|---------------------|------------------------------|------------------------------------|
| Egypt | 65 | 70 | 57 |
| Ethiopia | 103 | 77 | 99 |
| Kenya | 72 | 75 | 86 |
| Madagascar | 99 | 95 | 78 |
| Malawi | 97 | 63 | 100 |
| Mauritius | 44 | 65 | 50 |
| Nambia | 66 | 40 | 62 |
| Uganda | 77 | 86 | 75 |
| Zambia | 90 | 66 | 95 |
| Zimbabwe | 86 | 73 | 104 |

Source: World Economic Forum

7. The Business Competitiveness Index (BCI) (Table 3) also published by the World Economic Forum serves as a complement to the more macroeconomic approach of the GCI. Here again Madagascar scores a poor ranking.¹³

¹³ The BCI evaluates the underlying microeconomic conditions defining the current sustainable level of productivity in the country. It evaluates two specific areas : the sophistication of operating practices and strategies of companies and the quality of microeconomic business environment in the nation's companies compete. The underlying notion is that without these complements the macroeconomic qualities and potential defined in the GCI cannot be realized.

Chapter III. Table 3. Business Competitiveness Index (BCI) 2004
Comparison with Comesa Partners
 (Among 104 countries)

| | BCI Ranking | Company Operations & Strategy | Quality of Business Environment |
|------------|-------------|----------------------------------|------------------------------------|
| Egypt | 66 | 57 | 68 |
| Ethiopia | 99 | 101 | 97 |
| Kenya | 63 | 56 | 63 |
| Madagascar | 87 | 88 | 88 |
| Malawi | 84 | 83 | 85 |
| Mauritius | 53 | 49 | 54 |
| Nambia | 51 | 63 | 51 |
| Uganda | 71 | 75 | 69 |
| Zambia | 78 | 85 | 73 |
| Zimbabwe | 82 | 79 | 84 |

Source: World Economic Forum

C. Export Performance in Madagascar

8. **The performance of exports in aggregate has generally been strong.** Since 1990, aggregate exports have shown fairly robust growth, despite some disruptive factors associated with the exchange rate liberalization (1994) and the political crises (2002) (Table 4). As a percentage of GDP exports have increased since 1990 from around 14 percent to over 20 percent of GDP in 2004. At sector level, the strength in aggregate exports has been mainly driven by manufacturing sectors including the EPZ.

Chapter III. Table 4. Madagascar Structure of Exports 1/

| | Average annual growth rates | | | Percent of total exports | | |
|-------------------------|-----------------------------|-----------|---------|--------------------------|-------|-------|
| | 1991-95 | 1996-2000 | 2001-04 | 1991 | 1995 | 2004 |
| Merchandise exports | 8.7 | 13.9 | 10.4 | 100.0 | 100.0 | 100.0 |
| <i>Of which,</i> | | | | | | |
| Traditional exports | 7.9 | 3.2 | 30.0 | 30.0 | 28.3 | 18.6 |
| Non-traditional Exports | 16.1 | 23.5 | 22.2 | 46.0 | 49.3 | 70.5 |
| Export processing Zone | 68.1 | 31.4 | 46.7 | 8.5 | 20.2 | 50.2 |
| Other (inc.reexports) | 6.2 | 18.6 | 3.6 | 30.3 | 24.0 | 17.4 |

1/ Nominal exports measured in terms of SDRs.

Notes: Traditional exports are vanilla, cloves, pepper and coffee

Non-traditional exports: cotton cloth, petroleum products, exports from EPZs and other.

9. **While growth in aggregate exports was strong, performance in traditional exports was uneven.** The reasons for the weak performance in traditional (agricultural)

exports particularly from 1996 to 2000 (Table 4), are not entirely clear. Some of the weaknesses in the growth of the value of traditional agricultural exports for the period as a whole may be due to the long term decline in many agricultural commodity prices (vanilla being an exception) that are exported from Madagascar but volumes have also been weak. The value of coffee exports was weak for much of this period reflecting weak world prices but could also reflect a volume response to long term decline in coffee prices. Exports of cloves were also weak. The high growth rates of over 30 percent registered in later years in traditional exports were in large part due to increases in the price of vanilla. The volume increases in vanilla were variable and reflecting volatile production conditions due to natural factors. Indeed for most of the period Madagascar was a major supplier of vanilla and viewed as a price maker in the world markets.

10. Madagascar's exports have in large part been driven by manufacturing exports from the EPZs. The strong growth in this sector is a positive sign of competitiveness but special factors were also at play (see below). In the initial years, the extremely high growth rates represented increases from a very small base when EPZ exports represented a small but growing share of total exports. The EPZ sector has continued to grow rapidly with important contributions from the garment sector, such that exports from EPZs now represents almost half of the value of total exports (Table 4).

11. Export performance at the product level confirms the uneven performance at the sector level, and points to weak export performance of certain products. Export performance in aggregate can often be better assessed by an examination of the products being exported. At the product level, the value of exports of many major products (shellfish, vanilla, nonmetallic minerals, and clothing and garments) in Madagascar grew robustly at over 10 percent on an annual average basis since 1990 (Table 5) and indeed exports of these products have been particularly strong since the mid-nineties despite the appreciating real effective exchange rate at that time. Exceptions have been the textiles and yarns category (which actually declined), crude materials, and to a lesser extent vegetables and fruits. Weaker performance in these categories, which include wood products, may have been due to supply constraints or structural factors. Note that domestic agricultural production was weak for much of the period. The decline in the exports of textiles and yarns could in part be attributed to increased domestic use of these products given the increase in clothing exports, although structural factors (viz. weak performance of state owned enterprises which manufactured and exported these products) may also have played a role.

Chapter III. Table 5. Selected Products : Export Performance
(In millions of U.S. dollars)

| Prod. Code | | 1990 | 1995 | 2000 | 2003 | Avg. Ann. Growth Rate |
|------------|--------------------------|----------|----------|----------|----------|-----------------------|
| 03 | Fish/shellfish/etc. | 40774.3 | 56686.2 | 123325.7 | 169593.2 | 11.6 |
| 05 | Vegetables and fruit | 14263.8 | 29888.7 | 19382.7 | 20180.9 | 2.7 |
| 07521 | Vanilla | 56958.2 | 34029.4 | 57929.5 | 188710.1 | 9.7 |
| 07524 | Cloves, whole/clove/stem | 19992.1 | 11269.9 | 45864.3 | 28822.0 | 2.9 |
| 2 | Crude mater.ex food/fuel | 34020.6 | 45511.7 | 42721.5 | 37679.3 | 0.8 |
| 65 | Textile yarn/fabric/art. | 13333.2 | 17849.4 | 96013.0 | 10136.4 | -2.1 |
| 66 | Non-metal mineral manuf. | 3975.4 | 4175.7 | 17422.2 | 14234.4 | 10.3 |
| 84 | Apparel/clothing/access | 6695.0 | 5115.9 | 308584.6 | 236061.5 | 31.5 |
| | Sub-total | 190012.6 | 204527.1 | 711243.5 | 705417.8 | |
| | Total exports | 292422.7 | 350420.9 | 817262.0 | 766015.5 | |

Source: COMTRADE

12. **A result of these developments is greater concentration in the value of exports, particularly in clothing.** It is clear that increases in clothing have been driving aggregate exports and this product now accounts for a significant share of the exports. On the other hand, fruits and vegetables, textiles and yarns, crude materials and nonmetallic mineral products which represented more than 20 percent of total exports in 1990, currently accounts only for a little over 10 percent of total exports (Table 6).

Chapter III. Table 6. Exports of Selected Products

| Prod. Code | | 1990 | | 1995 | | 2000 | | 2003 | |
|------------|--------------------------|-------------|--------------|-------------|--------------|-------------|--------------|------|-------|
| | | A | B | A | B | A | B | A | B |
| 03 | Fish/shellfish/etc. | 13.9 | 21.5 | 16.2 | 27.7 | 15.1 | 17.3 | 22.1 | 24.0 |
| 05 | Vegetables and fruit | 4.9 | 7.5 | 8.5 | 14.6 | 2.4 | 2.7 | 2.6 | 2.9 |
| 07521 | Vanilla | 19.5 | 30.0 | 9.7 | 16.6 | 7.1 | 8.1 | 24.6 | 26.8 |
| 07524 | Cloves, whole/clove/stem | 6.8 | 10.5 | 3.2 | 5.5 | 5.6 | 6.4 | 3.8 | 4.1 |
| 2 | Crude mater.ex food/fuel | 11.6 | 17.9 | 13.0 | 22.3 | 5.2 | 6.0 | 4.9 | 5.3 |
| 65 | Textile yarn/fabric/art. | 4.6 | 7.0 | 5.1 | 8.7 | 11.7 | 13.5 | 1.3 | 1.4 |
| 66 | Non-metal mineral manuf. | 1.4 | 2.1 | 1.2 | 2.0 | 2.1 | 2.4 | 1.9 | 2.0 |
| 84 | Apparel/clothing/access | 2.3 | 3.5 | 1.5 | 2.5 | 37.8 | 43.4 | 30.8 | 33.5 |
| | Total | 65.0 | 100.0 | 58.4 | 100.0 | 87.0 | 100.0 | 92.1 | 100.0 |

Source: Comtrade

A=share of total exports

B=share of the selected exports

13. **The share of exports to a few partner countries has remained high** (Tables 7 and 8). The tables below present the major export products noted above classified by importing countries for the years 2003 and 1990. In 2003, the United States and France accounted for about 68 percent of Madagascar's exports in the selected products, while these countries accounted for less than 50 percent of the same products in 1990. This shift may in part reflect

shifts in demand conditions in partner countries. For example, exporters of shrimps indicate that the shift of shrimp exports to Europe (France in particular) reflected in part higher demand in France for the special variety of shrimps exports from Madagascar. Another important reason for the increased partner country concentration is the spectacular increase in the exports of garments to the United States.

Chapter III. Table 7. Madagascar: Geographical Distribution of Exports 2003
(In percent of relevant export category)

| Prod. Code | | USA | France | Germany | Japan | U.K. | Singapore | Mauritius | S.Africa | Thailand | Belgium | other | World |
|------------|------------------------------|------|--------|---------|-------|------|-----------|-----------|----------|----------|---------|-------|-------|
| 03 | Fish/shellfish/etc. | 0.0 | 77.2 | 3.8 | 6.1 | 1.0 | 0.1 | 2.2 | 0.1 | 1.4 | 0.1 | 2.5 | 100.0 |
| 07521 | Vanilla | 48.6 | 28.7 | 2.8 | 1.1 | 2.3 | 2.2 | 0.0 | 1.1 | 0.0 | 0.1 | 6.5 | 100.0 |
| 07524 | Cloves, whole/clove/stem | 3.7 | 2.1 | 1.2 | 0.0 | 0.3 | 69.0 | 0.3 | 0.6 | 0.0 | 0.0 | 20.7 | 100.0 |
| 2 | Crude mater.ex food/fuel | 4.0 | 18.1 | 7.7 | 0.5 | 4.9 | 0.2 | 7.3 | 1.8 | 0.0 | 6.1 | 46.1 | 100.0 |
| 65 | Textile yarn/fabric | 0.2 | 20.5 | 2.4 | 0.0 | 0.7 | 0.0 | 6.2 | 0.7 | 0.0 | 1.5 | 67.4 | 100.0 |
| 66 | Non-metal mineral manuf. | 7.7 | 11.9 | 4.8 | 0.4 | 2.1 | 0.1 | 4.2 | 0.7 | 43.1 | 0.3 | 22.8 | 100.0 |
| 84 | Apparel/clothing/accessories | 51.2 | 25.9 | 8.7 | 0.1 | 2.8 | 0.0 | 0.4 | 5.1 | 0.0 | 0.5 | 3.3 | 100.0 |
| | Share of importing country | 30.7 | 38.7 | 5.3 | 1.5 | 2.1 | 3.4 | 1.3 | 2.2 | 1.2 | 0.7 | 8.7 | |

Source : COMTRADE

Chapter III. Table 8. Madagascar: Geographical Distribution of Exports 1990.
(In percent of relevant export category)

| Prod. Code | | U.S.A. | France | Germany | Japan | U.K. | Singapore | Mauritius | S.Africa | Thailand | Belgium | other | World |
|------------|----------------------------|--------|--------|---------|-------|------|-----------|-----------|----------|----------|---------|-------|-------|
| 03 | | 0.0 | 46.9 | 0.0 | 35.6 | 0.0 | 1.2 | 1.8 | 0.5 | 0.0 | 0.0 | 13.5 | 100.0 |
| 05 | Vegetables and fruit | 0.0 | 51.8 | 1.8 | 0.0 | 2.7 | 0.0 | 6.2 | 0.1 | 0.0 | 0.0 | 31.8 | 100.0 |
| 07521 | Vanilla | 69.2 | 6.5 | 18.8 | 5.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 100.0 |
| 07524 | Cloves, whole/clove/stem | 1.4 | 5.0 | 1.7 | 0.0 | 0.3 | 85.4 | 0.0 | 0.0 | 0.0 | 0.0 | 3.3 | 100.0 |
| 2 | Crude mater.ex food/fuel | 7.7 | 34.2 | 4.8 | 5.2 | 5.4 | 0.8 | 0.9 | 0.0 | 0.0 | 0.0 | 36.6 | 100.0 |
| 65 | Textile yarn/fabric/art. | 2.2 | 12.4 | 28.1 | 0.0 | 8.8 | 0.0 | 14.1 | 0.0 | 0.0 | 0.0 | 33.9 | 100.0 |
| 66 | Non-metal mineral manuf. | 2.8 | 5.4 | 40.6 | 5.1 | 1.6 | 0.1 | 0.2 | 0.1 | 0.1 | 0.0 | 13.0 | 100.0 |
| 84 | Apparel/clothing/access | 1.5 | 65.2 | 8.4 | 0.0 | 3.5 | 0.0 | 1.4 | 0.0 | 0.0 | 0.0 | 19.4 | 100.0 |
| | Share of importing country | 22.5 | 25.8 | 9.9 | 10.3 | 2.0 | 9.4 | 2.1 | 0.1 | 0.0 | 0.0 | 15.6 | |

Source : COMTRADE

14. Exports of traditional agricultural products have been relatively weak. Madagascar has gained market share in one product category (i.e., shrimp), but lost market share in terms of its more traditional exports. Madagascar has lost world market share in cloves and, to a lesser extent, in vanilla. Some of the latter may have been due to a switch to lower-quality vanilla by the final consumer and purchasers of vanilla. On the other hand, Madagascar has gained a significant market share in shellfish especially in OECD markets (Table 9).

Chapter III. Table 9. World Market Shares (vanilla, cloves, shellfish)

| | Vanilla | | | | Cloves | | | | Shellfish | | |
|----------------|---------|-------|-------|----------------|--------|-------|-------|----------------|-----------|-------|-------|
| | 1995 | 2000 | 2003 | | 1995 | 2000 | 2003 | | 1995 | 2000 | 2003 |
| World imports | 100.0 | 100.0 | 100.0 | World imports | 100.0 | 100.0 | 100.0 | OECD imports | 100.0 | 100.0 | 100.0 |
| o/w Madagascar | 53.8 | 60.2 | 53.5 | o/w Madagascar | 57.0 | 66.0 | 39.5 | o/w Madagascar | 9.6 | 17.7 | 20.1 |
| o/w Indonesia | 14.4 | 8.2 | 19.7 | o/w Indonesia | 1.1 | 5.8 | 24.4 | o/w Mozambique | 10.0 | 13.9 | 9.0 |
| o/w Uganda | 5.8 | 2.6 | 0.1 | o/w Tanzania | 12.2 | 8.1 | 9.2 | o/w Mauritania | 29.3 | 17.1 | 19.0 |
| o/w Comoros | 5.2 | 7.0 | 4.2 | o/w Comoros | 1.9 | 3.9 | 4.3 | o/w Senegal | 10.3 | 12.5 | 15.6 |

Source: COMTRADE

15. **Despite increasing concentration in garments, Madagascar's export base continues to be diverse.** Measures of concentration, for example, a Herfindahl-Hirschman index confirms that there has been an increase in concentration in terms of products and country partners, but also that there is diversity in terms of the export base.¹⁴ Diversity is also indicated in terms of the *number* of products exported and this presents a good base for future growth. For example, the number of products exported from Madagascar has remained large and stable (Table 10). To illustrate, there have been no major changes with respect to the number of products exported (measured at the 3 digit SITC product classification level for those which are greater than US\$1 million). At this level of classification, the number of types of products exported has ranged between 25 to 33 over the years with no sharp declines over the period (see Table 10). The product base also remains relatively dynamic. Some products such as live animals are no longer exported but new industries and exports have developed, e.g., watches.

16. **The above developments, that is, increased concentration of products in garments within a broad and diverse export base, present challenges and opportunities.** The export base has remained diverse but export performance has been uneven due to weak performance in some sectors with spectacular performance in others, particularly in garments. Consequently, exports in terms of value have become concentrated with a high share of garment exports. This is not in itself an adverse development. To the extent export growth of the high growth sector is sustainable, it points to specialization and a move towards areas of comparative advantage reflecting the underlying competitive conditions for Madagascar's exports. However, it poses risks when the increases in exports are due in part to preferential arrangements of partner countries, especially when such arrangements are due to expire, as well as when they are due in part to domestic preferential tax treatments as evidenced by EPZs. These aspects of Madagascar's export growth in the context of EPZs and regional preferential trading arrangements are examined below.

¹⁴ A calculation of the Herfindahl-Hirschman concentration index based on Tables 7 and 8 above shows that product and partner country level concentration has increased from .19 and .17 respectively in 1990 to .25 and .26 respectively in 2003. The estimated level of the index is substantially below 1 and suggests diversity of the export product base.

17. **EPZs show a wide range of products, but textiles and clothing have been dominant.** EPZs were introduced on the basis of a special regime in 1990 following the decision to encourage an export-led strategy.¹⁵ Exports from EPZs currently represent about 50 percent of total exports. A vast majority of the EPZ firms from the start of the EPZ regime have been concentrated in textiles, in terms of the number of firms, investment and employment (Table 11). As at end-2004, more than half the firms operating in the EPZs and accounting for about 80 percent of the employment were in the clothing and textile sector.

Chapter III. Table 11. Enterprises Operating in EPZs

| Sectors | Total as of 2004 | | Share | | |
|--------------------------|------------------|------------|--------|------------|-----------------------------|
| | Number | Employment | Number | Employment | Investment (In mill.fmg) |
| Agro-food industry | 6 | | 3.4 | | 15.3 |
| Garments | 102 | 91,540 | 58.0 | 79.6 | 66.2 |
| Leather products | 2 | | 1.1 | | 1 |
| Wood products | 3 | | 1.7 | | 2.6 |
| Information services | 12 | | 6.8 | | 1.7 |
| Aquaculture | 6 | | 3.4 | | 2.2 |
| Mining products | 3 | | 1.7 | | 1.9 |
| Handicrafts | 7 | | 4.0 | | 0.9 |
| Textile related products | 20 | 460 | 11.4 | 0.4 | 0.9 |
| Other | 15 | | 8.5 | | 5.1 |
| SOUS-TOTAL | 176 | 115,000 | 100 | 100 | 100 |

Source: Export Processing Zones Association and Partners.

¹⁵The EPZ regime is limited to specific sectors; however, firms registered under this regime are under no obligation to locate in specific zones. They must intend to export at least 95 percent of their output. Export processing zones are exempt from all customs duties and excise taxes on import of investment and intermediate consumption goods, but are subject to VAT, which can be refunded against proof of export, and to wage taxes. Registration under the EPZ regime offers a grace period on profit taxes of two to 15 years, depending on the type of activity. At the end of the grace period, profits are taxed at 10 percent, lower than the 30 percent applicable to common law firms. EPZ firms also benefit from a reduced tax rate on dividends

Chapter III. Table 10. Product Diversification in Madagascar
(Products with exports greater than US\$1 million)

| 2003 | | 2000 | | 1995 | | 1990 | | |
|-------------|---------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|----------------------------|-----------------------------|---------|
| SITC | | | | | | | | |
| 001 | | 1 Live animals except fish | 2047.3 | 1 Live animals except fish | 1120.8 | 1 Live animals except fish | 2847.4 | |
| 011 | | | | 2 Beef, fresh/chilld/frozn | 8809.0 | | | |
| 1 034 | Fish, live/frsh/chld/froz | 1905.5 | 2 Fish, live/frsh/chld/froz | 3689.4 | | | | |
| 2 036 | Crustaceans molluscs etc | 125931.3 | 3 Crustaceans molluscs etc | 98198.5 | 3 Crustaceans molluscs etc | 55046.2 | 2 Crustaceans molluscs etc | 39387.9 |
| 3 037 | Fish/shellfish, prep/pres | 41518.5 | 4 Fish/shellfish, prep/pres | 20482.8 | | | | |
| 04 | | | | | 4 Cereals/cereal preparatn | 1291.5 | 3 Cereals/cereal preparatn | 4651.5 |
| 4 054 | Vegetables, frsh/chld/frz | 7519.2 | 5 Vegetables, frsh/chld/frz | 3801.5 | 5 Vegetables, frsh/chld/frz | 9058.7 | 4 Vegetables, frsh/chld/frz | 6311.6 |
| 5 056 | Veg root/tuber prep/pres | 1143.8 | 6 Veg root/tuber prep/pres | 1131.7 | 6 Veg root/tuber prep/pres | 1879.5 | | |
| 6 057 | Fruit/nuts, fresh/dried | 2009.9 | 7 Fruit/nuts, fresh/dried | 2124.9 | 7 Fruit/nuts, fresh/dried | 9103.5 | 5 Fruit/nuts, fresh/dried | 4345.3 |
| 7 058 | Fruit presvd/fruit preps | 9501.3 | 8 Fruit presvd/fruit preps | 12294.0 | 8 Fruit presvd/fruit preps | 9832.3 | 6 Fruit presvd/fruit preps | 3438.9 |
| 8 061 | Sugar/mollasses/honey | 2836.8 | 9 Sugar/mollasses/honey | 6463.9 | 9 Sugar/mollasses/honey | 9097.9 | 7 Sugar/mollasses/honey | 20677.4 |
| 9 071 | Coffee/coffee substitute | 4128.2 | 10 Sugar/mollasses/honey | 6463.9 | 10 Coffee/coffee substitute | 82785.6 | 8 Coffee/coffee substitute | 38896.0 |
| 10 072 | Cocoa | 6386.5 | 11 Cocoa | 3417.5 | 11 Cocoa | 2897.5 | 9 Cocoa | 2449.3 |
| 11 075 | Spices | 219680.7 | 12 Spices | 105548.3 | 12 Spices | 48851.3 | 10 Spices | 79887.1 |
| | | | | | | | 11 Beverages | 6292.1 |
| 12 21 | Hide/skin/fur, raw | 4116.2 | 13 Hide/skin/fur, raw | 2229.4 | 13 Hide/skin/fur, raw | 1844.3 | | |
| 13 24 | Cork and wood | 4680.8 | 14 Cork and wood | 7937.4 | 14 Cork and wood | 3167.9 | 12 Cork and wood | 1304.2 |
| 14 26 | Textile fibres | 7381.3 | 15 Textile fibres | 6264.1 | 15 Textile fibres | 6367.4 | 13 Textile fibres | 5217.5 |
| 15 27 | Crude fertilizer/mineral | 7790.4 | 16 Crude fertilizer/mineral | 7295.3 | 16 Crude fertilizer/mineral | 11579.2 | 14 Crude fertilizer/mineral | 17437.5 |
| 16 28 | Metal ores/metal scrap | 2005.7 | 17 Metal ores/metal scrap | 7189.7 | 17 Metal ores/metal scrap | 12720.7 | 15 Metal ores/metal scrap | 4970.4 |
| 17 29 | Crude anim/veg mater nes | 11338.4 | 18 Crude anim/veg mater nes | 11609.8 | 18 Crude anim/veg mater nes | 9643.6 | 16 Crude anim/veg mater nes | 4033.1 |
| 18 33 | Petroleum and products | 2703.8 | 19 Petroleum and products | 26920.2 | 19 Petroleum and products | 5204.7 | 17 Petroleum and products | 1503.3 |
| 19 55 | Perfume/cosmetic/cleansr | 6940.2 | 20 Perfume/cosmetic/cleansr | 6538.6 | 20 Perfume/cosmetic/cleansr | 7276.5 | 18 Perfume/cosmetic/cleansr | 3774.1 |
| 58 | | | 21 Plastics non-primry form | 1829.1 | | | | |
| 61 | | | 22 Leather manufactures | 1222.8 | 21 Leather manufactures | 1274.8 | 19 Leather manufactures | 1725.1 |
| 20 63 | Cork/wood manufactures | 1418.7 | 23 Cork/wood manufactures | 1619.1 | 22 Cork/wood manufactures | 2326.9 | | |
| 21 64 | Paper/paperboard/article | 2205.8 | 24 Paper/paperboard/article | 2997.9 | | | | |
| 22 65 | Textile yarn/fabric/art. | 10136.4 | 25 Textile yarn/fabric/art. | 96013.0 | 23 Textile yarn/fabric/art. | 17849.4 | 20 Textile yarn/fabric/art. | 13333.2 |
| 23 66 | Non-metal mineral manuf. | 14234.4 | 26 Non-metal mineral manuf. | 17422.2 | 24 Non-metal mineral manuf. | 4175.7 | 21 Non-metal mineral manuf. | 3975.4 |
| 24 68 | Non-ferrous metals | 1586.7 | | | | | | |
| 25 74 | Industrial equipment nes | 1030.9 | | | | | | |
| 75 | | | 27 Office/dat proc machines | 2510.1 | | | 22 Office/dat proc machines | 1031.4 |
| 77 | | | 28 Electrical equipment | 1931.8 | | | | |
| 26 84 | Apparel/clothing/access | 236061.5 | 29 Apparel/clothing/access | 308584.6 | 25 Apparel/clothing/access | 5115.9 | 23 Apparel/clothing/access | 6695.0 |
| 87 | | | 30 Scientific/etc instrumnt | 1502.0 | | | | |
| 27 88 | Photographic equ/clocks | 5472.2 | 31 Photographic equ/clocks | 3921.0 | | | | |
| 28 89 | Misc manufactures nes | 10732.5 | 32 Misc manufactures nes | 25946.8 | 26 Misc manufactures nes | 7367.8 | 24 Misc manufactures nes | 4419.7 |
| 29 9 | Commodities nes | 4104.3 | 33 UN Special Code | 1935.4 | 27 UN Special Code | 6030.6 | 25 UN Special Code | 2332.8 |

Source: COMTRADE

18. **Despite a favorable tax treatment, products other than textiles and shellfish have not shown sustained or strong growth in the EPZ sector.** While EPZs operate in a wide range of products, growth of exports in the EPZ sector has been concentrated in shellfish, and in textiles and clothing. A range of other products are exported from this sector but they continue to be small in total values. Some of these sectors are itemized in the table below (Table 12). The products other than those itemized (shown as “other” in Table 12 below) represent a range of exported products exported often in very small quantities. In addition to some sectors indicated in the table, the “other” sector comprises of sectors that have been highly variable with no sustained export performance. In the absence of any systematic pattern across time, it is not clear whether this development is related to exchange rate competitiveness or some other structural factors.

Chapter III. Table 12. Exports from the Export Processing Zones (EPZs) : By Product
(By Product)

| Products | Value in Billions of FMG | | | | | Share of total EPZ exports | | | | | |
|-----------------------------|--------------------------|-------|----------|----------|----------|----------------------------|------|------|------|------|------|
| | 1995 | 1997 | 2000 | 2001 | 2002 | 1995 | 1997 | 1999 | 2000 | 2001 | 2002 |
| Shell fish | 45.4 | 21.7 | 14.2 | 251.6 | 386.6 | 9.7 | 3.2 | 0.7 | 0.5 | 10.3 | 23.9 |
| Other meat and fish | 121 | 41.7 | 137.7 | 184.3 | 194.7 | 25.9 | 6.1 | 9.7 | 4.6 | 7.5 | 12 |
| Cotton | 0.3 | 15.7 | 143.3 | 5.3 | 10.2 | 0.1 | 2.3 | 4.3 | 4.8 | 0.2 | 0.6 |
| Clothing | 144.5 | 199 | 1,099.80 | 881.9 | 324.1 | 30.9 | 29 | 31.9 | 36.9 | 36 | 20 |
| Other clothing | 124.5 | 208.6 | 889.5 | 940.5 | 431 | 26.7 | 30.4 | 35.7 | 29.9 | 38.3 | 26.7 |
| Other textile articles | 1.6 | 3.1 | 8.4 | 8.9 | 4.4 | 0.3 | 0.5 | 0.5 | 0.3 | 0.4 | 0.3 |
| Footwear | 0.8 | 1.5 | 0.7 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0 | 0 | 0 |
| Electrical products | 0 | 0.6 | 11.3 | 12.7 | 3.3 | 0 | 0.1 | 0.3 | 0.4 | 0.5 | 0.2 |
| Photographic items lens etc | 3.4 | 4.8 | 15 | 13 | 8.4 | 0.7 | 0.7 | 0.6 | 0.5 | 0.5 | 0.50 |
| Watches and clocks | 8.5 | 8.5 | 20.1 | 28.4 | 39.1 | 1.8 | 1.2 | 0.6 | 0.7 | 1.2 | 2.4 |
| Toys and sporting goods | 7.1 | 6.3 | 17.8 | 13.7 | 48.2 | 1.5 | 0.9 | 0.8 | 0.6 | 0.6 | 3 |
| Other | 6.4 | 173.1 | 608.5 | 108.2 | 108 | 1.4 | 25.3 | 14.4 | 20.5 | 4.4 | 6.9 |
| TOTAL | 463.5 | 684.7 | 2,966.20 | 2,448.70 | 1,558.20 | 99.2 | 99.6 | 99.6 | 99.6 | 99.8 | 96.4 |

Source: INSTAT

19. Textiles and clothing, which were from the start in the early 1990s a significant share of the EPZ exports almost doubled in value in 2000 and growth has continued since then, except for the sharp drop in 2002 due to the political crises. This jump in 2000 was most likely related to partial relocation of the activities of textile firms from quota restricted countries and was buttressed in later years by the special features of AGOA. These aspects or special factors which facilitated the growth of exports are examined further below.

Textiles exports and preferential treatment

20. **Madagascar enjoys a number of preferential treatment agreements.** With respect to Europe it is a beneficiary of the Cotonou Agreement and is currently also eligible for EU’s Everything but Arms Initiative launched in 2001. Madagascar was declared AGOA eligible in October 2000 and was declared eligible for the apparel provision in March 2001, and it is eligible for the “third party fabric provision” (AGO A III) under which exports of garments made from imported fabrics from any country to the United States get preferred status.

21. **Madagascar was quick to take advantage of the AGOA provisions.** The garment industry took off in 2000 and became the second largest AGOA exporter after Lesotho.

Madagascar's utilization rate of the AGOA provisions was fast. However it suffered a major setback in 2002 when exports declined due to the political crises. In 2003, Madagascar appears to have gained some ground and regained market share. Madagascar's market share of AGOA exports even as at November 2004 was still under the peak in 2001 (Table 13). The quick recovery is a positive development and consistent with the earlier indicators that point to Madagascar's competitiveness.¹⁶

Chapter III. Table 13. AGOA Imports
(In millions of U.S. dollars)

| | 2001 | 2002 | 2003 | YTD to Nov 03 | YTD to Nov 04 |
|-------------------------------------|-------|--------|--------|------------------|------------------|
| Total | 954.1 | 1108.5 | 1504.5 | 1379.8 | 1597.7 |
| Total under "third party provision" | 264.4 | 596.0 | 914.3 | 827.2 | 1199.0 |
| <i>Of which</i> , (percent share) | | | | | |
| Kenya | 19.3 | 20.3 | 19.3 | 19.2 | 12.3 |
| Madagascar | 27.2 | 11.6 | 18.8 | 18.4 | 22.1 |
| Lesotho | 49.2 | 53.2 | 40.8 | 41.4 | 34.3 |

Source: United States Commerce Dept. website on AGOA Trade Statistics

22. **The success story with respect to garment exports under AGOA coexists with an element of vulnerability.** A very high proportion of clothing and garments exports to the United States is under AGOA and under the third party provision which is due to expire in 2007 (Table 14).

Chapter III. Table 14. United States: Clothing Imports from Madagascar
(In millions of U.S. dollars)

| | 1990 | 1992 | 1995 | 2000 | 2001 | 2002 | 2003 |
|-----------------------|------|------|------|-------|-------|------|-------|
| Total | 0.4 | 0.3 | 7.3 | 115.7 | 188.7 | 97.3 | 212.1 |
| <i>Of which</i> , | | | | | | | |
| AGOA | | | | | 178.1 | 89.4 | 196.0 |
| Third Party Provision | | | | | 72 | 69 | 172 |

Source: COMTRADE, United States Commerce Dept. website on AGOA Trade Statistics

23. The high share of AGOA exports of garments under the third party provision has the potential of substantial negative impact on exports due to the upcoming AGOA III shock i.e., when the third party provision is expected to terminate in 2007. The extent of the impact of

¹⁶ Exporters that were interviewed emphasized that loss of customers in the garment industry was a serious setback as it eroded buyer confidence which could take a long time to recover.

the termination of this provision will depend on whether the industry can continue to export at a competitive price when the garments made with fabric imported from any country will not longer qualify for preferential treatment. The negative impact would of course be mitigated if the companies switch to and are successful in exporting without the benefit of this provision. This would be a challenge without significant productivity enhancements and reductions in costs, particularly nonwage costs. The impact will also depend on the extent of backward integration that can be quickly developed in the sector. This is because under AGOA I, which continues until 2015, the preferential treatment will extend to exports of clothing that use yarn or fabric produced domestically or in the Sub-Saharan African (SSA) countries.

24. **Interviews with exporters presented a mixed picture.** A few indicated that they would continue to export using regional fabric but more have noted that they cannot be competitive as regional fabric costs are higher and the lead times are long for obtaining regional fabric, which is in short supply. The extent of the impact would also depend on the ability of Madagascar firms to switch to new higher value added or niche markets in terms of garments and also the ability to switch to other markets such as in Europe. With respect to the latter, exporters were of the view that, while they do have a niche market in terms of some value added products, they also face strong competition from low cost exporters, particularly China (See Appendix I).

25. **It is also noteworthy that despite the preferential treatment accorded to Madagascar and that continues under the Cotonou Agreement, exports to Europe have been decelerating.** Part of this deceleration could reflect the loss of markets due to the termination of the ATC. Indeed, the deceleration in exports has been occurring since 2001, the year that marks the beginning of the Phase III of the ATC, when quotas were being gradually removed (Table 15).

Chapter III. Table 15. OECD Country Imports of Clothing from Madagascar
(In thousands of U.S. dollars)

| | 1995 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
|-------------------------|----------|----------|----------|----------|----------|----------|----------|
| Total | 113652.8 | 234120.4 | 291310.5 | 366933.5 | 440736.2 | 233684.0 | 361307.1 |
| <i>Of which,</i> | | | | | | | |
| Belgium | | | 14854.8 | 15585.7 | 17079.5 | 5774.9 | 3880.6 |
| (Share of tot. imports) | | | 5.1 | 4.2 | 3.9 | 2.5 | 1.1 |
| Canada | 66.3 | 884.3 | 773.4 | 966.1 | 2343.9 | 909.2 | 2553.7 |
| (Share) | 0.1 | 0.4 | 0.3 | 0.3 | 0.5 | 0.4 | 0.7 |
| Switz. | 71.3 | 380.6 | 435.9 | 626.4 | 814.4 | 628.8 | 733.0 |
| (Share) | 0.1 | 0.2 | 0.1 | 0.2 | 0.2 | 0.3 | 0.2 |
| France | 66989.6 | 128889.3 | 129828.3 | 131178.7 | 127746.6 | 79351.1 | 82314.5 |
| (Share) | 58.9 | 55.1 | 44.6 | 35.7 | 29.0 | 34.0 | 22.8 |
| U.K. | 3604.7 | 17325.2 | 21046.3 | 15121.8 | 22342.3 | 11927.4 | 12105.4 |
| (Share) | 3.2 | 7.4 | 7.2 | 4.1 | 5.1 | 5.1 | 3.4 |
| Germany | 14511.0 | 21810.0 | 28688.3 | 33772.5 | 30580.4 | 10244.1 | 27771.0 |
| (Share) | 12.8 | 9.3 | 9.8 | 9.2 | 6.9 | 4.4 | 7.7 |
| Japan | 20.6 | 620.3 | 691.1 | 1239.0 | 2086.1 | 968.9 | 1251.0 |
| (Share) | 0.0 | 0.3 | 0.2 | 0.3 | 0.5 | 0.4 | 0.3 |
| Norway | 31.9 | 294.2 | 414.0 | 711.4 | 1478.0 | 861.5 | 214.6 |
| (Share) | 0.0 | 0.1 | 0.1 | 0.2 | 0.3 | 0.4 | 0.1 |
| Sweden | 357.9 | 1237.1 | 2147.1 | 2734.6 | 3545.5 | 2087.2 | 98.3 |
| (Share) | 0.3 | 0.5 | 0.7 | 0.7 | 0.8 | 0.9 | 0.0 |
| USA | 7260.1 | 24131.6 | 49071.3 | 115739.3 | 188655.9 | 97292.2 | 212084.4 |
| (Share) | 6.4 | 10.3 | 16.8 | 31.5 | 42.8 | 41.6 | 58.7 |

Source: COMTRADE

26. **The extent of the ATC shock is particularly difficult to quantify for Madagascar because of the impact of the 2002 political crisis.** Madagascar is vulnerable to the expiry of the ATC given that about 87 percent of its clothing exports have been to the restricted markets. Industry surveys indicate that several African countries, including Madagascar, will experience a decline in exports to the U.S. and the EU. While Madagascar is competitive in terms of wages, it is disadvantaged in terms of other indicators such as transportation costs. In the textile market, factors such as speed of delivery are increasing in importance. More precise quantification of the impact for Madagascar is difficult but the weak performance in several EU countries noted above could be an indication of the impact of the expiry of the ATC. However, a complicating factor in assessing the ATC impact in Madagascar is the political crisis in 2002 which resulted in a drop in production. Industry experts have noted that several large buyers left Madagascar at this time and have yet to return. Thus, it would not be appropriate to attribute the entire deceleration or even a large part of the deceleration between 2001 and 2003 to the ATC shock and as being all due to lower competitiveness.

Indeed, in 2003 exports picked up outside the United States and even in nonquota constrained countries such as Japan.

27. **Although textile exports remained strong in 2004, preliminary data suggests that the weakness in Europe has continued in 2004.** While detailed information by importing country is not available for 2004, preliminary data suggest that garment exports have registered strong growth particularly to the United States. Many exporters that participated in the staff survey and in interviews (see Appendix for summary of results), noted that exports were strong in 2004. They noted that 2005 and 2006 would be more indicative of the effects of the termination of the ATC and the AGOA third party provision termination, respectively.

28. **Interviews with exporters and the results of a small sample survey show optimism in the near term, but longer term prospects are uncertain (appendix attached).** Staff conducted interviews and a survey based on a questionnaire with a number of exporters of garments and textiles. The purpose was to gauge the view of the industry on the impact of the ATC termination and the upcoming termination of AGOA III. Another objective was to gain a better understanding of the obstacles for future export growth. Based on orders received in the first half of 2005, a little under half of the companies expected sales in 2005 to be higher than in 2004. On the whole, exporters did not expect a sharp decline in exports of clothing in 2005 but were less optimistic about the following years as the competition from low cost producers intensifies and the termination of AGOA III comes into effect. Exporters were concerned that the Madagascar's competitiveness due to low wages was being eroded due to increasing nonwage costs. In this regard, they cited infrastructure, communication, and electricity costs as factors which limit competitiveness.

D. Concluding Comments

29. **Madagascar's strong export performance to date has become vulnerable.** Madagascar's export performance has been strong, particularly since 2000 and although the export base continues to be diverse in terms of the number of different products exported, the value of exports has become more concentrated over time, in terms of partner countries and products. Exports of clothing to the United States, particularly under AGOA III, now represent a fairly large share of total exports. At the same time, there are indications that Madagascar's exports especially to Europe and France in particular (Madagascar's largest market in Europe) are being impacted by termination of the ATC. Against this background, policy measures assume greater importance and a judicious mix of macroeconomic and structural policies will be key. In the near term, short term impediments to exports that increase costs, such as delays in customs clearance procedures, could be removed. Moreover, market participants in the clothing industry could also lay the ground work for mitigating the impact of the termination of AGOA III in 2007. AGOA III was intended to provide space for the SSA countries to develop a better backward and forward integration of the industry to increase efficiency and competitiveness of the sector. Finally, while the recent exchange rate depreciation in 2004 has improved competitiveness significantly, the authorities need to be more cognizant that this could be eroded in Madagascar by high nonwage costs and because

of weak institutions. Creating an environment that favors investment will be key. Reforms will need to be geared towards improving governance and transparency of institutions.

CHAPTER III. APPENDIX I: RESULTS OF THE SURVEY ON EXPORT PROCESSING ZONES (EPZS) ON THE OUTLOOK FOR GARMENT EXPORTS

Staff conducted interviews and a survey based on a questionnaire with a number of exporters of garments and textiles¹⁷. This appendix summarizes the results of these interviews and survey responses. This approach was used to better understand the current market conditions in the garment sector and to the main obstacles for its improved performance. The findings are based on responses from 20 companies that represent about 40 percent of total employment.

The textile market has a relatively long history in Madagascar. First, it is made up of a number of firms which have been operating in the industry before the emergence of special trade treatments such as AGOA; second, the industry is fairly diversified in both the U.S. and the European markets and third, its exports comprise basic garments and knitwear as well as exports, albeit limited, of somewhat higher value added items and some exports to “niche” markets, particularly to Europe. The survey covered companies in all of these sectors and included large (more than 1,000 employees), medium sized companies (between 500 and 1,000 employees) and smaller companies with less than 500 employees.

Sales and orders: 2004, 2005, and longer term

Almost all of the respondents reported that sales in 2004 were higher than in the earlier year, a result which is line with the preliminary data for the sector based on the latest customs data.

Some of the respondents noted that this was mostly due to good performance in the first half of 2004. In any event, the good sales performance in 2004 is encouraging, as it represents a period in which the effect of the termination of the Agreement on Textiles and Clothing (ATC) would have impacted the sector. This suggests that, notwithstanding the effects of the termination of the ATC, exporters were continuing to, at least in part, hold on to their market share.

Based on orders received in the first half of 2005, a little under half of the companies expected sales in 2005 to be higher than in 2004. Most of the others indicated that they did not expect the strong performance of 2004 to continue and that sales would be flat, and a few expected sales to be lower. There is indication of a further slowing that is yet to come, as most exporters expected the competition due to the lifting of quotas (i.e., the termination of the ATC) to intensify in the coming years.

¹⁷ The survey was undertaken with respect to the members of the GEFP (Groupement des Entreprises Franches et Partenaires). Most, but not all enterprises of the Exports Processing Zones are members of the GEFP.

Indeed, the general slowing in the market is underscored by the fact that the majority of respondents (*including* those that were experiencing higher sales orders) were operating at less than full capacity. Some large companies that specialized in large volumes of basic garments noted that they need high capacity utilization (“about 85 percent”) to remain profitable. A risk therefore exists that if orders do not pick up, there may be no growth or very modest growth in the EPZ garment sector for 2005 as a whole and under these circumstances, some firms may have to exit the industry. Interestingly, most of those that had expectations for higher sales for 2005 were more diversified in terms of operating in both Europe and the U.S. or had established strategies to diversify into the European markets.

The market structure in Madagascar with a number of firms exporting to both Europe and the U.S. and some firms exporting into niche and somewhat higher end-markets may serve to mitigate the extent of the ATC shock in the near term and result in the adjustments being a more drawn out process. There was no noticeable difference between the nature of the responses between large and medium size firms with respect to sales expectations for 2005.

The actual and expected loss in orders to date was attributed by most respondents to China. Whether this is based on fact or perception is unclear, but most probably this is based on the number of bids for orders which were lost to China.¹⁸ Bangladesh, India, and Vietnam were also mentioned albeit less frequently. One exporter noted a loss of market to Lesotho, which has been specializing in jeans and increasingly relying on domestic content due to some investment from Taiwanese firms. This could reduce lead times considerably a valuable feature for product market competitiveness.

China was the supplier of raw materials to a majority of firms and the sole supplier to a few respondents which were operating only under the AGOA regime. Apart from these firms, the supply of raw material was drawn from Mauritius, other Asian countries (India) and domestic sources. That some firms operate at least in part using domestic textiles is encouraging. This would allow firms to continue to export to the US under the original AGOA which will continue until 2015 and which allows the use of regional or domestic fabric. On the other hand, AGOA III, under which the fabric can be supplied by any country, expires in 2007. One producer who exports only to the U.S. under AGOA III has indicated its intention to continue production along these lines although concerns were expressed about the quality and cost of domestic textiles and the lead time taken by the few domestic firms to deliver the raw material.

Almost all of the respondents were not very optimistic about sales beyond 2005 and in the medium term.

¹⁸ Buyers usually call for bids on certain orders and quote a target price. Exporters in winning or losing the bid become cognizant of the price and other non-price competition. There is also buyer feedback from which exporters derive information on the competition.

Factors for locating in Madagascar

Low wages and the availability of tax exemptions were cited most frequently as factors for locating in Madagascar. Interestingly, lack of external demand was cited very frequently as an obstacle to immediate growth in exports. Other factors noted as obstacles to higher export performance were infrastructure costs, communication and electricity costs, and exchange rate volatility. The closing down of tax exemptions for EPZs was cited as the most important factor which would trigger relocation.

Other information

Textiles and clothing represent a price sensitive and highly competitive sector, although there is room for some niche and high quality markets which are less price sensitive. But in the current conjuncture, respondents noted that price competition was fierce and that all buyers were becoming very sensitive to prices. Madagascar is competitive in terms of wages and the quality of labor is also good or easily trained. But exporters noted that labor laws (that are more stringent relative to other countries including China) regarding the number of hours that workers can work without overtime pay, cuts into the wage competitiveness. Other costs were also going up and reaching the point where they erode the wage competitiveness. These were rents, electricity, port charges, and other “hidden costs”. The quality of service with respect to electricity and port and transportation was also cited as being poor. In the last year, these factors and weak prices for output had cut into profits of firms, making their continued operations vulnerable. In terms of relative competitiveness, costs could on the whole be lower in China mainly because of lower non-wage costs.

Respondents were mixed about the prospects beyond 2007 when AGOA III terminates. One large firm said that the large firms could “survive” the termination of ATC impact, but not the expiry of AGOA III as many companies located plants to Madagascar precisely to take advantage of this provision. On the other hand, one other large firm noted its intention to continue after AGOA III, using regional or domestic fabric. It is unclear however whether the supply of regional and domestic fabric will be adequate or cost effective.

Madagascar: Summary of the Malagasy Tax System (General Tax Code)

Including the 2005 Budget

| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|---|---|--|---|---|
| <p>TAX ON INCOME AND PROFITS</p> <p>Corporate profit tax (IBS) [Impôt sur les bénéfices des Sociétés—IBS]</p> <p>(General Budget)</p> | <p><u>Article 01.01.02</u></p> <p>Annual tax on the full range of profits earned by companies headquartered in Madagascar, as well as income generated by the possession of assets or the practice of a gainful activity in Madagascar.</p> | <p><u>Article 01.01.03</u></p> <ul style="list-style-type: none"> • Income earned by partnerships, religious missions and churches, or cultural associations is exempt from tax. However, the tax is due by their establishments engaged in sales or provision of services. • Income earned by cooperatives and their unions. • Interest paid by the <i>Caisse d'Épargne de Madagascar</i>. • Capital gains on sales of real estate. • Income and capital gains deriving from the sales of stocks and shares held by SCRs. • Income earned by nonprofit organizations or associations exclusively engaged in the promotion of SMEs | <p><u>Article 01.01.16</u></p> <ul style="list-style-type: none"> ➤ Calculation of depreciation of capital goods (residential buildings, work sites, premises used for business) using the diminishing balance method - Rate: 30 percent of the residual balance of qualifying property, regardless of its acquisition date - Depreciation period: FY of acquisition less one full year (even if acquired in current FY). Reason for diminishing balance depreciation: investment incentive ➤ Deficit may be carried forward over a period of 3 years <p><u>Article 01.01.07 and 01.01.01</u>: Deduction for investment (provisions revoked owing to overlap with diminishing balance depreciation)</p> <p><u>Article 01.01.16 (taxable profit rounded down to the nearest lower hundredth of an Ariary)</u></p> <ul style="list-style-type: none"> • IBS at 30 percent for all companies • <i>IBS plus 50 percent for companies not headquartered in Madagascar</i> • <i>IBS at 30 percent for foreign companies operating under government contracts or contracts with local enterprises</i> • IBS at 10 percent for rental income from developed and undeveloped real property owned by nonprofit agencies and associations that do not meet the conditions stated in paragraphs 3 and 6 of Article 01.01.03 <p><u>Article 01.01.06 bis</u></p> <ul style="list-style-type: none"> • Absorbed company taxed on actual earnings (from its activities) at the time of the merger. | <p><u>Article 01.01.17</u></p> <ul style="list-style-type: none"> • Prior to May 1 N (calendar year) • Prior to November 1 N (June 30); • Within the four months following the end of the fiscal period (plus 50 percent). <p><i>For foreign companies, the application of the 30-percent tax rate is conditional upon the simultaneous deposit of the report and statement of income from a government contract or contract with local businesses.</i></p> <p>On collection: <u>Article 20.01.41</u> Estimated payments (A) Payable on a semiannual basis <u>Article 20.01.42</u>. (B) Payable at customs (“<i>acompte au cordon douanier</i>”):</p> <ul style="list-style-type: none"> • None if registered; • 5 percent (with no ceiling) if not registered. <p>Value: raw materials and consumer goods and products.</p> |

Madagascar: Summary of the Malagasy Tax System (General Tax Code)

Including the 2005 Budget

| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|-----|-------------|---|----------|---------------|
| | | <ul style="list-style-type: none"> • Capital gains on fixed assets and provisions no longer needed, which are usually taxable for the absorbed company shall be taxable for the acquiring company, but may be staggered over five years. • To prevent abuses in the application of this text, if the acquiring company is sold within five years of the merger, the value of the assets of the absorbed company will be taken into account in the windfall resulting from the sale of assets. <p>Taxable minimum:</p> <p>Ar 100,000 + 5 per mill of turnover: agriculture, crafts, industry, mining, hotel trade, tourism, or transportation.</p> <p>Ar 320,000 + 5 per mill of turnover for the rest.</p> <p>Enterprises exempt from IBS and from this minimum:</p> <ul style="list-style-type: none"> ➤ New companies engaged in industry, crafts, agriculture, mining, transportation, tourism, hotel trade, if they run deficits for the first two fiscal years and 50 percent of the IBS and <i>the taxable minimum for the third year</i> from the date on which they were ultimately established. | | |

Madagascar: Summary of the Malagasy Tax System (General Tax Code)

Including the 2005 Budget

| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|--|---|---|--|---|
| <p>TAX ON CAPITAL INCOME [<i>Impôts sur les revenus de capitaux mobiliers</i>—IRCM] (General Budget)</p> | <p><u>Article 01.04.01</u> Occasional tax collected on the distribution of profits.</p> | <p><u>Article 01.04.25 et seq.</u></p> <ul style="list-style-type: none"> • Amortization and repayment of principal realized upon liquidation of real estate assets; and • Loans or obligations of cooperatives, central mutual credit unions. <p><u>Article 01.04.32</u> Interest on borrowing:</p> <ul style="list-style-type: none"> • Contracted for investment with external financial institutions. | <p><u>Article 01.04.07</u></p> <ul style="list-style-type: none"> • 20 percent for corporations. • 20 percent for individuals – the IRCM is in discharge of the IRNS on capital income • 15 percent on interest paid on cash or cash security deposits (# interest on demand deposits) held in corporate funds by individuals or non-profit entities. | <p><u>Art. 01.04.10:</u> Repealed <u>Article 01.04.15:</u> - <i>Before April 30 N or October 31.</i> Distribution of dividends from the previous semiannual period.</p> |
| <p>TAX ON TRANSFERS ABROAD [<i>Taxe forfaitaire sur les transferts</i>] (General Budget)</p> | <p><u>Article 01.05.01 and 01.05.02</u> Tax payable on payments or transfers for the benefit of individuals located abroad and not taxed in Madagascar for purposes either of the income tax [<i>Impôts sur le revenu</i>] or the professional tax [<i>Taxe professionnelle</i>].</p> | <p><u>Article 01.05.03</u></p> <ul style="list-style-type: none"> • Amounts received in connection with scholarships; • Sale price of real or personal property; • Products already liable for the IRCM; • Repayment of principal on loans; • Standard price for purchases of imported merchandise; • Interest paid by the Malagasy Treasury or the Central Bank; and • Interest on borrowing (01.04.32) | <p><u>Article 01.05.05</u> 10 percent.</p> | <p>Withheld at source.</p> |

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| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting | |
|---|--|--|--|---|---|
| REAL ESTATE CAPITAL GAINS TAX [<i>Impôt sur la plus-value immobilière—IPVI</i>] (General Budget) | <u>Article 02.12.02</u> Taxed assessed on transfers (for valuable consideration) of real estate assets or claims. | <u>Article 02.12.03</u> Capital gains on sales of real estate included in current inventories [<i>stock en cours</i>] by <i>Société immobilière</i> . | <u>Article 02.12.07</u> Capital gains tranche <ul style="list-style-type: none"> • Ar 0.20-2,000,000 • Ar 2,000,000.20-4,000,000 percent • Ar 4,000,000.20-6,000,000 percent • Ar 6,000,000.20-8,000,000 percent • > Ar 8,000,000 percent | Rate 5 percent 10 15 20 25 | |
| PERSONAL WAGE INCOME TAX [<i>Impôt sur les revenus des personnes physiques—IRSA</i>] (General Budget) | <u>Article 03.01.07</u> <ul style="list-style-type: none"> • Wage earners Tax on wages, compensation, and fringe benefits, withheld at source. <u>Article 01.03.08</u> Taxation of in kind benefits <ul style="list-style-type: none"> • Ar 10,000/month/vehicle rated ≤10 HP; • Ar 16,000/month/vehicle rated > 10 HP; and • 50 percent of the rent or rental value. Maximum: 25 percent of compensation established in cash: <ul style="list-style-type: none"> • 2 percent of compensation established in cash /domestic; and • 3 percent for other benefits. | <u>Article 01.03.03</u> <ul style="list-style-type: none"> • Permanent or temporary allowances for damage repair; • Allowances for dependents; • Compensation associated with honorary awards; • Pay for citizens called to serve in the armed forces in a military or civilian capacity; • Civilian or military retirement pensions where the amount of the pension is determined by length of service record; and • Compensation earned by majority managers-partners in limited liability companies (SARLs). | <u>Article 03.01.16</u> Scale A <ul style="list-style-type: none"> • Up to Ar 50,000: Ar 300 <u>Income brackets of:</u> <ul style="list-style-type: none"> • Ar 50,000.20-100,000 • Ar 100,000.20-300,000 • > Ar 300,000 ♦Minimum <ul style="list-style-type: none"> • Ar 300 if ≤ Ar 100,000 • Ar 2,500 if > Ar 100,000 ♦ Dependent credit <u>Article 01.03.19</u> <ul style="list-style-type: none"> • Ar 200/month without exceeding Ar 2,400/year. | 5 percent 15 percent 30 percent | <u>Article 01.03.12</u> Withheld and paid prior to the 15 th of the following month. If amount withheld is less than Ar 5,000 or if wages are paid on a quarterly basis, tax payments may be cumulated on a quarterly basis. Withheld and paid within the first 15 days following the end of the quarter. |

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|---|--|--|---|---|
| NONWAGE PERSONAL INCOME TAX [IRNS] (General Budget) | <u>Article 01.02.02</u> <ul style="list-style-type: none"> • Sole proprietorship; • Income earned from engaging in an independent profession; • Corporate income, not liable for IBS tax; • Remuneration of SARL majority managers/partners; • Profits of firms engaged in industrial or commercial, crafts-related, tourism-related, or service-providing activities, or farms; • Income from land; and • Income earned in connection with the functions and responsibilities of nonmerchants. | <u>Article 01.02.03</u> <ul style="list-style-type: none"> • Interest on saved earnings; • Interest on Treasury bills and long-term government bonds [<i>bons d'équipement</i>]; • Interest paid by the Treasury on domestic borrowing; • Interest on cash certificates [<i>bons de caisse</i>]; • Capital gains earned on selling the property; • Capital gains earned real estate sale; • Net income from developed real estate occupied by the owner as a principal residence. | <u>Article 01.02.12</u> Taxable base. Nondeductibility of deficits incurred in connection with commercial, hotel related, tourism related, mining or transport deficits, or with land income or investment income. Deficit may be carried forward for a period of three years. <u>Article 01.02.36: Tax scale</u> Based on actuals [<i>régime réel</i>] and micro and small enterprises <ul style="list-style-type: none"> • Up to Ar 200,000: 2,000 Income brackets of: <ul style="list-style-type: none"> • Ar 200,000.20-500,000 5 percent • Ar 500,000.20-4,000,000 15 percent • Over Ar 4,000,000 30 percent <p>Minimum</p> <ul style="list-style-type: none"> • 5 per mill on sales • Ar 5,000 for taxpayers not subject to the professional tax • 1 per mill on sales for taxpayers selling retail fuel <p>♦ Dependent credit <u>Article 01.02.43</u> Ar 2,400/year and per child</p> | B5 <u>Article 01.02.17</u> Based on actuals (prior to May 1) N Prior to November 1, N, Four months from end of fiscal period plus 50 percent. <u>Article 20.01.41</u> An advance payment [<i>acompte provisionnel</i>] is due every bimonthly period. <u>Article 20.01.42</u> Businesses registered for tax purposes are exempted from the advance payment at customs but unregistered businesses are taxed at <ul style="list-style-type: none"> • 5 percent of c.i.f. value, with no limit Value: raw materials, consumer goods, and products. |

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| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|---|---|---|--|--|
| REGISTERED NONWAGE PERSONAL INCOME TAX [IRNS Greffé] (General Budget) | <u>Article 01.02.22</u> Micro and small enterprises (criteria): <ul style="list-style-type: none"> • Number of employees ≤50; • Pretax turnover of over Ar 6,000,000 to 50,000,000 • Principal responsibilities in production, sale where the management is undertaken by individuals venturing their own capital. | | <u>Article 01.02.37</u> Minimum amounts for all activities liable for tax TP>5 th category = 5 TP. <u>Article 01.02.38:</u> Registered IRNS (minimum). For agricultural activities: <ul style="list-style-type: none"> • 1/2 IFT [land tax] for arable land with a surface area of less than 5 hectares; • IFT for land between 5-10 hectares; • 2 IFT for land exceeding 10 hectares; • 3 TP: activities classified in the 6th, 7th and 8th categories of the TP; • 4 TP: activities classified in the 5th category of the TP; • 5 TP: activities classified in the 4th, 3rd, 2nd and 1st categories of the TP; and • 5 TP: livestock merchants. | <u>Article 01.02.21</u> System applicable to micro and small enterprises (Tax return to be filed prior to March 1, in the year in which the option is exercised). <u>Article 01.02.25</u> Registered system [<i>régime greffé</i>] (Tax return prior to March 1). |
| GLOBAL TAX [<i>Impôt synthétique</i>] (General Budget) | <u>Article 01.06.02</u> Ar 120,000/year < pretax turnover ≤ Ar 6,000,000/year: <ul style="list-style-type: none"> • Representative (and affording full discharge of) TP, IRNS, and TCA; • Tax earmarked for financing regionalized investment program; and • Individuals engaging in an independent activity, whether or not liable for the TP tax. | <u>Article 01.06.03</u> <ul style="list-style-type: none"> • Corporations; and • Wholesale and semi-wholesale merchants [<i>commerçants de gros et demi-gros</i>]. <u>Article 01.06.06:</u> Taxpayer not subject to TP, with gains less than Ar 120,000. | If, and only if the turnover is below the thresholds indicated in the relevant column. <u>Article 01.06.06</u> 6 percent but no less than Ar 5,000. | <u>Article 01.06.07</u> Tax return filed prior to March 31 for persons liable for TP. <u>Article 01.06.08</u> Within three months of issue of the tax payment advice [<i>titre de liquidation</i>] for others. |

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|--|--|---|---|---|
| PROFESSIONAL TAXES. PROFESSIONAL TAX [<i>Taxe professionnelle</i> —TP] (40 percent – Budget of the Autonomous Province; 30 percent – regions; 30 percent - communes) | <u>Article 10.01.01</u> Professional tax payable in connection with engaging in gainful activity in Madagascar. | <u>Article 10.01.11</u> <ul style="list-style-type: none"> • Limited partners in limited partnerships [<i>sociétés en commandite</i>]; • Wage earners; • University cafeterias or canteens; • Farmers; • Fishing and hunting concerns with a maximum staff of five; • Agricultural contractors; • Artists; • Directors of independent technical and general schools; • Newspaper and magazine salesmen; • Agencies equated with the associations covered by Article 01.01.03(3) that occasionally engage in socially-oriented activities; • Corporate health organizations; • Successful bidders on government contracts markets, supplies financed by foreign aid; • Military joint mess clubs, army residential establishments, and military rest homes. | <u>Article 10.01.15</u> Tables A and B <u>Fixed tax</u> , according to the type of business, population of the community, place of business, number of employees and equipment used in the enterprise (Ar 300-48,000). <u>Proportional tax</u> based on rental value of premises, including equipment used. <ul style="list-style-type: none"> • Liberal professions: 1/10 VL; • Commercial activities - 1st, 2nd and 3rd category: 1/15 VL; • Industries, trades, and service provision - 1st category: 1/25 VL • Industries, trades, and service provision (2nd and 3rd categories), commercial activities (4th and 5th categories): 1/30 VL; • Other activities, mechanically equipped sites, as well as hotel rooms and accessory buildings: 1/40 VL. | <u>Article 10.01.33</u> Before October 15 N. |
| SUPPLEMENTARY PROFESSIONAL TAX [<i>Centimes additionnels à la taxe professionnelle</i>] (Budget of the Autonomous Province) | | | <ul style="list-style-type: none"> • 30 percent of fixed tax + proportional tax • | |

Madagascar: Summary of the Malagasy Tax System (General Tax Code)

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| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|--|--|--|--|--|
| BUSINESS LICENSE TAX [<i>Impôt de licence</i>] (Budget of the Autonomous Province) | <u>Article 10.06.01</u> Professional tax payable on sales of alcoholic beverages. | <u>Article 10.06.06</u> Sales by nonprofits, including: <ul style="list-style-type: none"> • University cafeterias; • Military mess halls; • Canteens, residential establishments, clubs attached to the Army; • Pharmacists and drug depositories in connection with retail sales of raw spirit alcohol; and • Restaurateurs and hotel restaurant operators, under certain conditions. | <u>Article 10.06.08</u> Rate as follows: <ul style="list-style-type: none"> • Category of licenses (three categories); and • Population of the community where the firm is located. <u>Article 10.06.09</u> License for fairs: Ar 5,000 per day. | <u>Article 10.06.63</u> In the first 20 days of each quarter for pre-existing concerns. First 20 days of operation for new sales licenses. <u>Article 10.06.64</u> Prior to operation for huckster's license tax [<i>impôt de licence foraine</i>]. |
| TAXES ON PROPERTY | | | | |
| Land tax [<i>Impôt foncier sur les terrains</i> —IFT] (Budget of the settlement communes [<i>communes d'implantation</i>]) | <u>Article 10.02.01</u> Tax levied on the estimated productive value of land based on type of crop use. | <u>Article 10.02.03</u> <ul style="list-style-type: none"> • Land owned by government, decentralized local authorities, or public institutions assigned to perform a public service or a service deemed to be in the public interest that generates no revenue. • Land earmarked (free of charge) for medical or social charities, free education, or worship; and • Land envisaged in Article 10.03.02, liable for the IFPB. | <u>Article 10.02.07</u> Rate expressed in ariary per hectare (1 st –5 th category), and 1 percent of market value (6 th category). | <u>Article 10.02.08</u> Prior to October 15 N. |

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| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|--|---|---|---|---|
| TAX ON BUILDINGS [<i>Impôts sur les immeubles bâtis</i> —IFPB] (Commune Budget) | <u>Article 10.03.01</u> Tax levied on rental value of buildings. | <u>Article 10.03.03</u> <ul style="list-style-type: none"> • Buildings owned by government, decentralized local authorities, or public institutions assigned to perform a public service or a service deemed to be in the public interest that generate no revenue; and • New constructions for a period of five years from their completion date subject to presentation of habitation or occupancy permit (Article 10.03.05). • Buildings reserved (on a free-of-charge basis) for charities, medical activities, education, or worship. | <u>Article 10.03.10</u> Rates set by vote (by the municipal government) based on the rental value determined by the real estate assessment committee: Maximum rate: 5 percent Minimum rate: 2 percent. May not be less than Ar 1000 per building. | <u>Article 10.03.11</u> Prior to October 15 N. |
| LOCAL GOVERNMENT TAX ON BUILDINGS [<i>Taxe annexe à l'IFPB</i> --TAFB] (Commune Budget) | <u>Article 10.04.01</u> Taxes associated with the tax on buildings based on the rental value of real estate. | Same rules as those governing the IFPB, excluding temporary and permanent exemptions. | <u>Article 10.04.05</u> Rates set by municipal government vote: Maximum rate: 5 percent Minimum rate: 2 percent. | Prior to October 15 N. |
| SUPPLEMENTARY REGISTRATION TAX [<i>Taxe additionnelle aux droits d'enregistrement</i>] (Commune Budget) | <u>Article 10.05.01</u> Tax supplementary to the registration tax on transfers of real and personal property for consideration [<i>Taxe additionnelle aux droits d'enregistrement sur les mutations à titre onéreux des biens immeubles et meubles</i>]. | | | |

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| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | | | | | | | Tax Reporting | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|---|--|-------|-------|--|--|--|--|---|-----|-----|-------|-------|-----|-----|--|--|--|--|--|--------|-------|-------|-------|-------|-------|----------|-------|-------|-------|-------|-------|-----------|-----|-------|-------|-------|-------|---------|-----|-----|-----|-------|-------|---|
| <p>TAX ON COMPANY CARS [<i>Taxe sur les véhicules de tourisme des sociétés</i>] (General Budget)</p> | <p><u>Article 02.08.01</u> Annual tax levied on all private cars</p> <ul style="list-style-type: none"> • registered in the name of a company • on the balance sheet of individual enterprises | | <p><u>Article 02.08.02</u></p> <ul style="list-style-type: none"> • Ar 6,000/year for all vehicles not exceeding 10 HP; • Ar 60,000/year and per HP for vehicles exceeding 10 HP. | | | | | | | <p><u>Article 02.08.03</u></p> <ul style="list-style-type: none"> • Prior to end-January N for vehicles in circulation as at January 1 of the year; • Month purchased for vehicles purchased in the course of the year (new or used). | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>TAX ON MOTOR VEHICLES [<i>Taxes sur les véhicules à moteur</i>] (Tax sticker) (Budget of the Autonomous Province)</p> | <p><u>Article 02.07.01</u> Annual tax on all vehicles in circulation.</p> | <p><u>Article 02.07.06</u></p> <ul style="list-style-type: none"> • Vehicles registered to the government; • Vehicles exempt from tax under international conventions; • Special vehicles (bulldozers, materials-handling equipment, etc.); • Tractors used exclusively for agricultural activities; and <p>Vehicles intended for sale or resale (automobile dealers) and new or used mechanical engines.</p> | <p><u>Article 02.07.01</u></p> <p><u>Rate in Ariary</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">HP</th> <th style="text-align: center;">1-4</th> <th style="text-align: center;">5-9</th> <th style="text-align: center;">10-12</th> <th style="text-align: center;">13-15</th> <th style="text-align: center;">>15</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Age</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: left;"><5 yrs</td> <td style="text-align: center;">2,100</td> <td style="text-align: center;">2,400</td> <td style="text-align: center;">2,700</td> <td style="text-align: center;">3,900</td> <td style="text-align: center;">5,700</td> </tr> <tr> <td style="text-align: left;">5<10 yrs</td> <td style="text-align: center;">1,500</td> <td style="text-align: center;">1,800</td> <td style="text-align: center;">2,100</td> <td style="text-align: center;">3,300</td> <td style="text-align: center;">5,100</td> </tr> <tr> <td style="text-align: left;">10≥20 yrs</td> <td style="text-align: center;">900</td> <td style="text-align: center;">1,200</td> <td style="text-align: center;">1,500</td> <td style="text-align: center;">2,100</td> <td style="text-align: center;">2,700</td> </tr> <tr> <td style="text-align: left;">>20 yrs</td> <td style="text-align: center;">450</td> <td style="text-align: center;">600</td> <td style="text-align: center;">750</td> <td style="text-align: center;">1,500</td> <td style="text-align: center;">2,400</td> </tr> </tbody> </table> <ul style="list-style-type: none"> • Utility vehicle, mass transit vehicles, taxis, service vehicles of nonprofit organizations: Ar 800; • Aircraft: Ar 120,000/year/craft. <p><u>Article 10.05.02</u>: 2 percent</p> | | | | | | | HP | 1-4 | 5-9 | 10-12 | 13-15 | >15 | Age | | | | | | <5 yrs | 2,100 | 2,400 | 2,700 | 3,900 | 5,700 | 5<10 yrs | 1,500 | 1,800 | 2,100 | 3,300 | 5,100 | 10≥20 yrs | 900 | 1,200 | 1,500 | 2,100 | 2,700 | >20 yrs | 450 | 600 | 750 | 1,500 | 2,400 | <p><u>Article 02.07.02</u></p> <ul style="list-style-type: none"> • Prior to end-June for automobiles and boats in active service; • Within one month of car in circulation, or month acquired, or time of technical inspection, or time of insurance renewal for vehicles previously tax-exempt. |
| HP | 1-4 | 5-9 | 10-12 | 13-15 | >15 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Age | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <5 yrs | 2,100 | 2,400 | 2,700 | 3,900 | 5,700 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5<10 yrs | 1,500 | 1,800 | 2,100 | 3,300 | 5,100 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10≥20 yrs | 900 | 1,200 | 1,500 | 2,100 | 2,700 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| >20 yrs | 450 | 600 | 750 | 1,500 | 2,400 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| REGISTRATION DUTIES [Droits d'Enregistrement] (General Budget) | <u>Article 02.01.02</u> Tax levied on registration of all transactions pertaining to the transfer of property, proportional to the value of the assets in question. | <u>Article 02.11.01</u> Special regimes and exemptions: <ul style="list-style-type: none"> • Central government and decentralized local governments; • Societies, associations recognized as being in the public interest; • Religious missions and churches; • Low-cost housing; • Pleadings and judicial decisions with respect to electoral matters; • Certificates, records, judgments relating to civil status; • Instruments in cases of expropriation in the public interest; • Instruments and transactions, contracts pertaining to agricultural or socially-oriented credit extended by banks. | <u>Article 02.02.22</u> Goodwill or patronage: 6 percent. <u>Article 02.02.39:</u> Buildings: 6 percent Special rates: <u>Sales of real property</u> <ul style="list-style-type: none"> • Association RUP = 6 percent (Art. 02.02.39); • Developable land for housing $\leq 500\text{m}^2$ = 8 percent (Art. 02.02.39); • Traditional housing = 10 percent; • Agricultural land $\frac{1}{2}$ 12 percent (Art. 02.02.39) <u>Other assets</u> <ul style="list-style-type: none"> • 8 percent (Art. 02.02.44); • Negotiable securities: 4 percent (Art. 02.02.46). • Sale of equity participation in SARL: 2 percent (Art. 02.02.46) | |

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|-----|-------------|---------------------------|---|---------------|
| | | | <p><u>Estate tax</u> : (Art. 02.03.32-A)</p> <p><i>A – Direct line, between spouses, and collateral line</i></p> <p>Rate – Portion of net share (in Ariary):</p> <ul style="list-style-type: none"> • 2 percent — Ar 0.20-20 million; • 5 percent — Ar 20,000,000.20-60 million; • 10 percent — Ar 60,000,000.20-100 million; • 15 percent — > Ar 100 million. <p><i>B – Between relatives more than 4 times removed and between unrelated persons</i></p> <ul style="list-style-type: none"> • 10 percent — Ar 0.20-20 million; • 15 percent — Ar 20,000,000.20-60 million; • 20 percent — Ar 60,000,000.20-100 million; • 25 percent — > Ar 100 million. <p><i>C – Gift of an individual company</i></p> <p>1. Direct line, between spouses, and collateral line</p> <ul style="list-style-type: none"> • 2 percent — Ar 0.20-2 million; • 4 percent — Ar 2,000,000.20-4 million; • 6 percent — Ar 4,000,000.20-6 million; • 8 percent – Ar. 6,000,000.20-8 million; • 10 percent — > Ar 8 million. <p>2. Between relatives more than 4 times removed and between unrelated persons: 10 percent</p> | |

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|---|---|--|--|---------------|
| | | | <p><u>Memoranda of incorporation:</u> (Art. 02.02.32) Rate graduated by tranche of capital:</p> <ul style="list-style-type: none"> • 1 percent - < Ar 10,000,000; • 0.5 percent – Ar 10,000,000-100,000,000; • 0.1 percent for amounts in excess of Ar 100,000,000. <p><u>Claims:</u> 1.50 percent (Art. 02.02.48).</p> <p><u>Prenuptial agreement [contrat de mariage]:</u> 1 percent (Art. 02.02.19).</p> <p><u>Exchange of building:</u> 4 percent (Article 02.02.20)</p> <p><u>Partition:</u> 1 percent (Art. 02.02.28).</p> <p><u>Annuities [Rentes]:</u> 1.5 percent (Art. 02.02.30).</p> <p><u>Fixed-term lease:</u> 1 percent and 2 percent (Art. 02.02.12).</p> <p><u>Life tenancy:</u> 8 percent and 12 percent (Art. 02.02.13).</p> <p><u>Art. 02.02.04 through 02.02.06</u></p> <p>Fixed taxes:</p> <ul style="list-style-type: none"> • Ar 2,000 => Supreme Court decision => administrative; • Ar 4,000 => Decision of the Court of Appeal, Criminal Court; • Ar 8,000 => Decision of the Supreme Court => judicial. <p><u>Transfer of lease rights:</u> 6 percent (Art. 02.02.16)</p> | |
| | <p><u>Article 02.02.24</u> Taxes on judgments, arbitration awards, and decisions resulting in conviction.</p> | | | |
| TAX ON REAL ESTATE ADVERTISING [<i>Taxe de publicité foncière</i>] (General Budget) | <p><u>Article 02.04.01</u> Tax levied on:</p> <ul style="list-style-type: none"> • Recording of real estate conveyancing transactions [<i>mutations</i>]; and • Procedural steps involved in inclusion in land ownership registries [<i>conservations</i>]. | <p><u>Article 02.04.09</u></p> <ul style="list-style-type: none"> • Central government and decentralized local governments; • Societies, associations recognized as being in the public interest; • Religious missions and churches; and • Low-cost housing. | <p><u>Article 02.04.05</u></p> <ul style="list-style-type: none"> • 1 percent of the value (for leases); • 2 percent in all other cases; • 1 percent of value in the case of unconditional partitions [<i>partage pur et simple</i>]. | |

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(General Tax Code)

Including the 2005 Budget

| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|--|--|--|--|---|
| TAX ON INSURANCE POLICIES [<i>Taxe sur les contrats d'assurances</i>] (General Budget) | <u>Article 02.09.01</u> Tax levied on all insurance contracts providing coverage against risks or on annuities. | <u>Article 02.09.03 and Article 02.09.04</u> <ul style="list-style-type: none"> • Risks covered outside of Madagascar; • Reinsurance; • Insurance in respect of work-related accidents; • Insurance against risks associated with shipping or civil aviation, whether inbound or outbound. | <u>Article 02.09.02</u> <ul style="list-style-type: none"> • 4.5 percent in general; • Fire insurance: <ul style="list-style-type: none"> - 7 percent for property damage in industrial, commercial, agricultural, artisanal, hotel, mining, tourism, or transport activities; - 20 percent in other cases; • 3 percent for life insurance; • 4 percent for insurance against risks associated with shipping, inland water transportation, or civil aviation; • 5 percent for life annuities [<i>rente viagère</i>]. | <u>Article 02.09.05</u> Within the first 20 days of each quarter => estimated payment, June 15 N => general tax payment. |

Madagascar: Summary of the Malagasy Tax System
(General Tax Code)

Including the 2005 Budget

| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|---|---|---|--|---------------|
| STAMP TAX [<i>Droit de timbre</i>] (General Budget) | <u>Article 02.06.01</u> Tax levied on all paper documents intended for civil and judicial proceedings, as well as for instruments that can be produced in court and entered into evidence. | <u>Article 02.06.16</u> Size stamp tax Ar 400 Paper 0.42 x 0.59 Ar 300 Paper 0.29 x 0.42 Ar 200 Paper 0.29 x 0.21 ½ the tax per sheet with one page unused <u>Article 02.06.28</u> Proportional stamp tax: Ar 1 per Ar 200 <u>Article 02.06.40</u> Receipt stamp tax: at the rate for the proportional tax 5 per mill <u>Article 02.06.66</u> Stamp tax on visas for foreigners and persons of undetermined nationality, in Ariary: <ul style="list-style-type: none"> • Visa valid for visits ≤ 3 months 30,000 • Transit visa for no more than 72 hours 60,000 • Transit visa for a maximum of 72 hours for cruise ship tourism 10,000 • Visa valid for visits of +3 months – 3 yrs 36,000 • Visa valid for visits of +3yrs – 5yrs 52,000 • Visa valid for visits of +5 years and permanent visa 60,000 • Final exit visa 28,000 • Extension of travel visa 28,000 These rates are reduced by half for: <ul style="list-style-type: none"> • missionaries of all creeds and their spouses residing in Madagascar; • foreign students enrolled in a Malagasy university or equivalent. | <u>Article 02.06.44</u> In the form of a statement, within the 20 days following the end of each month. | |

Madagascar: Summary of the Malagasy Tax System
(General Tax Code)

Including the 2005 Budget

| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|-----|-------------|---------------------------|----------|---------------|
|-----|-------------|---------------------------|----------|---------------|

Madagascar: Summary of the Malagasy Tax System (General Tax Code)

Including the 2005 Budget

| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|---|---|--|---|--|
| TAX ON GOODS PRODUCTS AND SERVICES | | | | |
| VALUE ADDED TAX [<i>Taxe sur la valeur ajoutée</i> —TVA] (General Budget, Budget of the Decentralized Local Governments—Article 06.01.01) | <p><u>Article 06.01.02 and Article 06.01.03</u> Tax levied on:</p> <ul style="list-style-type: none"> • Commercial, industrial, agricultural, crafts-related, mining, hotel-related, or service-providing transactions; • Liberal professions; • Particular types of operations, such as imports and deliveries for personal use. <p><u>Article 06.01.35</u> Public investment program (PIP) financed from external sources.</p> | <p><u>Article 06.01.06</u> ❖ <u>Exemptions</u></p> <ol style="list-style-type: none"> 1. Sports: ticket sales by amateur clubs; 2. School fees for general education or technical and vocational training; 3. Interest paid by the Malagasy Treasury and the <i>Caisse d'Epargne de Madagascar</i>; 4. Interest on claims, deposits, and guarantees by banking institutions headquartered in Madagascar; 5. Interest on deposits of or loans to members of mutual financial institutions; 6. Assets brought into companies established under Malagasy law by individuals or corporations; 7. Transactions in shares, equity participations in companies or associations, bonds and other securities; 8. Underwriting of industrial endowment life insurance; <ul style="list-style-type: none"> - Underwriting of group insurance contracts; 9. Water and electricity use by: <ul style="list-style-type: none"> - local authorities through water fountains, public washrooms and similar facilities, as well as lighting for streets and public spaces; - individuals for domestic use, up to 10m³ of water and 80 kwh of electricity; - public health centers and facilities; - public schools; 10. Health care services; | <p><u>Article 06.01.12</u> Value added tax (VAT) – 0 percent; 20 percent (recoverable), reduced to 18 percent starting September 1, 2005.</p> <p><u>Article 06.02.15</u> TST: 5 percent (nonrecoverable).</p> | <p><u>Article 06.01.16</u> Monthly for turnover > 1 billion. Quarterly for turnover < 1 billion.</p> <p><u>Article 06.02.11</u> TST: Bimonthly. Prior to the 20th of the month following each bimonthly period.</p> |

Madagascar: Summary of the Malagasy Tax System (General Tax Code)

Including the 2005 Budget

| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|-----|-------------|--|----------|---------------|
| | | <p>11. Drugs, pharmaceutical products, medical equipment as per the attached list, materials and inputs for manufacturing drugs, as well as packaging for their retail sale;</p> <p>12. Imports and sales of newsprint; imports, publication and sale of newspapers and magazines;</p> <p>13. Postage stamps and coins that are legal tender;</p> <p>14. Books, brochures, printed material for educational use;</p> <p>15. Domestic kerosene and butane gas;</p> <p>16. Imports and sales of corrective lenses;</p> <p>17. Imports and sales of inputs exclusively for agricultural use, according to the appended list;</p> <p>18. Sales of paddy and rice;</p> <p>19. Imports covered in Articles 2-33 of Decree 1945 of November 17, 1960, implementing Article 163 of the Customs Code;</p> <p>20. Subject to agreement to reciprocal treatment, the purchases of diplomatic missions holding diplomatic status;</p> <p>21. Imports and sales of impregnated mosquito nets and coils;</p> <p>22. Imports and sales of narrow fabric items, labels, kits;</p> <p>23. Imports and sales of solar panels, refrigeration compressors, machines and equipment for paper manufacturing.</p> <p><u>Article 06.01.07</u> Exemption for imports and sales of products subject to Law 2003-026 of August 27, 2003 on tax exemptions.</p> <p><u>Article 06.01.08</u> ❖ Exemptions: - Wages; - Central Bank of Madagascar discounting operations; - Postal checking center transactions; - Transactions by the <i>Caisse d'Epargne de Madagascar</i>.</p> | | |

Madagascar: Summary of the Malagasy Tax System (General Tax Code)

Including the 2005 Budget

| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|--|--|---|---|---|
| TRANSACTION TAX [<i>Taxe sur les transactions</i> —TST] <u>Article 06.02.01</u> : (Budget of the Autonomous Province) | Threshold: Turnover tax subject to VAT of Ar 6,000,000- Ar 50,000,000 | <u>Articles 06.02.04 and 06.02.05</u> <ul style="list-style-type: none"> • Assets brought into companies; • Services rendered in the context of the health-care profession; • School fees; • Supply of water and electric power to public local authorities for domestic use, to medical training centers; and • Export sales. | <u>Article 06.02.15</u> 5 percent. <ul style="list-style-type: none"> • Decision 002-,MEFB/SG/DGI/DLF 09 of February 2004 setting the schedule for lump sum payments of the transaction tax payable by passenger carriers | <u>Article 06.02.11</u> In the first 20 days of the month following each bimonthly period. |
| EXCISE TAX [<i>Droits d'accises</i> —DA] (General Budget) | <u>Article 03.01.01</u> Tax levied on specific manufactured, prepared or imported products, such as: <ul style="list-style-type: none"> • Alcoholic beverages or liquids; • Tobacco; • Cosmetic preparations; • Mining products; and • Audiovisual equipment, etc. | Products subject to Law 2003-026 of August 27, 2003 on tax exemptions. <u>Article 03.01.02</u> Exempted subject to completing the procedures set forth in Art. 05.03.01: <ul style="list-style-type: none"> • Products included as raw materials in other products already subject to excise tax (DA); • Products and materials included in the manufacturing of pharmaceuticals; • Materials for refrigerated production used by professionals. | In accordance with excise tax table: <ul style="list-style-type: none"> • Rate from 20-180 percent; and • 50 percent tax deduction for cigarettes whose reference price does not exceed Ar 200, pursuant to Decree 170/2004-MEFB/SG/DGI/DLF of January 5, 2004. | Within the first 20 days of the month following each bimonthly period. |
| SPECIAL TAX [<i>Taxe spéciale</i>] (FNPDJSL) | <u>Article 03.02.01</u> Tax payable by manufacturers and importers of: <ul style="list-style-type: none"> • Alcoholic beverages; • Manufactured tobacco. Tax payable by operators of gambling establishments | | <u>Article 03.02.02</u> Rates set pursuant to regulations. | <u>Article 03.02.04</u> Within the first 20 days of the month following the three-month period within which the product was manufactured or the revenue collected. |

Madagascar: Summary of the Malagasy Tax System (General Tax Code)

Including the 2005 Budget

| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|--|---|--|--|---|
| Royalties [<i>Redevances</i>] (General Budget) | <u>Article 04.01.01</u> Levied on the following products: manufactured tobacco, chemical matches, wheat or maslin flour, alcoholic beverages (excluding group 2), sugar, and dairy products. | <u>Article 04.01.04</u> <ul style="list-style-type: none"> • Same product used as raw materials; • Export sales; • Raw materials used as inputs in manufacturing drugs. | <u>Article 04.01.10</u> Rates set in accordance with regulations. DECISION 001/MEFB/SG/DGI/DLF of January 1, 2004 setting the rates for fees on products, amended and supplemented by Decision 001-MEFB/SG/DGI/DELDF of January 6, 2005 | <u>Article 04.01.16</u> Products imported => prior to customs clearance. Products manufactured locally and in accordance with special customs clearance regime [<i>régime suspensif</i>] => within the first 20 days of the month after the goods are released for consumption. |
| TAXES ON GAMBLING AND GAMBLING ESTABLISHMENTS [<i>Prélèvements sur les maisons de jeux</i>] | | | | |
| Annual tax on slot machines, etc. [<i>Taxe annuelle sur les appareils automatiques</i>] (Budget of the Autonomous Province) | <u>Article 10.07.01</u> Tax payable in connection with the operation of automatic devices known as “slot machines” and other such equipment. | | <u>Article 10.07.02</u> <ul style="list-style-type: none"> • Slot machines: Ar 400,000 per machine; • Other equipment: Ar 100,000 per machine. | <u>Article 10.07.02</u> On an annual basis—must be made at the time that the equipment in question is declared operational. |
| Stamp tax [<i>Droit de timbre</i>] (General Budget) | <u>Article 03.02.12</u> Tax payable upon admittance to gambling halls. | | <u>Article 03.02.12</u> By share: <ul style="list-style-type: none"> • Ar 10,000, pass valid for one day; • Ar 40,000 – pass valid for one week; • Ar 140,000 – pass valid for one month; • Ar 600,000 – pass valid for one year. | <u>Article 03.02.12</u> Prior to the 10 th of the following month. |

Madagascar: Summary of the Malagasy Tax System
(General Tax Code)

Including the 2005 Budget

| Tax | Type of Tax | Deductions and Exemptions | Tax Rate | Tax Reporting |
|---|---|---|---|---------------|
| Tax on gambling products <i>[Prélèvement sur les produits des jeux]</i> (Budget of the Autonomous Province) | <u>Article 10.07.03</u> Tax (in full discharge of the value added tax (VAT) applied to the gross proceeds from money-gambling activities exercised clubs, gambling houses, and hotel facilities. | <u>Article 10.07.03</u> Gambling in clubs and gambling houses, graduated by threshold of annual earnings: <ul style="list-style-type: none"> • Up to Ar 2,000,000 10 percent • Ar 2,000,000.20-6,000,000 20 percent • Ar 6,000,000.20-12,000,000 40 percent • Ar 12,000,000.20-20,000,000 50 percent • Over Ar 20,000,000 60 percent Gambling in hotels, graduated by threshold of earnings: <ul style="list-style-type: none"> • Up to Ar 2,000,000 5 percent • Ar 2,000,000.20-6,000,000 10 percent • Ar 6,000,000.20-12,000,000 15 percent • Ar 12,000,000.20-18,000,000 20 percent • Ar 18,000,000.20-24,000,000 25 percent • Ar 24,000,000.20-30,000,000 30 percent • Over Ar 30,000,000 40 percent Ar 4,000 per TV per year. | <u>Article 10.07.06</u> Within the three days after the end of the ten-day period. | |
| ANNUAL TAX ON TELEVISIONS [<i>Taxe annuelle sur les téléviseurs</i>] (Commune Budget) | <u>Article 18</u> Amending Paragraph I of Article 6 of Order [<i>Ordonnance</i>] 78009 of May 5, 1979. | | | |

Table 1. Madagascar: Growth and Structure of GDP, 1999-2004

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 Est. |
|---|--|-------|-------|-------|-------|--------------|
| | (Annual change in percent, at 1984 prices) | | | | | |
| Primary sector | 3.5 | 1.0 | 4.0 | -1.3 | 1.3 | 3.1 |
| Agriculture | 5.3 | -2.1 | 5.5 | 0.8 | 2.6 | 3.5 |
| Livestock and fisheries | -2.6 | 2.8 | 3.1 | 2.6 | 4.1 | 3.3 |
| Forestry | 18.2 | 5.6 | 2.1 | -20.0 | -15.0 | 0.0 |
| Secondary sector | 4.3 | 7.1 | 7.5 | -20.7 | 14.5 | 6.6 |
| Food, beverages, and tobacco | 4.3 | 6.2 | 0.9 | -10.2 | 7.5 | 3.4 |
| Energy | 4.1 | 5.8 | -6.3 | -31.1 | 8.8 | 6.0 |
| Export processing zone | 22.4 | 22.4 | 40.0 | -40.0 | 76.0 | 25.0 |
| Other | 0.5 | 5.3 | 19.0 | -24.2 | 12.7 | 4.2 |
| Tertiary sector | 5.5 | 5.0 | 6.2 | -15.0 | 10.6 | 6.0 |
| Transport | 4.4 | 3.9 | 4.6 | -24.3 | 15.4 | 5.6 |
| Construction | 11.7 | 7.5 | 13.5 | -15.1 | 30.0 | 29.0 |
| Retail and wholesale | 3.3 | 3.3 | 4.3 | -7.4 | 4.1 | 3.4 |
| Government | 0.0 | -0.1 | 2.0 | 2.0 | 6.0 | 1.6 |
| Other services | 10.0 | 9.7 | 8.4 | -15.5 | 10.1 | 6.2 |
| GDP at market prices | 4.7 | 4.7 | 6.0 | -12.7 | 9.8 | 5.3 |
| Real GDP per capita | 1.6 | 1.6 | 2.9 | -15.2 | 6.7 | 2.0 |
| GDP deflator | 9.8 | 7.1 | 7.3 | 15.3 | 2.8 | 14.3 |
| | (In percent of GDP at current prices) | | | | | |
| Primary sector | 27.5 | 26.5 | 25.7 | 29.8 | 26.8 | 26.2 |
| Agriculture | 14.7 | 13.6 | 13.7 | 16.6 | 15.4 | 15.5 |
| Livestock and fisheries | 7.5 | 7.8 | 7.3 | 8.8 | 7.6 | 7.2 |
| Forestry | 5.2 | 5.1 | 4.8 | 4.5 | 3.8 | 3.5 |
| Secondary sector | 12.2 | 12.9 | 13.5 | 13.6 | 14.1 | 14.5 |
| Food, beverages, and tobacco | 5.5 | 5.3 | 5.3 | 5.0 | 4.9 | 4.7 |
| Energy | 1.3 | 1.5 | 1.4 | 1.2 | 1.0 | 1.0 |
| Export processing zone | 2.0 | 2.4 | 2.8 | 3.8 | 4.6 | 5.2 |
| Other | 3.4 | 3.7 | 3.9 | 3.5 | 3.6 | 3.6 |
| Tertiary sector | 52.3 | 52.1 | 53.8 | 51.3 | 51.6 | 50.9 |
| Transport | 17.2 | 16.8 | 16.9 | 15.2 | 14.4 | 15.2 |
| Construction | 1.5 | 1.6 | 1.8 | 1.8 | 1.9 | 2.3 |
| Retail and wholesale | 11.3 | 10.8 | 11.2 | 11.8 | 11.5 | 10.8 |
| Government | 5.4 | 5.5 | 5.8 | 5.5 | 6.4 | 6.2 |
| Other services | 16.9 | 17.4 | 18.3 | 17.0 | 17.4 | 16.3 |
| Imputed charges | -1.3 | -1.0 | -0.8 | -0.7 | -0.7 | -0.6 |
| GDP at factor cost | 90.7 | 90.5 | 92.3 | 94.1 | 91.8 | 90.9 |
| Indirect taxes | 9.3 | 9.5 | 7.7 | 5.9 | 8.2 | 9.1 |
| Net imports of goods and nonfactor services | 8.0 | 7.3 | 3.2 | 6.6 | 1.8 | 16.3 |
| Total available resources | 108.0 | 107.3 | 103.2 | 106.6 | 101.8 | 116.3 |
| Consumption | 93.1 | 92.3 | 84.7 | 92.3 | 98.2 | 88.9 |
| Gross investment | 14.9 | 15.0 | 18.5 | 14.3 | 3.6 | 27.5 |
| Gross domestic savings | 6.9 | 7.7 | 15.3 | 7.7 | 1.8 | 11.1 |

Sources: Malagasy authorities.

Table 2. Madagascar: Gross Domestic Product at Constant 1984 Prices, 1999-2004
(In billions of Ariary at 1984 prices)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 Est. |
|------------------------------|-------|-------|-------|-------|-------|--------------|
| Primary sector | 147.4 | 148.9 | 154.9 | 152.9 | 154.8 | 159.6 |
| Agriculture | 66.4 | 65.0 | 68.8 | 69.3 | 71.1 | 73.6 |
| Livestock and fisheries | 59.6 | 61.3 | 64.9 | 66.6 | 69.3 | 71.6 |
| Forestry | 21.4 | 22.6 | 21.2 | 16.9 | 14.4 | 14.4 |
| Secondary sector | 52.8 | 56.5 | 60.8 | 48.2 | 55.2 | 58.8 |
| Food, beverages, and tobacco | 24.8 | 26.3 | 26.6 | 23.9 | 25.6 | 26.5 |
| Energy | 8.9 | 9.4 | 9.0 | 6.2 | 6.8 | 7.2 |
| Export processing zone | 4.0 | 5.0 | 6.3 | 3.8 | 6.6 | 8.3 |
| Other | 15.1 | 15.9 | 18.9 | 14.3 | 16.1 | 16.8 |
| Tertiary sector | 214.7 | 225.4 | 239.3 | 203.3 | 224.8 | 238.1 |
| Transport | 73.3 | 76.2 | 79.7 | 60.3 | 69.6 | 73.5 |
| Construction | 7.4 | 8.0 | 9.4 | 8.0 | 10.3 | 13.3 |
| Retail and wholesale | 48.0 | 49.0 | 51.6 | 47.8 | 49.8 | 51.5 |
| Government | 21.6 | 21.6 | 22.1 | 22.5 | 23.9 | 24.2 |
| Other services | 64.3 | 70.6 | 76.5 | 64.6 | 71.2 | 75.5 |
| Imputed charges | -7.8 | -8.6 | -9.3 | -9.8 | -11.0 | -11.6 |
| GDP at factor cost | 407.1 | 422.2 | 445.6 | 394.5 | 423.8 | 445.0 |
| Indirect taxes | 38.0 | 44.0 | 48.7 | 37.1 | 50.1 | 53.8 |
| GDP at market prices | 445.1 | 466.2 | 494.3 | 431.6 | 473.9 | 498.8 |

Sources: Malagasy authorities.

Table 3. Madagascar: Supply and Use of Resources at Current Prices, 1999-2004
(In billions of Ariary)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---------|---------|---------|---------|-----------|---------|
| Primary sector | 1,284.6 | 1,389.1 | 1,535.8 | 1,792.5 | 1,814.7 | 2,135.2 |
| Agriculture | 689.7 | 714.0 | 816.0 | 995.8 | 1,043.2 | 1,263.8 |
| Livestock and fisheries | 352.7 | 407.8 | 433.9 | 526.9 | 512.4 | 585.0 |
| Forestry | 242.2 | 267.3 | 285.9 | 269.9 | 259.1 | 286.4 |
| Secondary sector | 572.1 | 676.8 | 803.0 | 815.5 | 955.3 | 1,182.6 |
| Food, beverages, and tobacco | 257.5 | 278.9 | 314.2 | 302.5 | 332.6 | 381.0 |
| Energy | 60.9 | 79.0 | 84.5 | 72.1 | 67.0 | 84.4 |
| Export processing zone | 93.1 | 125.7 | 169.7 | 229.1 | 309.3 | 426.6 |
| Other | 160.6 | 193.1 | 234.6 | 211.8 | 246.4 | 290.6 |
| Tertiary sector | 2,445.3 | 2,735.6 | 3,214.1 | 3,084.2 | 3,499.7 | 4,148.6 |
| Transport | 804.2 | 880.0 | 1,006.4 | 912.4 | 974.0 | 1,241.8 |
| Construction | 71.4 | 86.2 | 104.9 | 110.5 | 130.3 | 190.4 |
| Retail and wholesale | 526.3 | 567.0 | 667.2 | 710.9 | 781.8 | 879.4 |
| Government | 253.7 | 290.1 | 344.4 | 328.2 | 434.6 | 503.8 |
| Other services | 789.7 | 912.2 | 1,091.2 | 1,022.2 | 1,178.8 | 1,333.2 |
| Imputed charges | -61.7 | -54.0 | -46.7 | -39.2 | -45.2 | -52.4 |
| GDP at factor cost | 4,240.3 | 4,747.5 | 5,506.2 | 5,653.1 | 6,224.5 | 7,414.0 |
| Indirect taxes | 436.5 | 500.9 | 462.4 | 355.3 | -24,343.7 | 741.7 |
| Gross domestic product at market prices | 4,676.8 | 5,248.4 | 5,968.6 | 6,008.4 | 6,778.6 | 8,155.7 |
| Net imports of goods and nonfactor services | 372.9 | 384.5 | 191.8 | 394.5 | 609.1 | 1,332.0 |
| Exports of goods and nonfactor services | 1,140.9 | 1,610.2 | 1,735.6 | 961.8 | 1,564.9 | 2,582.8 |
| Imports of goods and nonfactor services | 1,513.8 | 1,994.7 | 1,927.4 | 1,356.3 | 2,174.0 | 3,914.8 |
| Total available resources | 5,049.7 | 5,632.9 | 6,160.4 | 6,402.8 | 7,387.7 | 9,487.7 |
| Consumption | 4,352.7 | 4,843.3 | 5,056.2 | 5,545.9 | 6,174.8 | 7,248.8 |
| Government | 336.4 | 358.1 | 498.0 | 490.0 | 621.6 | 748.4 |
| Nongovernment | 4,016.3 | 4,485.2 | 4,558.3 | 5,055.9 | 5,553.2 | 6,500.5 |
| Investment | 697.0 | 789.6 | 1,104.2 | 857.0 | 1,212.9 | 2,238.9 |
| Government | 323.2 | 353.2 | 436.2 | 289.2 | 531.5 | 1,018.0 |
| Nongovernment | 373.8 | 436.4 | 668.0 | 567.8 | 681.4 | 1,220.9 |
| Gross domestic savings | 6.9 | 7.7 | 15.3 | 7.7 | 8.9 | 11.1 |
| Government | 21.1 | 24.3 | 9.0 | -0.8 | 5.7 | 12.8 |
| Nongovernment | -14.1 | -16.6 | 6.3 | 8.5 | 3.2 | -1.7 |

Sources: Malagasy authorities.

Table 4. Madagascar: Production of Rice and Other Food Crops, 1999-2004
(In thousands of tons)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|----------------|---------|---------|---------|---------|---------|---------|
| Paddy | 2,570.0 | 2,500.0 | 2,662.5 | 2,604.0 | 2,800.0 | 3,030.0 |
| Maize | 175.0 | 160.0 | 179.6 | 171.9 | 317.9 | 349.6 |
| Manioc | 2,461.0 | 2,228.0 | 2,510.3 | 2,366.3 | 1,992.2 | 2,191.4 |
| Sweet potatoes | 522.0 | 476.0 | 525.1 | 493.0 | 492.9 | 542.2 |
| Potatoes | 291.0 | 293.0 | 294.8 | 296.1 | 255.0 | 280.5 |

Source: Ministry of Agriculture and Rural Development.

Table 5. Madagascar: Retail Prices of Ordinary Rice, 2001-2004
(In Ariary per kilogram)

| | | Antananarivo | | | Toamasina | | |
|------|------|--------------|--------------|---------------|-------------|--------------|---------------|
| | | Free Market | Grocery/Shop | Average Price | Free Market | Grocery/Shop | Average Price |
| 2001 | Mar. | 594.8 | 601.1 | 598.0 | 560.4 | 594.3 | 577.3 |
| | Jun. | 460.6 | 433.0 | 446.8 | 402.8 | 412.2 | 407.5 |
| | Sep. | 395.0 | 399.6 | 397.3 | 377.8 | 387.0 | 382.4 |
| | Dec. | 476.2 | 482.0 | 479.1 | 441.0 | 450.8 | 445.9 |
| 2002 | Mar. | ... | ... | ... | ... | ... | ... |
| | Jun. | 552.8 | 543.6 | 548.2 | 532.6 | 574.2 | 553.4 |
| | Sep. | 520.6 | 526.4 | 523.5 | 517.4 | 535.2 | 526.3 |
| | Dec. | 530.2 | 533.8 | 532.0 | 513.6 | 533.6 | 523.6 |
| 2003 | Mar. | 567.6 | 566.2 | 566.9 | 549.8 | 557.0 | 553.4 |
| | Jun. | 503.0 | 505.6 | 504.3 | 496.4 | 500.0 | 498.2 |
| | Sep. | 463.8 | 458.4 | 461.1 | 457.2 | 450.2 | 453.7 |
| | Dec. | 505.6 | 500.4 | 503.0 | 480.6 | 488.4 | 484.5 |
| 2004 | Mar. | 573.2 | 566.0 | 569.6 | 508.4 | 529.4 | 518.9 |
| | Jun. | 592.0 | 610.8 | 601.4 | 585.8 | 558.0 | 571.9 |
| | Sep. | 816.4 | 801.2 | 808.8 | 785.6 | 770.8 | 778.2 |
| | Dec. | 999.4 | 949.4 | 974.4 | 1,057.4 | 1,150.0 | 1,103.7 |

Source: Malagasy authorities.

Table 5. Madagascar: Retail Prices of Ordinary Rice, 2001-04 (Concluded)
(In Ariary per kilogram)

| | | Antsiranana | | | Fianarantsoa | | |
|------|------|-------------|---------------|---------------|--------------|---------------|---------------|
| | | Free Market | Grocery/ Shop | Average Price | Free Market | Grocery/ Shop | Average Price |
| 2001 | Mar. | 629.5 | ... | 629.5 | 382 | 450 | 416 |
| | Jun. | 625.8 | ... | 625.8 | 333 | 350 | 342 |
| | Sep. | 586.4 | ... | 586.4 | 317 | 350 | 334 |
| | Dec. | 597.6 | ... | 597.6 | 383 | 350 | 366 |
| 2002 | Mar. | ... | ... | ... | ... | ... | ... |
| | Jun. | 562 | ... | 562 | 345 | 380 | 362 |
| | Sep. | 562 | ... | 562 | 457 | 420 | 439 |
| | Dec. | 562 | ... | 562 | 475 | 450 | 462 |
| 2003 | Mar. | 546 | ... | 546 | 428 | 500 | 464 |
| | Jun. | 536 | ... | 536 | 386 | 380 | 383 |
| | Sep. | 519 | ... | 519 | 436 | 400 | 418 |
| | Dec. | 513 | ... | 513 | 480 | 500 | 490 |
| 2004 | Mar. | 714 | ... | 714 | 503 | 500 | 501 |
| | Jun. | 813 | ... | 813 | 552 | 500 | 526 |
| | Sep. | 882 | ... | 882 | 780 | ... | 780 |
| | Dec. | 1123 | ... | 1123 | 1172 | 1095 | 1134 |

Source: Malagasy authorities.

Table 6. Madagascar: Production of Major Cash Crops, 1999-2004 ¹
(In thousands of tons)

| | | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------|-------------------------|---------|---------|---------|---------|---------|---------|
| Export crops | | | | | | | |
| Coffee ² | Production | 65.0 | 58.1 | 64.5 | 61.5 | 70.3 | 65.0 |
| Vanilla | Production ³ | 5.4 | 4.4 | 4.6 | 4.4 | 2.6 | 6.0 |
| Cloves | Production | 12.5 | 11.8 | 11.8 | 11.8 | 19.0 | 15.0 |
| Pepper | Production | 1.6 | 1.6 | 1.6 | 1.6 | 4.7 | 4.5 |
| Cocoa | Production | 4.3 | 4.4 | 4.4 | 4.4 | 4.4 | 4.5 |
| Butter beans | Production | 8.0 | 7.5 | ... | ... | ... | ... |
| Sisal | Production ⁵ | 17.0 | 17.1 | 17.1 | 17.2 | 17.3 | 17.0 |
| Industrial crops | | | | | | | |
| Cotton ⁶ | Production ⁵ | 34.6 | 27.4 | 26.5 | 8.2 | 11.4 | 12.5 |
| Sugarcane | Production | 2,180.0 | 2,188.6 | 2,208.5 | 2,223.4 | 2,236.1 | 2,459.7 |
| Groundnuts | Production | 34.5 | 35.0 | 35.2 | 35.4 | 35.6 | 39.2 |

Source: Ministry of Agriculture and Rural Development.

¹ Data on total production are approximate; those on marketed production are more accurate.

² Unroasted coffee.

³ Green vanilla.

⁴ Prepared vanilla (4.6 kilograms green = 1 kilogram prepared).

⁵ Most of the production is marketed.

⁶ Seed cotton.

Table 7. Madagascar: Index of Industrial Production, Excluding
the Export Processing Zone, 2000-2004

| | Weights | 2000 | 2001 | 2003 | 2004 |
|-----------------------------------|---------|-------|------|-------|-------|
| Agro-industry and food industries | 37.7 | 100.0 | 87.9 | 106.3 | 108.8 |
| Consumer goods | 4.4 | 100.0 | 80.4 | 96.4 | 100.3 |
| Clothing and leather goods | 1.9 | 100.0 | 72.8 | 93.9 | 89.8 |
| Paper | 0.9 | 100.0 | 97.6 | 113.8 | 119.9 |
| Pharmaceuticals | 1.0 | 100.0 | 73.0 | 84.7 | 98.0 |
| Housing amenities | 0.6 | 100.0 | 91.9 | 98.6 | 109.5 |
| Equipment goods | 2.4 | 100.0 | 83.3 | 95.6 | 98.4 |
| Ships | 1.8 | 100.0 | 86.9 | 98.3 | 101.5 |
| Electrical appliances | 0.6 | 100.0 | 72.8 | 87.8 | 89.4 |
| Intermediary goods | 21.6 | 100.0 | 74.1 | 94.0 | 98.1 |
| Mineral products | 8.3 | 100.0 | 80.9 | 112.3 | 123.1 |
| Textile products | 5.6 | 100.0 | 57.2 | 75.4 | 73.8 |
| Wood and paper products | 1.3 | 100.0 | 78.1 | 87.1 | 87.7 |
| Chemicals and rubber products | 3.4 | 100.0 | 94.9 | 101.9 | 100.1 |
| Metallurgical products | 3.1 | 100.0 | 61.7 | 73.0 | 77.7 |
| Energy | 33.9 | 100.0 | 69.1 | 107.0 | 109.2 |
| Petroleum products | 14.4 | 100.0 | 52.6 | 110.8 | 116.2 |
| Water, gaz, and electricity | 19.5 | 100.0 | 81.4 | 104.2 | 104.1 |

Sources: Ministry of Industry; and Ministry of Energy and Mining.

Table 8. Madagascar: Economic Activities of Manufacturing Enterprises in the Export Processing Zone (EPZ), 1999-2004

| Sectors | EPZ Charters Granted | | | | | | Cumulative EPZ Charters Granted | | | Total Commitments, 1990-2001 ¹ | |
|---|----------------------|------|------|------|------|------|---------------------------------|------|------|---|----------------------------------|
| | | | | | | | | | | Employment | Investment |
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 1999 | 2000 | 2001 | (Individuals) | (In billions of Malagasy francs) |
| Agro-food processing | 0 | 1 | 1 | | | | 31 | 32 | 33 | 3,106 | 113.6 |
| Textiles | 5 | 14 | 15 | | | | 129 | 143 | 158 | 68,649 | 615.7 |
| Hides and skins | 1 | 0 | 0 | | | | 6 | 6 | 6 | 761 | 12.1 |
| Wood processing | 1 | 0 | 0 | | | | 22 | 22 | 22 | 1,589 | 43.0 |
| Data processing | 2 | 0 | 0 | | | | 28 | 28 | 28 | 2,213 | 20.9 |
| Chemicals | 1 | 0 | 2 | | | | 9 | 9 | 11 | 673 | 31.4 |
| Electrical and mechanical | 0 | 0 | 0 | | | | 4 | 4 | 4 | 129 | 5.0 |
| Mineral processing | 1 | 0 | 0 | | | | 6 | 6 | 6 | 424 | 32.5 |
| Handicrafts | 1 | 0 | 1 | | | | 16 | 16 | 17 | 2,960 | 13.7 |
| Jewelry | 1 | 0 | 0 | | | | 12 | 12 | 12 | 519 | 11.8 |
| Enterprises promoting and managing EPZs | -1 | 0 | 3 | | | | 3 | 3 | 6 | 142 | 28.0 |
| | 0 | 1 | 0 | | | | 1 | 2 | 2 | 106 | 520.3 |
| Total | 12 | 16 | 24 | | | | 267 | 283 | 305 | 81,271 | 1,447.9 |

Source: Ministry of Industry.

¹ Cumulative totals of investment and employment commitments indicated in proposals and business plans of EPZ charter applications.

Table 9. Madagascar: Number of Enterprises with Operating Permits Under the Export Processing Zone Regime, 1999-2004

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---------|---------|---------|--------|---------|---------|
| Number of manufacturing enterprises operating und | 267 | 283 | 307 | 355 | 377 | 419 |
| Textiles and hides | 135 | 149 | 164 | 183 | 204 | 231 |
| Wood processing | 22 | 22 | 22 | 25 | 25 | 25 |
| Food, beverages, and tobacco | 31 | 32 | 33 | 34 | 39 | 41 |
| Other (mainly jewelry and handicrafts) | 79 | 80 | 88 | 113 | 109 | 122 |
| Total number of employees | 64,100 | 81,000 | 110,000 | 67,200 | 85,000 | 115,000 |
| (in percent) ¹ | 25.8 | 27.5 | 29.5 | ... | ... | ... |
| Wages paid (in billions of Ariary) | 202.0 | 237.0 | 332.0 | 83.6 | 223.1 | 353.0 |
| Value added (in billions of Ariary) | 328.0 | 360.0 | 447.0 | 170.0 | 339.0 | 482.7 |
| Exports (in billions of Ariary) | 1,157.0 | 1,236.0 | 1,368.0 | 658.1 | 1,167.1 | 1,791.9 |
| Imports (in billions of Ariary) | 512.0 | 599.0 | 735.0 | 722.0 | 1,402.9 | 2,632.4 |

Source: Project Madio, *Le Secteur Industriel Formel à Madagascar: Caractéristiques, Performances, Perspectives*, various issues, 1995-97.

¹ In percent of the total for the manufacturing sector.

Table 10. Madagascar: Production and Export of Major Minerals, 1999-2003

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|---------------------------------|-------|-------|-------|-------|-------|
| Production (thousands of tons) | | | | | |
| Chromite | 0.1 | 131.3 | 60.9 | 10.7 | ... |
| Graphite | 16.1 | 40.3 | 12.6 | 7.5 | ... |
| Exports (thousands of tons) | | | | | |
| Chromite | 81.5 | 70.0 | 50.5 | 66.1 | 68.2 |
| Graphite | 14.1 | 16.8 | 11.4 | 9.0 | 8.2 |
| Export value (millions of SDRs) | | | | | |
| Chromite | 3.2 | 4.2 | 1.8 | 2.3 | 3.4 |
| Graphite | 4.3 | 5.2 | 3.7 | 3.1 | 3.7 |
| Unit value (SDRs per ton) | | | | | |
| Chromite | 39.8 | 59.8 | 35.2 | 34.2 | 50.2 |
| Graphite | 305.3 | 311.1 | 329.4 | 338.7 | 452.8 |

Source: Ministry of Energy and Mining.

Table 11. Madagascar: Tourism Indicators, 1999-2004 Prel.
(In thousands, unless otherwise indicated)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 Prel. |
|---|-------|-------|-------|-------|-------|---------------|
| Number of tourists | 138.3 | 160.1 | 170.2 | 61.7 | 139.2 | 228.8 |
| Annual growth in percent | 14.1 | 15.8 | 6.3 | -63.8 | 125.8 | 64.3 |
| Hotel capacity (number of rooms) | 7.2 | 7.8 | 8.4 | 8.8 | 9.3 | 10.2 |
| Average capacity utilization (in percent) ¹ | 60.0 | 63.0 | 66.0 | 22.0 | 40.0 | 55.0 |
| Number of tourist nights (in thousands) | 2,627 | 3,041 | 3,234 | 493 | 1,949 | 4,347 |
| Annual growth in percent | 14.1 | 15.8 | 6.3 | -84.7 | 295.1 | 123.0 |
| Average length of stay (days) | 20.0 | 20.0 | 20.0 | 9.0 | 15.0 | 20.0 |
| Foreign exchange receipts from tourism (in millions of SDRs) | 72.9 | 91.9 | 90.2 | 27.8 | 54.0 | 104.3 |
| Annual growth in percent | 11.3 | 26.1 | -1.8 | -69.2 | 94.2 | 93.1 |

Source: Ministry of Transportation, Meteorology, and Tourism; Directorate of Tourism.

¹ Survey coverage is not complete.

Table 12. Madagascar: Production and Consumption of Electricity, 1999-2004
(In millions of kilowatt-hours)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------|-------|-------|-------|-------|-------|-------|
| Production ¹ | 721.3 | 779.8 | 785.2 | 780.0 | 898.3 | 983.6 |
| Hydroelectric | 515.4 | 539.6 | 528.4 | 535.4 | 611.7 | 637.0 |
| Thermal | 205.9 | 240.2 | 256.8 | 244.6 | 286.6 | 346.5 |
| Consumption | 571.5 | 616.5 | 645.3 | 595.4 | 675.5 | 755.6 |
| Public lighting | 8.3 | 8.8 | 9.3 | 9.9 | 9.6 | 10.2 |
| Households | 253.6 | 281.3 | 298.2 | 298.4 | 328.1 | 365.5 |
| Other | 309.5 | 326.4 | 337.8 | 287.1 | 337.8 | 380.0 |

Source: Ministry of Energy and Mining.

¹ Electric power generated by the electricity and water company, that is, excluding electricity generated by industries for their own consumption.

Table 12. Madagascar: Production and Consumption of Electricity, 2001-04 (Concluded)
(In millions of kilowatt-hours)

| | 2001 | 2002 | 2003 | 2004 |
|-------------------------|-------|-------|-------|-------|
| Primary sector | 2.2 | 2.5 | 2.3 | 2.0 |
| Agriculture | 0.4 | 0.5 | 0.5 | 0.3 |
| Livestock and fisheries | 1.8 | 1.9 | 1.8 | 1.7 |
| Forestry | 0.0 | 0.1 | 0.0 | 0.0 |
| Secondary sector | 221.1 | 168.1 | 215.2 | 235.6 |
| Agro-industry | 13.6 | 16.0 | 16.2 | 15.5 |
| Mining | 0.1 | 0.1 | 0.1 | 0.1 |
| Energy | 2.6 | 2.8 | 4.2 | 4.2 |
| Water | 41.1 | 41.1 | 44.5 | 44.7 |
| Food | 12.6 | 11.8 | 14.8 | 17.5 |
| Softdrinks | 10.4 | 9.3 | 10.9 | 10.8 |
| Tobacco industry | 1.4 | 1.3 | 2.5 | 2.3 |
| Cooking oil | 5.6 | 4.2 | 5.4 | 5.7 |
| Pharmaceuticals | 14.9 | 12.2 | 16.5 | 18.3 |
| Textile | 83.3 | 43.4 | 66.6 | 80.8 |
| Leather | 1.1 | 0.8 | 1.0 | 1.2 |
| Wood | 4.8 | 3.0 | 4.7 | 4.3 |
| Construction material | 17.5 | 11.6 | 15.4 | 17.7 |
| Metallurgical | 2.0 | 1.9 | 1.8 | 2.0 |
| Transport materials | 1.0 | 1.1 | 1.3 | 0.7 |
| Electrical appliances | 1.1 | 0.8 | 0.8 | 0.9 |
| Industrial paper | 7.0 | 6.0 | 7.6 | 7.3 |
| Others | 1.3 | 0.8 | 0.9 | 1.4 |
| Tertiary sector | 65.0 | 61.9 | 71.0 | 77.3 |
| Public works | 2.8 | 2.5 | 2.6 | 2.4 |
| Transport | 6.7 | 5.7 | 7.0 | 7.8 |
| Telecommunications | 11.6 | 11.2 | 11.9 | 11.7 |
| Commerce | 9.3 | 8.8 | 10.8 | 13.4 |
| Banking and insurance | 1.8 | 2.3 | 2.6 | 2.9 |
| Services | 23.3 | 22.1 | 26.0 | 28.2 |
| Public services | 4.3 | 4.3 | 4.9 | 5.5 |
| Other services | 5.3 | 5.0 | 5.3 | 5.4 |
| Total | 288.3 | 232.5 | 288.5 | 314.8 |

Source: Ministry of Energy and Mining.

Table 13. Madagascar: Prices of Petroleum Products, 1999-2004 ¹
(In Ariary per liter, unless otherwise indicated)

| | Gasoline (Regular) | Gasoline (Premium) | Gas Oil |
|------------|-----------------------|-----------------------|---------|
| 1999 March | 418 | 506 | 340 |
| June | 458 | 582 | 354 |
| September | 496 | 670 | 368 |
| December | 590 | 796 | 422 |
| 2000 March | 628 | 882 | 446 |
| June | 680 | 1,000 | 480 |
| September | 750 | 1,020 | 550 |
| December | 840 | 1,100 | 600 |
| 2001 March | 840 | 1,100 | 600 |
| June | 907 | 1,117 | 600 |
| September | 860 | 1,060 | 600 |
| December | 826 | 1,024 | 580 |
| 2002 March | 802 | 1,000 | 544 |
| June | 1,070 | 1,280 | 850 |
| September | 1,104 | 1,378 | 826 |
| December | 1,104 | 1,378 | 826 |
| 2003 March | 1,098 | 1,372 | 800 |
| June | 1,002 | 1,268 | 714 |
| September | 1,054 | 1,322 | 726 |
| December | 1,008 | 1,274 | 734 |
| 2004 March | 1,208 | 1,478 | 896 |
| June | 1,690 | 2,380 | 1,280 |
| September | 1,798 | 1,980 | 1,354 |
| December | 1,738 | 1,980 | 1,478 |

Source: Ministry of Energy and Mining.

¹ Wholesale prices from storage facilities; retail prices are higher by a small, fixed profit margin. Prices recorded in the capital city only.

² Prices are for a 12.5 kilogram container.

Table 14. Madagascar: Minimum and Maximum Monthly Wages, 1994-2004 ¹
(In Ariary)

| | Agricultural ² | | Nonagricultural ³ | |
|----------------------------------|---------------------------|---------|------------------------------|---------|
| | Minimum | Maximum | Minimum | Maximum |
| January 1994 - February 1995 | 12,847 | 31,754 | 12,663 | 31,199 |
| March 1995 - October 1996 | 22,487 | 48,816 | 22,110 | 47,999 |
| November 1996 - February 1998 | 24,756 | 53,741 | 24,318 | 52,789 |
| March 1998 - May 1999 | 28,456 | 61,776 | 26,972 | 60,728 |
| June 1999 - February 2000 | 31,303 | 67,954 | 30,769 | 66,800 |
| March 2000 - December 2000 | 32,517 | 70,589 | 32,031 | 69,562 |
| January 2001 - March 2001 | 34,960 | 75,840 | 34,458 | 74,809 |
| Since April 2001 - December 2003 | 36,520 | 79,200 | 36,018 | 78,172 |
| 2004 | 47,840 | 111,200 | 47,180 | 109,614 |

Source: Ministry of Civil Service.

¹ "Minimum" indicates the minimum wage in the lowest wage category, and "maximum" indicates the minimum wage in the highest wage category.

² On the basis of 200 working hours per month.

³ On the basis of 173.33 working hours per month.

Table 15. Madagascar: Consumer Price Index by Product, 2002-2004
(Period averages: January 2000 - December 2000 = 100)

| | Weight | 2002 | | | | 2003 | | | | 2004 | | | | |
|---|--------|-------|-------|-------|-------|----------------------------|-------|-------|-------|-------|-------|-------|-------|--|
| | | I | II | III | IV | I | II | III | IV | I | II | III | IV | |
| General index | 10,000 | 115.9 | 132.7 | 126.3 | 125.2 | 125.8 | 122.9 | 120.6 | 122.6 | 126.4 | 134.7 | 144.6 | 154.1 | |
| Foodstuffs, Beverage and Tobacco | 5,007 | 108.7 | 123.2 | 118.6 | 117.6 | 117.6 | 112.9 | 108.9 | 112.3 | 115.9 | 127.6 | 140.3 | 155.0 | |
| Clothing | 698 | 105.4 | 109.5 | 114.8 | 115.2 | 115.3 | 116.1 | 116.3 | 114.0 | 114.4 | 117.3 | 120.3 | 123.1 | |
| Shelter, Water, Lighting, Gaz et other fuel | 1,824 | 125.0 | 136.0 | 129.9 | 127.2 | 132.5 | 131.4 | 130.6 | 133.7 | 144.1 | 147.7 | 153.0 | 158.8 | |
| Furniture, Household Equipment, Maintenanc | 456 | 113.0 | 122.2 | 133.0 | 133.0 | 133.7 | 137.5 | 137.6 | 136.9 | 135.9 | 138.3 | 144.6 | 148.2 | |
| Health | 261 | 109.3 | 115.2 | 120.1 | 123.1 | 119.3 | 116.0 | 114.3 | 112.1 | 114.8 | 123.4 | 131.1 | 130.2 | |
| Transportation | 804 | 145.7 | 214.3 | 164.9 | 161.4 | 155.4 | 149.1 | 149.1 | 147.2 | 147.5 | 160.1 | 179.4 | 182.9 | |
| Entertainment, Spectacle and Culture | 255 | 112.3 | 123.7 | 120.2 | 119.4 | 117.8 | 116.1 | 107.6 | 103.0 | 103.6 | 109.2 | 114.1 | 115.1 | |
| Education | 372 | 130.2 | 138.3 | 145.5 | 149.6 | 151.8 | 152.0 | 155.1 | 161.6 | 161.0 | 161.3 | 165.8 | 175.3 | |
| Hotel, Restaurant | 151 | 114.5 | 130.7 | 131.2 | 133.7 | 131.0 | 127.2 | 124.7 | 123.9 | 124.7 | 127.8 | 130.5 | 130.2 | |
| Others goods and services | 171 | 112.4 | 115.9 | 117.8 | 117.6 | 126.2 | 131.0 | 130.4 | 131.1 | 132.0 | 134.0 | 136.2 | 142.5 | |
| | | | | | | (Annual percentage change) | | | | | | | | |
| General index | | 6.9 | 25.4 | 18.9 | 14.7 | 8.6 | -7.4 | -4.5 | -2.1 | 0.4 | 9.6 | 19.9 | 25.7 | |
| Foodstuffs, Beverage and Tobacco | | -0.9 | 20.0 | 24.1 | 18.2 | 8.1 | -8.4 | -8.2 | -4.5 | -1.5 | 13.0 | 28.8 | 37.9 | |
| Clothing | | 0.6 | 2.7 | 3.7 | 6.0 | 9.4 | 6.0 | 1.2 | -1.1 | -0.8 | 1.0 | 3.5 | 8.1 | |
| Shelter, Water, Lighting, Gaz et other fuel | | 17.0 | 27.2 | 12.1 | 7.9 | 6.0 | -3.4 | 0.6 | 5.1 | 8.8 | 12.5 | 17.1 | 18.8 | |
| Furniture, Household Equipment, Maintenance | | 9.4 | 13.2 | 19.0 | 19.1 | 18.3 | 12.6 | 3.5 | 3.0 | 1.6 | 0.6 | 5.1 | 8.2 | |
| Health | | 4.3 | 7.5 | 8.7 | 11.1 | 9.1 | 0.7 | -4.8 | -8.9 | -3.7 | 6.4 | 14.7 | 16.2 | |
| Transportation | | 29.0 | 84.5 | 28.7 | 20.2 | 6.7 | -30.4 | -9.6 | -8.8 | -5.1 | 7.4 | 20.3 | 24.2 | |
| Entertainment, Spectacle and Culture | | 10.4 | 19.5 | 3.0 | 0.2 | 4.9 | -6.2 | -10.5 | -13.7 | -12.0 | -5.9 | 6.0 | 11.7 | |
| Education | | 18.6 | 21.6 | 17.8 | 15.7 | 16.6 | 9.9 | 6.6 | 8.0 | 6.1 | 6.1 | 6.9 | 8.5 | |
| Hotel, Restaurant | | 13.2 | 29.1 | 27.8 | 30.6 | 14.4 | -2.7 | -4.9 | -7.3 | -4.8 | 0.5 | 4.7 | 5.0 | |
| Others goods and services | | 7.7 | 6.5 | 4.9 | 1.7 | 12.3 | 13.0 | 10.7 | 11.5 | 4.6 | 2.3 | 4.4 | 8.7 | |

Source: National Institute of Statistics.

1/ Since 2001.

Table 16. Madagascar: Central Government Financial Operations, 1999-2004
(In billions of Ariary)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|--------|--------|---------|--------|---------|----------|
| Total revenue and grants | 702.0 | 802.9 | 838.1 | 610.6 | 1,045.0 | 1,653.4 |
| Total revenue | 533.5 | 613.5 | 605.8 | 480.6 | 698.9 | 982.3 |
| Budgetary revenue | 533.5 | 613.5 | 605.8 | 480.6 | 698.9 | 982.3 |
| <i>Of which:</i> tax revenue | 516.0 | 594.4 | 581.3 | 460.8 | 678.5 | 887.1 |
| Extrabudgetary and capital revenue | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Grants | 168.5 | 189.3 | 232.3 | 130.0 | 346.1 | 671.1 |
| Current grants | 34.4 | 35.8 | 85.5 | 49.9 | 171.9 | 318.7 |
| Project grants | 134.1 | 153.6 | 146.8 | 80.1 | 174.2 | 352.4 |
| Total expenditure | 758.2 | 871.4 | 1,052.5 | 941.9 | 1,324.4 | 2,045.3 |
| Current expenditure | 435.0 | 503.6 | 616.3 | 621.9 | 771.7 | 1,027.3 |
| Budgetary expenditure | 434.5 | 453.9 | 600.2 | 556.2 | 751.6 | 896.9 |
| Personnel | 200.1 | 227.1 | 267.5 | 276.0 | 365.4 | 400.0 |
| Other noninterest expenditure | 135.8 | 152.4 | 214.3 | 148.3 | 236.1 | 257.4 |
| Foreign interest obligations | 65.0 | 26.3 | 69.8 | 81.5 | 60.6 | 113.9 |
| Domestic interest obligations | 33.6 | 48.2 | 48.6 | 50.4 | 89.5 | 125.5 |
| Treasury operations (net) ¹ | 0.5 | 41.5 | 10.9 | 40.4 | 12.1 | 128.6 |
| Emergency expenditure ² | 0.0 | 8.1 | 5.0 | 24.4 | 7.1 | 0.0 |
| Counterpart funds-financed operations | ... | 0.0 | 0.3 | 0.8 | 0.9 | 1.8 |
| Capital expenditure | 323.2 | 367.8 | 436.2 | 289.2 | 531.5 | 1,018.0 |
| Domestic financing | 85.9 | 130.9 | 188.5 | 111.9 | 172.3 | 229.5 |
| Foreign financing | 237.3 | 237.0 | 247.7 | 177.2 | 359.2 | 788.5 |
| Net cost of structural reforms | -73.9 | -96.5 | -44.6 | 1.2 | -3.9 | -8.8 |
| Exceptional revenue | 9.1 | 3.5 | 2.3 | 1.2 | 1.2 | 1.2 |
| Cost of structural reforms | 83.1 | 100.0 | 46.9 | 0.0 | 5.1 | 10.0 |
| Overall balance (commitment basis) | | | | | | |
| Including grants | -130.1 | -165.0 | -259.0 | -330.1 | -283.4 | -400.6 |
| Excluding grants | -298.6 | -354.4 | -491.3 | -460.2 | -629.5 | -1,071.7 |
| Change in arrears | 13.5 | -12.6 | -5.4 | -42.5 | -41.0 | -63.2 |
| Total overall balance (cash basis, including grants) | -116.6 | -177.6 | -264.4 | -372.6 | -324.4 | -463.8 |

Table 16. Madagascar: Central Government Financial Operations, 1999-2004 (Concluded)
(In billions of Ariary)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|----------------------------|--------|-------|--------|--------|--------|--------|
| Financing | 116.6 | 177.6 | 264.4 | 372.6 | 324.4 | 463.8 |
| Foreign (net) | 57.0 | 91.5 | 127.4 | 218.8 | 191.6 | 518.2 |
| Drawings | 103.1 | 90.1 | 144.7 | 230.0 | 249.3 | 579.3 |
| Budget | ... | 6.7 | 43.7 | 132.9 | 64.3 | 143.2 |
| Projects | ... | 83.4 | 100.9 | 97.1 | 185.0 | 436.1 |
| Amortization due | -121.5 | -57.6 | -116.2 | -116.6 | -126.9 | -188.5 |
| Change in external arrears | 5.5 | -9.9 | -13.6 | 0.0 | -13.5 | 0.0 |
| External debt relief | 69.8 | 68.9 | 0.0 | 0.0 | 82.6 | 127.4 |
| Domestic (net) | 49.3 | 76.8 | 116.2 | 144.5 | 119.3 | -84.6 |
| Banking system | 33.4 | 0.5 | 93.7 | 144.4 | 8.8 | -215.6 |
| Nonbanking system | 15.9 | 23.8 | 22.5 | -14.4 | 84.5 | 107.9 |
| Privatization receipts | 10.4 | 9.3 | 20.8 | 9.3 | 13.5 | 30.2 |

Sources: Ministry of Economy, Finance, and Budget; and Fund staff estimates.

¹ Includes annexed budgets of quasi-public entities, including port authorities, the post office, government printing office, civil service retirement funds, and correspondent accounts of local authorities.

² For 2000, the government budgeted Ariary 13.8 billion to address exceptional developments related to the resurgence of a cholera epidemic and the devastating effects of three cyclones in the year.

³ Total revenue minus expenditure, excluding foreign interest payments and foreign-financed capital expenditure.

Table 17. Madagascar: Central Government Fiscal Indicators, 1999-2004
(In percent of GDP, unless otherwise indicated)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|------|------|------|------|------|-------|
| Total revenue and grants | 15.0 | 15.3 | 14.0 | 10.2 | 15.4 | 20.3 |
| Total revenue | 11.4 | 11.7 | 10.1 | 8.0 | 10.3 | 12.0 |
| <i>Of which:</i> tax revenue | 11.0 | 11.3 | 9.7 | 7.7 | 10.0 | 10.9 |
| Grants | 3.6 | 3.6 | 3.9 | 2.2 | 5.1 | 8.2 |
| Current grants | 0.7 | 0.7 | 1.4 | 0.8 | 2.5 | 3.9 |
| Project grants | 2.9 | 2.9 | 2.5 | 1.3 | 2.6 | 4.3 |
| Total expenditures | 16.2 | 16.6 | 17.6 | 15.7 | 19.5 | 25.1 |
| Current expenditure | 9.3 | 9.6 | 10.3 | 10.4 | 11.4 | 12.6 |
| Noninterest expenditure | 7.2 | 7.2 | 8.1 | 7.1 | 8.9 | 8.1 |
| Personnel | 4.3 | 4.3 | 4.5 | 4.6 | 5.4 | 4.9 |
| Other noninterest expenditure | 2.9 | 2.9 | 3.6 | 2.5 | 3.5 | 3.2 |
| Interest obligations | 2.1 | 1.4 | 2.0 | 2.2 | 2.2 | 2.9 |
| Treasury operations (net) ¹ | 0.0 | 0.8 | 0.2 | 0.7 | 0.2 | 1.6 |
| Emergency expenditures ² | 0.0 | 0.2 | 0.1 | 0.4 | 0.1 | 0.0 |
| Capital expenditure | 6.9 | 7.0 | 7.3 | 4.8 | 7.8 | 12.5 |
| Domestically financed expenditure | 1.8 | 2.5 | 3.2 | 1.9 | 2.5 | 2.8 |
| Foreign-financed expenditure | 5.1 | 4.5 | 4.2 | 2.9 | 5.3 | 9.7 |
| Net cost of structural reforms | -1.6 | -1.8 | -0.7 | 0.0 | -0.1 | -0.1 |
| Exceptional revenue | 0.2 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cost of structural reforms | 1.8 | 1.9 | 0.8 | 0.0 | 0.1 | 0.1 |
| Overall balance (commitment basis) | | | | | | |
| Including grants | -2.8 | -3.1 | -4.3 | -5.5 | -4.2 | -4.9 |
| Excluding grants | -6.4 | -6.8 | -8.2 | -7.7 | -9.3 | -13.1 |
| Change in arrears | 0.3 | -0.2 | -0.1 | -0.7 | -0.6 | -0.8 |
| Total overall balance (cash basis, including grants) | -2.5 | -3.4 | -4.4 | -6.2 | -4.8 | -5.7 |

Table 17. Madagascar: Central Government Fiscal Indicators, 1999-2004 (Concluded)
(In percent of GDP, unless otherwise indicated)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------------------------|-------|-------|-------|-------|-------|-------|
| Financing | 2.5 | 3.4 | 2.5 | 4.4 | 4.8 | 5.7 |
| Foreign (net) | 1.2 | 1.7 | 0.2 | 1.9 | 2.8 | 6.4 |
| Drawings | 2.2 | 1.7 | 2.4 | 3.8 | 3.7 | 7.1 |
| Budget | ... | 0.1 | 0.7 | 2.2 | 0.9 | 1.8 |
| Projects | ... | 1.6 | 1.7 | 1.6 | 2.7 | 5.3 |
| Amortization due | -2.6 | -1.1 | -1.9 | -1.9 | -1.9 | -2.3 |
| Change in external arrears | 0.1 | -0.2 | -0.2 | 0.0 | -0.2 | 0.0 |
| External debt relief | 1.5 | 1.3 | 0.0 | 0.0 | 1.2 | 1.6 |
| Domestic (net) | 1.1 | 1.5 | 1.9 | 2.4 | 1.8 | -1.0 |
| <i>Of which:</i> banking system | 0.7 | 0.0 | 1.6 | 2.4 | 0.1 | -2.6 |
| Privatization receipts | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 | 0.4 |
| Memorandum item: | | | | | | |
| Nominal GDP (in billions of Ariary) | 4,676 | 5,248 | 5,969 | 6,008 | 6,779 | 8,156 |

Sources: Ministry of Economy, Finance, and Budget; and Fund staff estimates.

¹ Includes annexed budgets of quasi-public entities, including port authorities, the post office, government printing office, civil service retirement funds, and correspondent accounts of local authorities.

² For 2000, the government budgeted Ariary 13.8 billion to address exceptional developments related to the resurgence of a cholera epidemic and the devastating effects of three cyclones in the year.

³ Overall balance, excluding grants, foreign-financed capital expenditures, and foreign interest payments.

Table 18. Madagascar: Budgetary Revenue, 1999-2004
(In billions of Ariary)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|----------------------------------|-------|-------|-------|-------|-------|-------|
| Tax revenue | 515.9 | 594.5 | 581.3 | 460.8 | 678.5 | 887.1 |
| Taxes on net income | 79.6 | 93.5 | 118.9 | 105.5 | 114.2 | 159.5 |
| Companies | 41.4 | 47.3 | 60.3 | 43.1 | 53.4 | 69.6 |
| Individuals | 25.8 | 30.6 | 40.7 | 41.8 | 45.6 | 61.2 |
| Tax on income (IRNS) | 21.2 | 5.4 | 7.6 | 7.5 | 9.6 | 12.1 |
| Tax on wages and salaries (IRSA) | 4.6 | 25.3 | 33.2 | 34.3 | 36.0 | 49.1 |
| Other | 12.4 | 15.6 | 17.9 | 20.6 | 15.1 | 28.7 |
| Taxes on property | 5.0 | 6.2 | 6.8 | 5.4 | 8.4 | 11.5 |
| Taxes on goods and services | 132.3 | 173.0 | 160.8 | 137.9 | 207.4 | 265.0 |
| Value-added tax (VAT) | 77.8 | 102.6 | 105.1 | 85.6 | 118.2 | 173.2 |
| Excises | 25.6 | 31.9 | 22.1 | 20.5 | 35.6 | 37.1 |
| Fiscal monopoly profits | 22.2 | 35.8 | 31.2 | 23.8 | 41.7 | 41.3 |
| Other | 6.7 | 2.7 | 2.5 | 8.1 | 11.9 | 13.4 |
| Taxes on foreign trade | 296.2 | 318.2 | 290.4 | 208.7 | 342.6 | 444.9 |
| Import duties | 296.2 | 318.2 | 290.4 | 208.7 | 342.6 | 444.9 |
| Customs duty | 29.7 | 24.7 | 23.3 | 12.6 | 26.3 | 29.2 |
| Fiscal duty | 52.9 | 48.1 | 46.3 | 32.6 | 53.1 | 77.5 |
| VAT on imports | 124.8 | 142.3 | 144.5 | 91.6 | 156.2 | 186.0 |
| Petroleum products | 67.9 | 79.5 | 65.0 | 58.9 | 73.3 | 136.4 |
| Other | 20.9 | 23.5 | 11.4 | 12.9 | 33.7 | 15.8 |
| Other taxes | 2.8 | 3.6 | 4.3 | 3.2 | 5.8 | 6.3 |
| Nontax revenue | 17.4 | 19.1 | 24.6 | 19.8 | 20.4 | 95.2 |
| Budgetary revenue | 533.3 | 613.5 | 605.8 | 480.6 | 698.9 | 982.3 |

Source: Ministry of Economy, Finance, and Budget.

Table 19. Madagascar: Current Budgetary Expenditure, 1999-2004

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|-------|-------|-------|-------|-------|---------|
| (In billions of Ariary) | | | | | | |
| Economic classification | | | | | | |
| Current expenditure | 435.0 | 503.6 | 616.3 | 621.9 | 771.7 | 1,027.3 |
| Personnel | 200.1 | 227.1 | 267.5 | 276.0 | 365.4 | 400.0 |
| Other noninterest expenditure | 135.8 | 152.4 | 214.3 | 160.0 | 236.1 | 257.4 |
| Goods and services | 80.4 | 98.4 | 137.3 | 103.0 | 141.9 | 140.9 |
| Transfers and subsidies | 55.4 | 54.0 | 77.0 | 57.0 | 94.2 | 116.5 |
| Interest on public debt | 98.6 | 74.5 | 118.4 | 131.9 | 150.1 | 239.5 |
| Foreign interest obligations | 65.0 | 26.3 | 69.8 | 81.5 | 60.6 | 113.9 |
| Domestic interest obligations | 33.6 | 48.2 | 48.6 | 50.4 | 89.5 | 125.5 |
| Treasury operations ¹ | 0.5 | 41.5 | 10.9 | 40.4 | 12.1 | 128.6 |
| Emergency expenditure ² | 0.0 | 8.1 | 5.0 | 24.4 | 7.1 | 0.0 |
| Functional classification | | | | | | |
| Budgetary expenditure | 434.5 | 462.0 | 605.5 | 581.5 | 759.6 | 898.7 |
| General expenditure ³ | 78.4 | 176.0 | 213.5 | 156.5 | 305.0 | 320.4 |
| <i>Of which</i> : Defense | 16.0 | 63.9 | 85.7 | 78.9 | 89.8 | 101.8 |
| Education | 30.1 | 111.1 | 147.3 | 152.2 | 167.5 | 205.4 |
| <i>Of which</i> : Universities | 6.8 | 18.3 | 26.3 | 29.7 | 30.1 | 38.0 |
| Health | 28.6 | 36.5 | 53.1 | 47.4 | 55.2 | 53.2 |
| Social and community services | 0.0 | 9.3 | 9.6 | 7.0 | 6.0 | 7.1 |
| Economic services | 11.2 | 32.2 | 32.6 | 44.0 | 42.4 | 34.8 |
| <i>Of which</i> : Agriculture ⁴ | 152.1 | 16.6 | 14.5 | 15.3 | 16.4 | 14.8 |
| Public works | 98.6 | 3.8 | 5.1 | 15.9 | 8.1 | 8.2 |
| Other | 286.2 | 97.0 | 149.3 | 174.4 | 183.4 | 277.8 |
| Memorandum items: (In percent of GDP) | | | | | | |
| Noninterest budgetary expenditure | 7.2 | 7.2 | 8.1 | 7.3 | 8.9 | 8.1 |
| Social sector current expenditure ⁶ | 1.3 | 3.0 | 3.5 | 3.4 | 3.4 | 3.3 |
| <i>Of which</i> : health | 0.6 | 0.7 | 0.9 | 0.8 | 0.8 | 0.7 |
| Defense | 0.3 | 1.2 | 1.4 | 1.3 | 1.3 | 1.2 |

Sources: Ministry of Economy, Finance, and Budget; and Fund staff estimates.

¹ Beginning in 1999, treasury revenue is classified as a negative outlay in treasury expenditures, which from then on are reported on a net basis.

² For 2000, the government budgetized FMG 69 billion to address exceptional developments related to the resurgence of a cholera epidemic and the devastating effects of recent cyclones.

³ Including national defense and security expenditures.

⁴ Including livestock, fishing, water, and forestry.

⁵ Including revenue sharing with local governments and payments to international organizations.

⁶ Including expenditure on education, health, and social and community services.

Table 20. Madagascar: Central Government Capital Expenditure, 1999-2004 ¹

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|--------|-------|--------|-------|--------|---------|
| (In percent of total government capital expenditures) | | | | | | |
| General public services | 31.3 | 35.2 | 38.5 | 32.8 | 57.5 | 65.5 |
| Education | 15.7 | 4.9 | 6.4 | 5.1 | 10.6 | 17.3 |
| Health | 12.5 | 6.5 | 5.7 | 5.9 | 7.7 | 26.9 |
| Social and community services | 2.4 | 1.7 | 2.7 | 1.8 | 2.5 | 5.5 |
| Economic services | 92.6 | 51.7 | 65.3 | 33.0 | 66.2 | 161.5 |
| Agriculture ² | 37.2 | 20.9 | 23.5 | 15.3 | 18.3 | 36.1 |
| Public works ³ | 40.9 | 21.0 | 29.0 | 9.7 | 31.9 | 79.2 |
| Other | (54.5) | 0.0 | (18.6) | 21.4 | (44.5) | (176.8) |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| (In billions of Ariary, unless otherwise indicated) | | | | | | |
| Budgetary capital expenditure | | | | | | |
| Domestically financed | 85.9 | 130.9 | 188.5 | 111.9 | 172.3 | 229.5 |
| Foreign Financed | 237.3 | 237.0 | 247.7 | 177.2 | 359.2 | 788.5 |
| Total | 323.2 | 367.8 | 436.2 | 289.2 | 531.5 | 1,018.0 |
| (In percent of GDP) | 6.9 | 7.0 | 7.3 | 4.8 | 7.8 | 12.5 |

Sources: Ministry of Economy, Finance, and Budget; and Fund staff estimates.

¹ On a payment order basis for domestically financed expenditure and on a cash basis for other components.

² Including livestock, fishing, water, and forestry.

³ Mainly roads, ports, bridges, and other infrastructure.

Table 21. Madagascar: Central Government Personnel Expenditure and Number of Civil Servants, 1999-2004
(In billions of Ariary, unless otherwise indicated)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---------|---------|---------|---------|---------|---------|
| Personnel expenditure (commitment basis) ^{1 2} | 200.1 | 227.1 | 267.5 | 276.0 | 365.4 | 400.0 |
| Annual change in percent | 4.2 | 13.5 | 17.8 | 3.2 | 32.4 | 9.5 |
| In percent of current budgetary expenditure | 46.1 | 50.0 | 44.6 | 49.6 | 48.6 | 44.6 |
| In percent of total government expenditure | 26.4 | 26.1 | 25.4 | 29.3 | 27.6 | 19.6 |
| In percent of GDP | 4.3 | 4.3 | 4.5 | 4.6 | 5.4 | 4.9 |
| Civil servants (number at end-December) ³ | | | | | | |
| Civilian | 113,728 | 109,603 | 117,355 | 118,949 | 118,949 | 121,909 |
| Military | 21,760 | 21,760 | 21,491 | 24,030 | 24,030 | 24,030 |
| Total | 135,488 | 131,363 | 138,846 | 142,979 | 142,979 | 145,939 |
| Annual percent change | 7.9 | -3.0 | 5.7 | 3.0 | 0.0 | 2.1 |
| Memorandum items: | | | | | | |
| Average monthly civil servants' salary | | | | | | |
| In thousand of Ariary | 110.7 | 132.3 | ... | ... | ... | ... |
| Annual change in percent | 18.3 | 19.5 | ... | ... | ... | ... |
| Annual percent change in real terms ⁴ | 8.4 | 7.6 | ... | ... | ... | ... |
| Total government expenditure (billions of Ariary) | 758.2 | 833.7 | ... | ... | ... | ... |
| Nominal GDP (billions of Ariary) | 4675.8 | 5248.4 | ... | ... | ... | ... |

Sources: Ministry of Economy, Finance, and Budget; and Fund staff estimates.

¹ Including only regular staff. Expenditure on some categories of temporary personnel is included in goods and services outlays.

² Excluding medical expenses.

³ Data on actual positions filled, which may differ from other sources.

⁴ Annual average percentage change in the average civil servants' salary deflated by the consumer price index.

Table 22. Madagascar: Structure and Adjustment of Public Sector Salaries, 1997-2004
(In thousands of Ariary)

| | Jan. 1997 - Dec. 1997 | Jan. 1998 - Apr. 1998 | May 1998 - Feb. 1999 | Mar. 1999 - Feb. 2000 | Mar. 2000 - Jan. 2001 | Feb. 2001 - Dec. 2001 | Starting Jan. 2002 |
|------------------------|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|--------------------------|-----------------------|
| Category I | | | | | | | |
| Minimum | 41.8 | 47.9 | ... | 53.5 | 59.4 | 62.6 | 70.8 |
| Maximum | 57.4 | 63.5 | ... | 71.0 | 90.8 | 99.2 | 107.4 |
| (midpoint) | 49.6 | 55.7 | ... | 62.3 | 75.1 | 80.9 | 89.1 |
| Category II | | | | | | | |
| Minimum | 48.6 | 54.7 | ... | 61.1 | 68.4 | 73.8 | 82.0 |
| Maximum | 66.2 | 73.1 | ... | 81.8 | 113.3 | 127.0 | 135.2 |
| (midpoint) | 57.4 | 63.9 | ... | 71.5 | 90.9 | 100.4 | 108.6 |
| Category III | | | | | | | |
| Minimum | 52.8 | 59.0 | 65.7 | 73.5 | 80.8 | 87.1 | 95.3 |
| Maximum | 83.5 | 92.1 | 96.9 | 108.4 | 156.4 | 175.8 | 184.0 |
| (midpoint) | 68.2 | 75.6 | 81.3 | 90.9 | 118.6 | 131.4 | 139.6 |
| Categories IV and V | | | | | | | |
| Minimum | 61.7 | 68.3 | 71.5 | 80.0 | 116.6 | 124.2 | 132.4 |
| Maximum | 111.9 | 122.6 | 132.1 | 140.4 | 229.1 | 251.0 | 259.2 |
| (midpoint) | 86.8 | 95.4 | 101.8 | 110.2 | 172.9 | 187.6 | 195.8 |
| Categories VI and VII | | | | | | | |
| Minimum | 70.0 | 77.1 | 83.0 | 90.4 | 136.1 | 145.5 | 153.7 |
| Maximum | 123.8 | 134.5 | 150.1 | 163.6 | 289.7 | 317.5 | 325.7 |
| (midpoint) | 96.9 | 105.8 | 116.6 | 127.0 | 212.9 | 231.5 | 239.7 |
| Categories VIII and IX | | | | | | | |
| Minimum | 79.9 | 87.7 | 98.3 | 107.1 | 164.7 | 176.5 | 184.7 |
| Maximum | 147.0 | 160.1 | 185.2 | 208.8 | 348.9 | 380.4 | 388.6 |
| (midpoint) | 113.4 | 123.9 | 141.7 | 158.0 | 256.8 | 278.5 | 286.7 |
| Category X | | | | | | | |
| Minimum | 82.6 | 91.1 | 102.2 | 133.4 | 313.0 | 339.9 | 348.1 |
| Maximum | 179.8 | 195.1 | 239.8 | 261.4 | 436.7 | 444.2 | 452.4 |
| (midpoint) | 131.2 | 143.1 | 171.0 | 197.4 | 374.9 | 392.1 | 400.3 |

Sources: Ministry of Economy, Finance, and Budget.

Table 23. Madagascar: Monetary Survey, 1999-2004

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|--|---------|---------|---------|---------|---------|
| | (In billions of Ariary; end of period) | | | | | |
| Net foreign assets | 342.3 | 401.3 | 514.2 | 475.6 | 545.0 | 953.3 |
| Central bank | 211.1 | 234.1 | 357.5 | 285.6 | 316.7 | 560.5 |
| Commercial banks | 131.2 | 167.2 | 156.7 | 189.9 | 228.4 | 392.7 |
| Long-term foreign liabilities | -52.2 | -45.9 | -52.8 | -43.8 | -49.2 | -67.0 |
| Central bank | -38.2 | -33.5 | -29.8 | -31.1 | -31.9 | -47.1 |
| Commercial banks | -14.0 | -12.3 | -23.0 | -12.7 | -17.3 | -19.9 |
| Net domestic assets | 706.8 | 828.0 | 1,010.1 | 1,143.9 | 1,208.7 | 1,209.9 |
| Net credit to government | 343.0 | 371.3 | 495.4 | 622.4 | 697.8 | 497.0 |
| Net claims on government ¹ | 312.1 | 312.7 | 409.6 | 541.4 | 615.7 | 403.8 |
| Central bank | 244.1 | 232.5 | 241.6 | 317.0 | 339.5 | 262.9 |
| Commercial banks | 68.0 | 80.1 | 168.0 | 224.3 | 276.2 | 141.0 |
| Other claims | 30.9 | 58.6 | 85.8 | 81.1 | 82.1 | 93.2 |
| Credit to the economy | 391.1 | 483.0 | 555.7 | 560.3 | 604.1 | 834.6 |
| Central bank | 3.2 | 22.2 | 55.3 | 72.8 | 3.5 | 3.9 |
| Commercial banks | 0.4 | 460.7 | 500.2 | 486.9 | 600.6 | 830.8 |
| Other claims | 387.5 | 0.1 | 0.2 | 0.6 | 0.0 | 0.0 |
| Other items (net) | -27.3 | -26.4 | -40.9 | -38.9 | -93.2 | -121.7 |
| Foreign currency adjustment | 13.2 | 16.9 | 11.1 | 11.0 | -1.7 | -102.9 |
| Central bank | 34.3 | 38.0 | 33.2 | 46.5 | 75.0 | 159.5 |
| Commercial banks | -74.8 | -81.3 | -85.2 | -96.4 | -166.6 | -178.4 |
| Broad money (M3) | 996.9 | 1,183.4 | 1,471.5 | 1,575.6 | 1,704.6 | 2,096.1 |
| Currency in circulation | 287.6 | 357.3 | 431.9 | 466.0 | 514.0 | 579.0 |
| Total deposits | 709.2 | 826.0 | 1,039.6 | 1,109.6 | 1,190.6 | 1,517.2 |
| Demand deposits | 429.2 | 468.4 | 653.2 | 686.6 | 662.8 | 811.1 |
| Quasi money | 280.1 | 357.6 | 386.4 | 423.0 | 527.7 | 706.0 |
| <i>Of which</i> | | | | | | |
| Resident deposits in foreign currencies | 122.9 | 168.3 | 154.8 | 175.8 | 217.4 | 349.3 |
| Short-term obligations | 30.4 | 33.9 | 34.5 | 35.5 | 35.4 | 28.4 |
| Memorandum items: | (Change in percent of beginning-of-period broad money stock) | | | | | |
| Net foreign assets | 9.0 | 5.9 | 9.5 | -2.6 | 4.4 | 23.9 |
| Net domestic assets | 0.9 | 12.2 | 15.4 | 9.1 | 4.1 | 0.1 |
| Net credit to government | -7.8 | 2.8 | 10.5 | 8.6 | 4.8 | -11.8 |
| Credit to the economy | 10.3 | 9.2 | 6.1 | 0.3 | 2.8 | 13.5 |
| Change from previous year (in percent) | 26.2 | 23.5 | 15.0 | 0.8 | 7.8 | 38.2 |
| Broad money (M3) | 9.8 | 18.7 | 24.4 | 7.1 | 8.2 | 23.0 |

Sources: Central Bank of Madagascar; and Fund staff estimates.

¹ In 2001, the change in net claims on government differs from the amount indicated in the government operations tables because the latter does not include the assumption by the government of the state company's (SOLIMA) debt to the central bank estimated at FMG 61.8 billion.

Table 24. Madagascar: Summary Accounts of the Central Bank, 1999-2004
(In billions of Ariary, unless otherwise indicated; end of period)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|--------|--------|--------|--------|--------|--------|
| Net foreign assets | 211.1 | 234.1 | 357.5 | 285.6 | 316.7 | 560.5 |
| Foreign assets | 297.4 | 373.4 | 528.8 | 463.6 | 508.0 | 950.2 |
| Foreign liabilities (short term) | -4.0 | -2.7 | -2.4 | -5.4 | -2.6 | -1.4 |
| Poverty Reduction and Growth Facility | -82.3 | -136.5 | -168.8 | -172.6 | -188.8 | -388.2 |
| Long-term foreign liabilities | -38.2 | -33.5 | -29.8 | -31.1 | -31.9 | -47.1 |
| Net domestic assets | 296.6 | 321.8 | 349.3 | 452.7 | 420.1 | 313.9 |
| Claims on government (net) | 244.1 | 232.5 | 241.6 | 317.0 | 339.5 | 262.9 |
| Credit to government | 371.5 | 404.6 | 419.3 | 427.5 | 474.5 | 379.5 |
| Statutory advances | 39.5 | 75.5 | 89.7 | 102.5 | 83.7 | 30.7 |
| Consolidated loans | 219.9 | 219.9 | 219.9 | 219.9 | 219.9 | 0.0 |
| Foreign currency loans | 109.0 | 106.7 | 108.0 | 104.8 | 99.3 | 0.0 |
| Other | 3.1 | 2.5 | 1.7 | 0.3 | 71.5 | 348.9 |
| Government deposits | -127.3 | -172.1 | -177.7 | -110.4 | -135.0 | -116.6 |
| Claims on public companies and customers | 3.2 | 22.2 | 55.3 | 72.8 | 3.5 | 3.9 |
| Net claims on banks | 15.0 | 11.9 | 8.1 | 5.4 | 3.4 | -7.7 |
| Claims on banks | 15.0 | 11.9 | 8.1 | 5.4 | 3.4 | 2.3 |
| Reverse auctions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -10.0 |
| Other items (net) | 34.3 | 55.1 | 44.4 | 57.4 | 73.7 | 54.8 |
| Currency valuation adjustment | 15.2 | 17.1 | 11.2 | 10.9 | -1.4 | -104.7 |
| Net capital | 17.6 | 23.3 | 23.3 | 47.0 | 47.9 | 24.0 |
| Others | 1.6 | 14.7 | 9.9 | -0.5 | 27.1 | 135.6 |
| Reserve money | 465.0 | 522.0 | 677.0 | 707.0 | 704.9 | 827.3 |
| Currency outside banks | 287.6 | 357.3 | 431.9 | 466.0 | 514.0 | 579.0 |
| Currency in banks | 15.5 | 15.7 | 17.0 | 24.5 | 30.2 | 40.2 |
| Bank deposits | 161.9 | 149.0 | 228.1 | 216.5 | 160.8 | 208.2 |
| Deposits of other banking institutions | 3.4 | 0.3 | 0.0 | 0.1 | 0.0 | 0.0 |
| Resident deposits in foreign currency | 1.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 |

Sources: Central Bank of Madagascar; and Fund staff estimates.

Table 25. Madagascar: Summary Accounts of Commercial Banks, 1999-2004
(In billions of Malagasy francs, unless otherwise indicated; end of period)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|-------|--------|--------|--------|---------|---------|
| Net bank liquidity | 279.6 | 307.6 | 370.6 | 412.8 | 405.4 | 613.5 |
| Net international reserves | 131.2 | 167.2 | 156.7 | 189.9 | 228.4 | 392.7 |
| Long-term foreign liabilities | -14.0 | -12.3 | -23.0 | -12.7 | -17.3 | -19.9 |
| Reserves | 177.4 | 164.7 | 245.1 | 241.0 | 190.9 | 248.4 |
| Currencies in banks | 15.5 | 15.7 | 17.0 | 24.5 | 30.2 | 40.2 |
| Deposits at central bank | 161.9 | 149.0 | 228.1 | 216.5 | 160.8 | 208.2 |
| Net recourse to central bank | 15.0 | 11.9 | 8.1 | 5.4 | -3.4 | 7.7 |
| Recourse to central bank | 15.0 | 11.9 | 8.1 | 5.4 | -3.4 | -2.3 |
| Reverse auctions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 10.0 |
| Net domestic assets | 393.9 | 459.3 | 582.8 | 614.9 | 785.1 | 903.7 |
| Claims on government (net) | 68.0 | 80.1 | 168.0 | 224.3 | 276.2 | 141.0 |
| Credit to government | 96.2 | 121.3 | 236.5 | 305.3 | 359.7 | 271.1 |
| Government deposits | -28.2 | -41.2 | -68.5 | -81.0 | -83.5 | -130.1 |
| <i>Of which</i> : deposits of administrative agencies | -26.5 | -39.4 | -66.6 | -78.3 | -79.9 | -127.1 |
| Claims on private sector | 387.5 | 460.7 | 500.2 | 486.9 | 594.9 | 814.7 |
| Net capital | -89.2 | -103.6 | -124.1 | -145.3 | -158.3 | -173.7 |
| Other items (net) | 27.6 | 22.1 | 38.8 | 49.0 | 72.3 | 121.7 |
| Currency valuation adjustment | -1.9 | -0.2 | -0.1 | 0.1 | -0.3 | 1.8 |
| Other | 29.5 | 22.3 | 38.9 | 48.9 | 72.6 | 119.9 |
| Deposits | 643.2 | 733.1 | 918.9 | 992.2 | 1,155.1 | 1,488.8 |
| Demand deposits | 423.2 | 445.8 | 614.8 | 659.6 | 662.8 | 811.1 |
| Time deposits | 220.0 | 287.3 | 304.1 | 332.7 | 274.9 | 328.4 |
| Foreign currency | 121.9 | 168.3 | 154.7 | 175.8 | 217.4 | 349.3 |
| In millions of SDRs | 67.8 | 98.5 | 92.9 | 100.5 | 120.4 | 120.6 |
| Short-term bonds | 30.4 | 33.9 | 34.5 | 35.5 | 35.4 | 28.4 |

Sources: Central Bank of Madagascar; and Fund staff estimates.

Table 26. Madagascar: Foreign Reserve Assets and Liabilities of the Central Bank, 1999-2004
(In millions of SDRs, unless otherwise indicated; end of period)

| | 1999 | 2000 | 2001 | 2002 | 2003 | | | | 2004 | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|--------|
| | | Dec. | | | Mar. | Jun. | Sep. | Dec. | Mar. | Jun. | Sep. | Dec. |
| Foreign assets | 165.5 | 218.7 | 317.5 | 265.0 | 269.3 | 279.2 | 296.1 | 281.4 | 326.8 | 288.2 | 344.1 | 328.1 |
| <i>Of which</i> : time deposits | 121.7 | 129.4 | 258.9 | 216.7 | 217.2 | 190.7 | 183.1 | 216.1 | 212.4 | 203.4 | 257.0 | 0.0 |
| Foreign liabilities | 48.0 | 81.6 | 102.8 | 101.8 | 100.5 | 100.7 | 109.1 | 106.0 | 130.9 | 127.6 | 127.8 | 134.6 |
| Nonresident deposits | 2.1 | 1.4 | 0.9 | 2.7 | 2.9 | 3.8 | 2.6 | 0.9 | 3.8 | 1.9 | 3.7 | 0.0 |
| International organizations | 0.2 | 0.2 | 0.1 | 0.4 | 0.3 | 0.9 | 0.5 | 0.5 | 0.3 | 0.3 | 0.1 | 0.4 |
| IMF | 45.8 | 80.0 | 101.4 | 98.7 | 97.3 | 96.0 | 105.9 | 104.6 | 126.8 | 125.4 | 124.1 | 134.1 |
| External payments arrears | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net foreign assets | 117.5 | 137.1 | 214.7 | 163.3 | 168.8 | 178.5 | 187.0 | 175.4 | 195.9 | 160.6 | 216.3 | 193.6 |
| Excluding IMF and arrears | 163.3 | 217.1 | 316.0 | 261.9 | 266.1 | 274.4 | 292.9 | 280.0 | 322.7 | 286.0 | 340.4 | 327.6 |
| Memorandum item: | | | | | | | | | | | | |
| Exchange rate: Malagasy francs per SDR | 8,985 | 8,538 | 8,328 | 8,746 | 8,848 | 8,557 | 8,719 | 9,027 | 13,080 | 15,167 | 15,233 | 14,478 |

Source: Central Bank of Madagascar.

Table 27. Madagascar: Structure of Market Interest Rates, 2000-04
(In percent per annum)

| | Central Bank | | | Money Market | | | | Treasury Bills | | | | | Secondary market (Weighted average) |
|------|-----------------|-------------------|-------------------|----------------|-----------------|------------|-------------|---------------------------|----------|----------|----------|------------------|--|
| | Base rate | Lending 2-10 days | Overnight lending | Lending on bid | Deposits on bid | Inter-bank | Open market | Primary market | | | | | |
| | | | | | | | | 4 weeks | 12 weeks | 24 weeks | 52 weeks | Weighted average | |
| | (End of period) | | | | | | | (Weighted period average) | | | | | |
| 2000 | 12.00 | 14.50 | 16.50 | ... | ... | 16.61 | 16.51 | 12.82 | 15.27 | 15.40 | ... | 14.56 | 12.58 |
| 2001 | 10.50 | 13.00 | 15.00 | ... | ... | 9.90 | ... | 7.31 | 10.91 | 10.98 | ... | 9.98 | 8.21 |
| 2002 | 9.00 | 11.50 | 13.50 | ... | 8.92 | 9.02 | 10.34 | 10.56 | 11.28 | 12.29 | ... | 11.39 | 5.26 |
| 2003 | 7.00 | 9.50 | 11.50 | ... | ... | 9.89 | 11.84 | 10.86 | 11.88 | 12.98 | 13.75 | 12.08 | 9.75 |
| 2004 | 16.00 | 2.50 | 18.50 | 13.03 | 15.97 | 11.92 | 11.34 | 12.66 | 12.27 | 12.79 | 13.19 | 12.78 | 11.18 |
| 2003 | | | | | | | | | | | | | |
| Mar. | 7.00 | 9.50 | 11.50 | ... | ... | 9.50 | ... | 11.65 | 12.73 | 13.38 | 14.27 | 12.91 | 11.26 |
| Jun. | 7.00 | 9.50 | 11.50 | ... | ... | 11.00 | 12.23 | 11.27 | 12.26 | 13.09 | 13.80 | 12.43 | 10.62 |
| Sep. | 7.00 | 9.50 | 11.50 | ... | ... | ... | ... | 10.14 | 10.78 | 12.11 | 12.75 | 10.82 | 9.88 |
| Dec. | 7.00 | 9.50 | 11.50 | ... | ... | 9.70 | 11.47 | 10.02 | 10.56 | 11.65 | 12.47 | 10.76 | 10.21 |
| 2004 | | | | | | | | | | | | | |
| Mar. | 7.00 | 9.50 | 11.50 | ... | ... | 10.50 | ... | 9.96 | 10.40 | 11.18 | 12.13 | 10.92 | 9.30 |
| Jun. | 12.00 | 14.50 | 16.50 | ... | ... | 10.49 | 11.51 | 10.16 | 10.40 | 11.25 | 12.14 | 10.70 | 10.79 |
| Sep. | 16.00 | 18.50 | 20.50 | ... | 15.65 | 13.00 | ... | 14.31 | 13.46 | 13.92 | 14.21 | 14.21 | 12.12 |
| Dec. | 16.00 | 18.50 | 20.50 | ... | 17.22 | 16.20 | ... | 17.2 | 17.6 | 17.2 | 17.6 | 17.3 | 15.9 |

Source: Central Bank of Madagascar.

Table 28. Madagascar: Structure of Commercial Bank Interest Rates, 2000-2004
(In percent per annum)

| Base Rate | Lending Rates | | Deposit Rates | | Lending Rates | | Deposit Rates | | |
|-----------|---|-------------|---------------------|------------------|---------------|--|---------------------|------------------|------|
| | Short term | Medium term | Time and > one year | Foreign currency | Short term | Medium term | Time and > one year | Foreign currency | |
| | (Midpoint of the range; end of period) ¹ | | | | | (Midpoint of weighted averages) ² | | | |
| 2000 | 13.42 | 18.75 | 17.25 | 9.00 | 2.60 | 20.25 | 14.93 | 10.99 | 1.67 |
| 2001 | 12.10 | 16.88 | 15.44 | 6.50 | 2.60 | 17.82 | 13.98 | 7.37 | 1.79 |
| 2002 | 11.88 | 16.88 | 15.94 | 7.03 | 2.60 | 16.02 | 13.24 | 6.41 | 1.41 |
| 2003 | 10.92 | 15.13 | 14.38 | 5.83 | 2.60 | 14.94 | 12.61 | 6.61 | 1.36 |
| 2004 | 14.48 | 17.00 | 15.95 | 8.47 | 1.75 | 15.92 | 14.17 | 6.65 | 0.93 |
| 2002 | | | | | | | | | |
| I | 11.50 | 16.63 | 15.44 | 7.50 | 2.60 | 16.05 | 12.90 | 6.62 | 1.51 |
| II | 12.47 | 16.63 | 15.34 | 7.00 | 2.60 | 15.81 | 12.90 | 6.68 | 1.74 |
| III | 10.88 | 16.88 | 15.34 | 7.03 | 2.60 | 16.14 | 13.52 | 6.54 | 1.22 |
| IV | 11.88 | 16.88 | 15.94 | 7.03 | 2.60 | 16.10 | 13.65 | 5.83 | 1.17 |
| 2003 | | | | | | | | | |
| I | 10.08 | 15.13 | 15.21 | 7.01 | 2.60 | 14.88 | 13.26 | 6.94 | 0.96 |
| II | 10.99 | 15.13 | 14.38 | 6.87 | 2.60 | 14.88 | 12.44 | 6.66 | 1.40 |
| III | 10.49 | 15.13 | 14.38 | 5.91 | 2.60 | 15.13 | 12.53 | 6.48 | 2.09 |
| IV | 10.92 | 15.13 | 14.38 | 5.83 | 2.60 | 14.88 | 12.21 | 6.38 | 0.99 |
| 2004 | | | | | | | | | |
| I | 10.51 | 15.88 | 14.38 | 6.13 | 2.60 | 13.83 | 12.82 | 6.13 | 0.83 |
| II | 12.51 | 16.57 | 16.13 | 6.75 | 2.60 | 15.85 | 13.55 | 6.15 | 0.93 |
| III | 14.01 | 16.10 | 15.70 | 7.25 | 2.60 | 16.37 | 14.59 | 6.39 | 1.05 |
| IV | 14.48 | 17.00 | 15.95 | 8.47 | 1.75 | 17.64 | 15.72 | 7.95 | 0.91 |

Source: Central Bank of Madagascar.

¹ On new business only; reported as a range by commercial banks.

² Calculated by the banks on their outstandings; the midpoint is a simple average of the highest and lowest rates reported by the banks.

Table 29. Madagascar: Issues and Outstandings of Treasury Bills, 2000-2004
(Nominal values; in billions of Ariary, unless otherwise indicated)

| | | Total Issue | | | | | | Of Which: Nonbanking Sector ¹ | | | | Total Outstanding | | Of Which: Nonbanking Sector | | | | | |
|-------|---|---------------------------------------|---------|------|-----------|-------------|---------------|--|-----------|-------------|---------------|-------------------|---------------|-----------------------------|---------------|------------------------|---------------------|------|----------|
| | | Treasury preannouncement ² | | | Total bid | Per-centage | Bids accepted | Per-centage | Total bid | Per-centage | Bids accepted | Per-centage | Net purchases | Stock at end of period | Net purchases | Stock at end of period | Percentage of total | | |
| Total | Of which: competitive market ³ | Per-centage | | (1) | | | | | | | | | | | | | | (1a) | (1a)/(1) |
| 2000 | | 362.0 | 310.0 | 85.6 | 885.1 | 285.5 | 753.9 | 85.2 | 336.2 | 108.4 | 287.3 | 85.5 | 60.3 | 190.1 | 24.1 | 104.7 | 55.1 | | |
| 2001 | | 501.0 | 421.0 | 84.0 | 1,403.1 | 333.3 | 1,107.3 | 78.9 | 383.6 | 91.1 | 287.8 | 75.0 | 151.5 | 341.7 | 23.9 | 128.6 | 37.7 | | |
| 2002 | | 508.0 | 444.0 | 87.4 | 690.5 | 155.5 | 660.7 | 95.7 | 165.1 | 37.2 | 146.7 | 88.9 | 67.7 | 409.4 | -14.2 | 114.5 | 28.0 | | |
| 2003 | | 1,577.0 | 1,448.0 | 91.8 | 1,900.9 | 131.3 | 1,735.9 | 91.3 | 357.5 | 24.7 | 318.7 | 89.2 | 184.3 | 593.6 | 93.0 | 207.4 | 34.9 | | |
| 2004 | | 1,436.2 | 1,303.8 | 90.8 | 1,826.5 | 140.1 | 1,603.5 | 87.8 | 494.7 | 37.9 | 452.1 | 91.4 | 20.6 | 614.3 | 109.2 | 316.6 | 51.5 | | |
| 2003 | Jan. | 244.0 | 226.0 | 92.6 | 289.9 | 128.3 | 282.6 | 97.5 | 53.7 | 23.8 | 51.4 | 95.6 | 64.0 | 473.3 | 13.7 | 128.2 | 27.1 | | |
| | Feb. | 91.0 | 82.0 | 90.1 | 110.6 | 122.7 | 103.4 | 93.5 | 17.5 | 21.4 | 15.0 | 85.5 | 21.7 | 495.0 | 4.8 | 133.0 | 26.9 | | |
| | Mar. | 69.0 | 60.0 | 87.0 | 115.6 | 132.9 | 99.0 | 85.6 | 17.6 | 29.4 | 12.9 | 73.1 | 34.9 | 529.9 | 12.3 | 145.3 | 27.4 | | |
| | Apr. | 298.0 | 286.0 | 96.0 | 303.2 | 316.0 | 299.3 | 98.7 | 91.7 | 32.1 | 89.5 | 97.6 | 8.6 | 538.5 | 8.6 | 153.9 | 28.6 | | |
| | May. | 100.0 | 88.0 | 88.0 | 124.9 | 141.9 | 115.1 | 92.1 | 42.6 | 48.4 | 36.8 | 86.4 | 18.3 | 556.7 | 17.3 | 171.2 | 30.8 | | |
| | Jun. | 68.0 | 62.0 | 91.2 | 94.6 | 103.8 | 76.6 | 81.0 | 15.7 | 25.3 | 9.7 | 61.9 | 9.8 | 566.5 | 11.2 | 182.5 | 32.2 | | |
| | Jul. | 165.0 | 156.0 | 94.5 | 174.2 | 111.6 | 173.1 | 99.4 | 19.5 | 12.5 | 18.8 | 96.5 | 7.4 | 573.9 | -5.0 | 177.4 | 30.9 | | |
| | Aug. | 103.0 | 94.0 | 91.3 | 183.1 | 194.7 | 120.6 | 65.9 | 24.2 | 25.7 | 13.0 | 53.8 | -1.5 | 572.4 | 28.3 | 205.7 | 35.9 | | |
| | Sep. | 141.0 | 127.0 | 90.1 | 157.7 | 124.2 | 137.4 | 87.1 | 12.9 | 10.1 | 11.2 | 87.4 | -3.3 | 569.1 | -27.1 | 178.7 | 31.4 | | |
| | Oct. | 106.0 | 94.0 | 88.7 | 109.2 | 116.1 | 107.5 | 98.5 | 18.6 | 19.8 | 18.4 | 98.8 | -3.4 | 565.7 | 14.4 | 193.1 | 34.1 | | |
| | Nov. | 79.0 | 72.0 | 91.1 | 113.4 | 157.5 | 103.5 | 91.3 | 20.3 | 28.1 | 19.4 | 95.9 | 23.6 | 589.4 | 0.7 | 193.7 | 32.9 | | |
| | Dec. | 113.0 | 101.0 | 89.4 | 124.5 | 123.3 | 117.8 | 94.6 | 23.2 | 23.0 | 22.7 | 97.7 | 4.3 | 593.6 | 13.7 | 207.5 | 34.9 | | |
| 2004 | Jan. | 139.0 | 124.0 | 89.2 | 273.8 | 220.8 | 212.3 | 77.5 | 35.8 | 28.8 | 21.9 | 61.2 | 71.3 | 664.9 | 2.4 | 209.8 | 31.6 | | |
| | Feb. | 122.0 | 110.0 | 90.2 | 178.2 | 162.0 | 150.7 | 84.6 | 27.0 | 24.5 | 19.8 | 73.5 | 25.4 | 690.3 | 13.5 | 223.4 | 32.4 | | |
| | Mar. | 136.0 | 124.0 | 91.2 | 176.4 | 142.3 | 139.3 | 79.0 | 30.7 | 24.8 | 20.1 | 65.5 | 2.4 | 692.8 | 0.7 | 224.0 | 32.3 | | |
| | Apr. | 147.0 | 132.0 | 89.8 | 266.7 | 202.0 | 219.7 | 82.4 | 86.1 | 65.2 | 84.4 | 98.0 | 20.3 | 713.1 | -0.6 | 223.5 | 31.3 | | |
| | May. | 104.0 | 92.0 | 88.5 | 139.1 | 151.2 | 115.4 | 83.0 | 36.7 | 39.9 | 32.5 | 88.5 | -16.6 | 696.5 | -0.7 | 222.8 | 32.0 | | |
| | Jun. | 92.0 | 80.0 | 87.0 | 123.8 | 154.8 | 110.9 | 89.6 | 24.1 | 30.2 | 23.9 | 98.8 | -2.3 | 694.2 | 12.7 | 235.5 | 33.9 | | |
| | Jul. | 129.0 | 114.0 | 88.4 | 102.6 | 90.0 | 98.0 | 95.5 | 47.1 | 41.3 | 47.1 | 100.0 | -61.3 | 632.9 | 24.0 | 259.5 | 41.0 | | |
| | Aug. | 71.0 | 65.0 | 91.5 | 62.1 | 95.6 | 60.8 | 98.0 | 27.3 | 42.0 | 26.0 | 95.3 | -31.9 | 600.9 | 13.6 | 273.1 | 45.4 | | |
| | Sep. | 84.0 | 78.0 | 92.9 | 100.8 | 129.2 | 100.3 | 99.5 | 30.1 | 38.6 | 29.6 | 98.3 | 5.6 | 606.6 | -4.1 | 268.9 | 44.3 | | |
| | Oct. | 128.0 | 122.0 | 95.3 | 124.5 | 102.0 | 123.6 | 99.3 | 35.1 | 28.8 | 34.2 | 97.5 | 1.0 | 607.6 | 25.7 | 294.7 | 48.5 | | |
| | Nov. | 105.0 | 99.0 | 94.3 | 138.2 | 139.6 | 132.6 | 95.9 | 48.4 | 48.9 | 46.7 | 96.5 | 32.6 | 640.1 | 26.2 | 320.9 | 50.1 | | |
| | Dec. | 179.2 | 163.8 | 91.4 | 140.3 | 85.6 | 139.9 | 99.7 | 66.4 | 40.5 | 66.0 | 99.4 | -25.9 | 614.2 | -4.3 | 316.7 | 51.6 | | |

Source: Central Bank of Madagascar.

¹ Competitive market only, since May 16, 1997.

² Since May 16, 1997 only.

³ The noncompetitive segment of the market is open only to intermediaries in the secondary market; bills are sold at a price equal to the average of bids in the competitive auction market.

Table 30. Madagascar: Summary Balance of Payments, 1999-2004
(In millions of SDRs, unless otherwise indicated)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 Prel. |
|---|--------|--------|--------|--------|--------|---------------|
| Current account | -154.3 | -160.2 | -62.1 | -149.6 | -191.7 | -311.3 |
| Goods and services | -217.1 | -209.6 | -115.2 | -170.8 | -351.1 | -480.5 |
| Trade balance | -122.3 | -78.5 | 11.6 | -36.4 | -135.9 | -303.2 |
| Exports | 425.9 | 628.6 | 757.9 | 375.0 | 672.8 | 646.4 |
| Imports | -548.2 | -707.1 | -746.3 | -411.4 | -808.7 | -949.6 |
| Net services | -94.8 | -131.1 | -126.8 | -134.4 | -215.3 | -177.3 |
| Services, receipts | 238.5 | 276.0 | 275.4 | 173.0 | 229.3 | 285.3 |
| Services, payments | -333.3 | -407.0 | -402.2 | -307.4 | -444.6 | -462.6 |
| Income | -31.1 | -53.3 | -61.6 | -53.0 | -57.0 | -53.5 |
| Receipts | 15.1 | 16.6 | 18.8 | 20.1 | 11.7 | 10.0 |
| Investment income | 5.9 | 0.2 | 10.1 | 7.1 | 6.1 | 5.4 |
| Other | 9.2 | 16.4 | 8.7 | 13.0 | 5.6 | 4.6 |
| Of which: compensation of employees | 8.5 | 8.5 | 8.5 | 12.8 | 5.6 | 4.6 |
| Payments | -46.2 | -69.9 | -80.4 | -73.1 | -68.7 | -63.5 |
| Investment income | -45.9 | -66.7 | -71.4 | -73.1 | -63.3 | -57.9 |
| Of which: dividends | -6.4 | -22.4 | -30.0 | -28.4 | -22.6 | -15.7 |
| interest | -39.5 | -44.3 | -41.4 | -44.7 | -40.7 | -42.2 |
| Current transfers | 93.9 | 102.6 | 114.7 | 74.2 | 216.4 | 222.7 |
| Government | 25.1 | 25.5 | 25.0 | 6.2 | 102.0 | 112.8 |
| Budget aid | 20.1 | 16.5 | 36.7 | 22.1 | 91.6 | 99.1 |
| Other (net) ¹ | 5.0 | 9.0 | -11.7 | -15.9 | 10.4 | 13.7 |
| Private | 68.8 | 77.1 | 89.7 | 68.0 | 114.4 | 109.9 |
| Capital and financial account | 135.9 | 119.7 | 179.5 | 70.2 | 165.3 | 287.3 |
| Capital transfers | 94.2 | 87.0 | 88.6 | 44.6 | 63.8 | 121.9 |
| Government | 94.2 | 87.0 | 88.6 | 44.6 | 63.8 | 121.9 |
| Project grants | 94.2 | 87.0 | 88.6 | 44.6 | 63.8 | 121.9 |
| Financial account | 41.7 | 32.7 | 90.9 | 25.6 | 28.9 | 144.4 |
| Direct investment | 42.7 | 52.9 | 73.1 | 6.4 | 9.1 | 30.0 |
| Of which: privatization receipts | 15.4 | 5.3 | ... | ... | ... | ... |
| Other | -1.0 | -20.2 | 17.8 | 19.2 | 19.8 | 114.4 |
| Government | -5.8 | 13.9 | 18.5 | 48.2 | 47.6 | 135.9 |
| Drawings | 71.3 | 85.6 | 87.2 | 120.3 | 121.0 | 203.9 |
| Of which: project drawings | 71.3 | 46.2 | 60.4 | 54.6 | 83.5 | 153.7 |
| budgetary support | | 39.4 | 26.8 | 65.7 | 37.5 | 50.2 |
| Amortization | -77.1 | -71.7 | -68.7 | -72.1 | -73.4 | -68.2 |
| Private sector (net) | 2.4 | -9.1 | -4.5 | -7.9 | -7.0 | -9.7 |
| Banks (net) | 2.4 | -25.0 | -5.0 | 16.8 | -20.8 | -11.8 |
| Other (including errors and omissions) ² | 8.5 | -53.4 | -97.9 | -20.1 | 72.6 | 21.0 |
| Overall balance | -9.9 | -93.9 | 19.5 | -99.5 | -26.4 | -24.2 |

Table 30. Madagascar: Summary Balance of Payments, 1999-2004 (Concluded)
(In millions of SDRs, unless otherwise indicated)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 Prel. |
|---|---------|---------|---------|---------|---------|---------------|
| Financing | 9.9 | 93.9 | -19.5 | 99.5 | -26.4 | -24.2 |
| Net foreign assets (increase -) | -43.7 | -5.7 | -98.3 | 31.4 | -12.0 | -19.6 |
| Use of Fund credit (net) | 9.7 | 34.2 | 21.4 | 8.7 | 5.8 | 29.5 |
| Purchase | 13.6 | 38.0 | 22.7 | 11.4 | 11.4 | 34.9 |
| Repurchases | -3.8 | -3.8 | -1.3 | -2.7 | -5.6 | -5.4 |
| Other assets (net, increase -) | -43.7 | -5.7 | -98.3 | 31.4 | -17.8 | -49.1 |
| Net change in arrears (excluding the central bank) | 3.1 | 5.8 | 1.6 | 1.5 | -9.5 | ... |
| Arrears accumulation | 3.1 | 0.0 | ... | ... | ... | ... |
| Repayment of arrears | 0.0 | -5.7 | ... | ... | ... | ... |
| Rescheduling of arrears | 0.0 | 0.0 | ... | ... | ... | ... |
| Debt relief and cancellation | 40.8 | 59.6 | 55.8 | 57.9 | 47.8 | 43.7 |
| Memorandum items: | | | | | | |
| External current account / GDP (in percent) | | | | | | |
| Excluding net official transfers | -6.6 | -6.3 | -2.4 | -4.6 | -7.5 | -14.4 |
| Including net official transfers | -5.7 | -5.5 | -1.7 | -4.4 | -4.9 | -10.6 |
| Scheduled debt service ³ (before debt relief) | 17.5 | 13.6 | ... | ... | ... | ... |
| After debt relief ^{8/} | 12.0 | 0.0 | ... | ... | ... | ... |
| Actual external debt service ^{9/} | | 0.0 | ... | ... | ... | ... |
| Scheduled debt service ³ (after debt relief) | 11.4 | 6.9 | ... | ... | ... | ... |
| Public sector scheduled debt service ⁴ (before relief) | 34.9 | 32.3 | ... | ... | ... | ... |
| Annual percentage changes | | | | | | |
| Export volume | 10.6 | 47.6 | 20.6 | -50.5 | 64.0 | -10.6 |
| Import volume | 10.6 | 29.1 | 5.5 | -44.9 | 74.7 | 7.3 |
| Real GDP | 4.7 | 4.8 | 6.0 | -12.7 | 9.8 | 5.3 |
| Gross official reserves | 165.3 | 218.7 | 317.5 | 265.0 | 284.4 | 333.5 |
| (weeks of goods and nonfactor services imports) | 9.8 | 10.2 | 14.3 | 19.2 | 11.9 | 11.7 |
| (excluding privatization receipts) | 14.4 | 15.7 | ... | ... | ... | ... |
| Exchange rates | | | | | | |
| Ariary/SDR (period average) | 1,717.2 | 1,790.2 | 1,678.2 | 1,754.9 | 1,734.8 | 2,772.1 |
| Ariary/USD (period average) | 1,256.2 | 1,357.4 | 1,318.3 | 1,318.5 | 1,240.6 | 1,870.8 |

Sources: Central Bank of Madagascar; and Fund staff estimates.

¹ Other official grants less payments due to scholarships and contributions to international organizations.

² Includes commercial credits received or granted.

³ In percent of exports of goods and nonfactor services, before rescheduling.

⁴ In percent of government revenue, before rescheduling.

Table 31. Madagascar: Composition of Exports, f.o.b., 1999-2004
(Unless otherwise indicated, values in millions of SDRs, volumes in thousands of tons,
and unit values in SDRs per kilogram)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 Prel. |
|--------------|------|------|-------|-------|-------|---------------|
| Coffee | | | | | | |
| Value | 21.9 | 6.2 | 2.5 | 2.2 | 3.1 | 3.0 |
| Volume | 27.9 | 13.0 | 6.2 | 5.7 | 7.1 | 7.8 |
| Unit price | 0.8 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 |
| Vanilla | | | | | | |
| Value | 20.2 | 44.2 | 128.8 | 90.2 | 140.1 | 84.0 |
| Volume | 1.3 | 1.1 | 1.6 | 0.8 | 1.0 | 0.7 |
| Unit price | 15.2 | 39.8 | 78.5 | 107.7 | 134.5 | 113.7 |
| Cloves | | | | | | |
| Value | 12.0 | 34.5 | 75.4 | 22.8 | 20.5 | 19.1 |
| Volume | 7.8 | 14.9 | 20.2 | 10.0 | 15.8 | 12.6 |
| Unit price | 1.5 | 2.3 | 3.7 | 2.3 | 1.3 | 1.5 |
| Pepper | | | | | | |
| Value | 1.7 | 1.1 | 1.1 | 1.0 | 1.3 | 1.2 |
| Volume | 0.6 | 0.6 | 0.7 | 0.8 | 1.1 | 1.2 |
| Unit price | 2.8 | 1.8 | 1.5 | 1.3 | 1.3 | 1.0 |
| Shellfish | | | | | | |
| Value | 57.8 | 60.8 | 72.7 | 67.8 | 38.8 | 33.7 |
| Volume | 12.2 | 11.5 | 12.0 | 11.3 | 8.1 | 6.1 |
| Unit price | 4.7 | 5.3 | 6.1 | 6.0 | 4.8 | 5.5 |
| Sugar | | | | | | |
| Value | 9.0 | 4.4 | 5.4 | 0.3 | 0.7 | 5.6 |
| Volume | 31.2 | 14.0 | 21.0 | 0.8 | 1.7 | 12.4 |
| Unit price | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| Meat | | | | | | |
| Value | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Volume | 0.0 | 0.1 | 11.4 | 0.0 | 0.0 | 0.0 |
| Unit price | 1.1 | 0.8 | 0.0 | 5.9 | 0.0 | 0.0 |
| Cocoa | | | | | | |
| Value | 0.9 | 2.0 | 2.5 | 4.9 | 0.7 | 4.3 |
| Volume | 1.0 | 2.3 | 3.2 | 1.2 | 0.6 | 4.3 |
| Unit price | 0.9 | 0.9 | 0.8 | 4.0 | 1.2 | 1.0 |
| Cotton cloth | | | | | | |
| Value | 21.5 | 27.6 | 17.5 | 5.3 | 3.7 | 4.9 |
| Volume | 4.4 | 4.4 | 6.0 | 1.1 | 0.7 | 1.4 |
| Unit price | 4.9 | 6.3 | 2.9 | 4.6 | 5.4 | 3.4 |
| Sisal | | | | | | |
| Value | 1.5 | 1.5 | 2.7 | 4.9 | 1.2 | 1.7 |
| Volume | 4.6 | 5.3 | 11.2 | 12.0 | 4.0 | 4.7 |
| Unit price | 0.3 | 0.3 | 0.2 | 0.4 | 0.3 | 0.4 |

Table 31. Madagascar: Composition of Exports, f.o.b., 1997-2004 (Concluded)
(Unless otherwise indicated, values in millions of SDRs, volumes in thousands of tons,
and unit values in SDRs per kilogram)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 Prel. |
|--|-------|-------|-------|-------|-------|---------------|
| Petroleum products | | | | | | |
| Value | 9.8 | 17.2 | 20.0 | 7.3 | 22.5 | 12.0 |
| Volume | 152.3 | 163.2 | 103.4 | 67.9 | 207.3 | 112.9 |
| Unit price | 0.1 | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 |
| Chromite | | | | | | |
| Value | 3.3 | 4.2 | 5.1 | 2.7 | 2.1 | 5.9 |
| Volume | 96.2 | 91.8 | 125.0 | 62.4 | 44.5 | 83.5 |
| Unit price | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| Graphite | | | | | | |
| Value | 3.2 | 4.4 | 3.1 | 2.7 | 5.2 | 3.1 |
| Volume | 9.2 | 13.7 | 9.6 | 8.4 | 14.0 | 7.9 |
| Unit price | 0.4 | 0.3 | 0.3 | 0.3 | 0.4 | 0.4 |
| Essence of cloves | | | | | | |
| Value | 3.1 | 4.2 | 9.2 | 4.8 | 2.5 | 3.1 |
| Volume | 1.2 | 1.3 | 1.1 | 1.2 | 0.9 | 1.4 |
| Unit price | 2.7 | 3.3 | 8.2 | 4.1 | 2.8 | 2.1 |
| Other items (including reexports) | | | | | | |
| Value | 96.0 | 168.3 | 144.7 | 80.0 | 177.9 | 129.1 |
| Volume | 1.0 | 1.7 | ... | ... | ... | ... |
| Unit price | 96.6 | 93.8 | ... | ... | ... | ... |
| Exports of the export processing zone (EPZ) | | | | | | |
| Value | 163.8 | 248.1 | 267.2 | 78.1 | 252.7 | 335.9 |
| Volume | ... | 65.3 | 111.3 | 28.9 | 84.2 | 61.1 |
| Unit price | ... | 3.8 | 2.4 | 2.7 | 3.0 | 5.5 |
| Total value | 425.9 | 628.6 | 757.9 | 375.0 | 672.8 | 646.4 |
| (percentage change) | 10.6 | 47.6 | 20.6 | -50.5 | 79.5 | -3.9 |
| Memorandum items: | | | | | | |
| Traditional exports ¹ | 55.9 | 85.9 | 207.8 | 116.2 | 165.0 | 107.3 |
| In percent of total | 13.1 | 13.7 | 27.4 | 31.0 | 24.5 | 16.6 |
| Nontraditional exports ² | 78.9 | 81.5 | 100.7 | 88.2 | 51.2 | 57.2 |
| In percent of total | 18.5 | 13.0 | 13.3 | 23.5 | 7.6 | 8.9 |
| Manufactured exports ³ | 291.1 | 461.2 | 449.3 | 170.6 | 395.4 | 482.2 |
| In percent of total | 68.4 | 73.4 | 59.3 | 45.5 | 67.8 | 74.6 |

Sources: Central Bank of Madagascar; and Fund staff estimates.

¹ Value; comprises coffee, vanilla, cloves, and pepper.

² Value; comprises cotton cloth, petroleum, other items, and EPZ exports.

³ Value; comprises EPZ exports, cotton cloth, petrol, and other items.

Table 32. Madagascar: Composition of Imports, c.i.f., 1999-2004

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|-------|-------|-------|-------|-------|---------|
| (In millions of SDRs) | | | | | | |
| Food | 33.5 | 58.4 | 65.8 | 46.2 | 83.4 | 60.6 |
| Rice | 9.5 | 30.7 | 36.8 | 32.3 | 34.7 | 25.2 |
| Other | 24.0 | 27.7 | 29.0 | 13.9 | 48.7 | 35.4 |
| Energy (petroleum) | 90.2 | 161.0 | 131.8 | 99.2 | 150.6 | 145.2 |
| Equipment goods | 117.1 | 126.6 | 128.7 | 68.8 | 155.8 | 245.9 |
| Raw materials and spare parts | 97.6 | 123.1 | 103.1 | 75.7 | 157.7 | 181.8 |
| Consumer goods | 112.7 | 85.4 | 103.9 | 70.1 | 144.6 | 148.5 |
| Other imports (including EPZ) ¹ | 193.7 | 278.1 | 344.8 | 124.2 | 259.4 | 337.7 |
| Total imports, c.i.f. | 644.9 | 832.5 | 878.1 | 484.0 | 951.4 | 1,119.6 |
| Total imports, f.o.b. | 548.2 | 707.6 | 746.3 | 411.4 | 808.7 | 949.6 |
| (In percent of total imports, c.i.f.) | | | | | | |
| Food | 5.2 | 7.0 | 7.5 | 9.5 | 8.8 | 5.4 |
| Rice | 1.5 | 3.7 | 4.2 | 6.7 | 3.6 | 2.3 |
| Other | 3.7 | 3.3 | 3.3 | 2.9 | 5.1 | 3.2 |
| Energy (petroleum) | 14.0 | 19.3 | 15.0 | 20.5 | 15.8 | 13.0 |
| Equipment goods | 18.2 | 15.2 | 14.7 | 14.2 | 16.4 | 22.0 |
| Raw materials and spare parts | 15.1 | 14.8 | 11.7 | 15.6 | 16.6 | 16.2 |
| Consumer goods | 17.5 | 10.3 | 11.8 | 14.5 | 15.2 | 13.3 |
| Other imports (including EPZ) ¹ | 30.0 | 33.4 | 39.3 | 25.7 | 27.3 | 30.2 |
| Total imports, c.i.f. | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Sources: Central Bank of Madagascar; and Fund staff estimates.

¹ Includes the imports of the enterprises set up in the export processing zone (EPZ) and enterprises under special tax regimes (ARD).

Table 33. Madagascar: Direction of Trade, 1999-2003 ¹
(In percent of total)

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|-------|-------|-------|-------|-------|
| Exports, f.o.b. | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| European Union | 43.3 | 46.5 | 27.4 | 31.3 | 36.0 |
| <i>Of which</i> : France | 34.5 | 39.8 | 21.6 | 22.8 | 31.2 |
| Other Europe | 0.4 | 1.4 | 0.5 | 1.5 | 1.7 |
| United States | 5.4 | 22.5 | 15.5 | 13.7 | 26.1 |
| Asia and the Middle East | 17.1 | 11.8 | 14.2 | 18.0 | 10.1 |
| <i>Of which</i> : Japan | 1.4 | 0.8 | 3.9 | 5.9 | 3.1 |
| Africa | 9.2 | 4.5 | 9.2 | 10.4 | 5.7 |
| <i>Of which</i> : Mauritius | 4.1 | 2.3 | 4.8 | 5.5 | 2.3 |
| Réunion (France) | 3.2 | 1.6 | 3.6 | 2.7 | 2.4 |
| Other countries | 24.6 | 13.3 | 33.3 | 25.1 | 20.3 |
| Imports, c.i.f. | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| European Union | 38.9 | 18.8 | 21.9 | 25.9 | 24.5 |
| <i>Of which</i> : France | 26.8 | 14.6 | 16.9 | 20.1 | 18.3 |
| Other Europe | 0.8 | 0.5 | 0.7 | 0.7 | 1.0 |
| United States | 3.9 | 5.9 | 3.4 | 3.5 | 3.2 |
| Asia and the Middle East | 27.5 | 23.3 | 31.1 | 30.6 | 28.8 |
| <i>Of which</i> : Iran, Islamic Republic of | 0.2 | 0.0 | 0.2 | 0.0 | 0.1 |
| China | 8.7 | 6.9 | 6.8 | 8.3 | 11.2 |
| Japan | 6.6 | 2.9 | 4.3 | 5.4 | 3.1 |
| Africa | 9.1 | 6.0 | 3.7 | 7.3 | 4.5 |
| <i>Of which</i> : Mauritius | 3.2 | 1.5 | 2.3 | 3.7 | 2.9 |
| Réunion (France) | 0.1 | 0.1 | 0.1 | 0.2 | 0.3 |
| South Africa | ... | ... | ... | ... | ... |
| Other countries | 19.8 | 45.6 | 39.1 | 32.0 | 37.9 |

Source: Central Bank of Madagascar.

¹ Problems with the classification of local purchases and sales of export processing zone enterprises prevented the authorities from providing consistent export data for 1999 and import data for 1999 and 2000.

Table 34. Madagascar: Balance of Services, 1999-2004
(In millions of SDRs, unless otherwise indicated)

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 Prel. |
|-----------------------------------|--------|--------|--------|--------|--------|---------------|
| Credit | 253.7 | 292.5 | 294.2 | 193.1 | 241.0 | 295.3 |
| Freight and insurance on goods | 4.1 | 5.8 | 6.8 | 2.8 | 4.9 | 5.7 |
| Other transport | 36.4 | 33.1 | 37.4 | 29.8 | 37.1 | 60.0 |
| Travel | 72.9 | 91.8 | 90.2 | 27.9 | 54.0 | 106.0 |
| Investment income | 15.1 | 16.6 | 18.8 | 20.1 | 11.7 | 10.0 |
| Other services, public | 26.5 | 38.3 | 60.6 | 51.3 | 49.0 | 45.0 |
| Other services, private | 98.7 | 106.9 | 80.4 | 61.2 | 84.3 | 68.6 |
| Debit | 379.5 | 476.9 | 482.6 | 380.5 | 513.2 | 526.4 |
| Freight and insurance on goods | 88.3 | 114.9 | 113.0 | 85.0 | 117.0 | 151.4 |
| Percent of imports, c.i.f. | 12.3 | 12.5 | 12.9 | 17.6 | 12.0 | 15.0 |
| Other transport | 20.5 | 43.7 | 53.9 | 43.0 | 50.5 | 43.5 |
| Travel | 81.3 | 85.1 | 102.0 | 70.0 | 45.6 | 62.8 |
| Investment income | 46.2 | 69.9 | 80.4 | 73.1 | 68.7 | 63.5 |
| Interest | 39.5 | 44.3 | 41.4 | 44.7 | 40.7 | 42.2 |
| Dividends | 6.4 | 22.4 | 30.0 | 28.4 | 22.6 | 15.7 |
| Other services, public | 87.6 | 96.0 | 68.0 | 62.5 | 99.7 | 109.0 |
| Government expenditures | 17.4 | 15.4 | 17.5 | 20.7 | 22.7 | 29.5 |
| Services linked to project loans | 51.0 | 57.3 | 28.7 | 30.6 | 48.9 | 39.0 |
| Services linked to project grants | 19.2 | 23.3 | 21.8 | 11.2 | 28.1 | 41.2 |
| Other services, private | 55.6 | 67.3 | 65.3 | 46.9 | 131.7 | 96.2 |
| Net services | -125.8 | -184.4 | -188.4 | -187.4 | -272.2 | -314.7 |
| Nonfactor services | -86.0 | -136.9 | -138.0 | -142.7 | -223.8 | -268.4 |
| Factor services | -39.8 | -47.5 | -50.4 | -44.7 | -48.4 | -46.3 |

Sources: Central Bank of Madagascar; and Fund staff estimates.