

## AFRICA RISK CONSULTING

### Madagascar Monthly Briefing May 2025

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#### Madagascar Summary 20 May 2025

*France's President Emmanuel Macron (2017-present) conducts a state visit to Madagascar before attending the 5<sup>th</sup> Commission de l'Océan Indien (COI) (Indian Ocean commission) Heads of State and Government Summit. President Andry Rajoelina (2019-present) hosts Macron during which the two leaders sign bilateral agreements related to the energy, agriculture, the environment, governance and education sectors. Banky Foibeni Madagasikara (BFM) (central bank) increases the main monetary policy rate by 150 basis points to 12% in an effort to counter inflationary pressure. Japan announces a \$1.45m contribution to the Global Partnership for Education (GPE) multiplier for Madagascar, unlocking a further \$8.75m in assistance. Security forces rescue three hostages in an operation in the Anjozorobe district of the Analamanga Region.*

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#### French president conducts state visit to Madagascar

France's President **Emmanuel Macron** (2017-present) conducted a state visit to **Madagascar** on 23 April before attending the 5<sup>th</sup> **Commission de l'Océan Indien (COI)** (Indian Ocean commission) **Heads of State and Government Summit** on 24 April.<sup>1</sup> This was the first state visit by a French president to Madagascar in 20 years, and as such, the Malagasy government treated it as a hallmark political and diplomatic event, even declaring 23 April a public holiday in **Antananarivo**. This was done to limit the disruptions caused by the heightened security conditions required by Macron's security team.<sup>2</sup>

President **Andry Rajoelina** (2019-present) hosted Macron at the **Iavoloha Palace**, Madagascar's presidential residency, during which the two leaders committed to enhancing bilateral ties between their two countries. In pursuit of this, Rajoelina and Macron signed agreements related to the energy, agriculture, the environment, governance and education sectors.<sup>3</sup>

The most notable of these was an investment agreement involving Madagascar's planned **Volobe** hydroelectric power plant project.<sup>4</sup> Under this agreement, France's state-owned power company, **Electricité de France (EDF)**, will acquire a 37.5% stake in the project company, **Compagnie Générale d'Hydroélectricité de Volobe (CGHV)**. Officials have not confirmed how much EDF will pay for this stake; but, the Volobe project is estimated to be worth approximately EUR 500m (\$562.14m).<sup>5</sup> As such, EDF could inject as much as \$210m into the CGHV.

The **Volobe Hydroelectric Power Station** is a planned 120 megawatt (MW) hydroelectric power project being developed on the **Ivondro River** in the **Atsinanana Region**. It is among Madagascar's largest planned power infrastructure projects and is viewed as essential to the country's future energy security, especially for the nearby port city of **Toamasina**, through which the majority of Madagascar's international trade flows. Accordingly, EDF's involvement in the project will bring a much-needed injection of capital and skills, which should accelerate the project's development.

Rajoelina was also under pressure to address some of Madagascar's historic grievances with France related to the colonial era including repatriation of cultural artefacts and the disputed territory in the

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<sup>1</sup> AP, 23 Apr 2025

<sup>2</sup> 2424, 17 Apr 2025

<sup>3</sup> L'Express, 2 May 2025

<sup>4</sup> L'Express, 24 Apr 2025

<sup>5</sup> France24, 23 Apr 2025

**Scattered Islands.** Progress was achieved on the first issue as Macron reaffirmed France's commitment to return the remains of a Malagasy king who was killed by French forces in the 1800s. Furthermore, Macron expressed regret for France's colonial-era excesses and committed to returning other artefacts looted from Madagascar and held in French museums.<sup>6</sup>

However, the issue around the Scattered Islands largely remained unaddressed. Rajoelina clearly wished to avoid the matter as he was eager for Macron's state visit to be a success. France has made it clear it has no desire to cede control of these islands, and it was more important for Rajoelina to secure the beneficial agreements, such as EDF's investment in the Volobe project.

Madagascar will send a delegation to Paris on 30 June to attend a joint commission on the Scattered Islands.<sup>7</sup> Sovereignty over these islands is contested in whole or in part by France, Madagascar, **Mauritius**, and **Comoros**.<sup>8</sup> France currently controls all of them and views them as essential to its global maritime interests and influence. Madagascar claims that the **Europa**, **Bassas da India**, and **Juan de Nova** islands, as well as the **Glorioso archipelago**, are its historic sovereign territory. Madagascar is unlikely to secure control of these islands, given France's resistance and Madagascar's reliance on France as a trade and development partner.

Overall, Macron's visit was viewed as a success; Madagascar secured beneficial agreements, and no incidents marred the event. Similarly, the COI summit also concluded without incident, despite previous threats by the opposition to stage demonstrations (*see ARC Madagascar Briefing Apr 2025*). The COI leaders committed to enhancing cooperation on key regional issues such as food security and climate change, as well as to improving maritime connectivity between the island nations and territories.<sup>9</sup>

### Central bank hikes interest rate amid global economic uncertainty

Madagascar's central bank, the **Banky Foibeni Madagasikara (BFM)**, announced on 6 May that its monetary policy committee elected to increase the main monetary policy rate by 150 basis points to 12% to prevent potential inflation related to global economic uncertainty.<sup>10</sup> Specifically, the BFM is concerned about the potential inflationary effects of the **United States (US)** trade war. The US imposed tariffs on nearly all of its trading partners in early April, the full effects of which have not yet been fully realised.

The latest official figures show that annual consumer price inflation in Madagascar was 8.4% in March 2025. Inflation is primarily being driven by rising food prices and the cost of imported goods, including fuel. Madagascar is heavily dependent on imports for energy, fuel, and even many food products. As such, the country is vulnerable to any global trade disruptions or external economic shocks, especially those which could further depreciate the national currency, the ariary, and increase the costs of Madagascar's imports and drive higher rates of inflation.

However, the BFM's measures will only have a limited effect in stabilising inflation in the country. Higher interest rates tighten liquidity in the market and suppress consumer spending and investment. This will primarily have an impact on domestic activity and will not influence external economic shocks.

Rising global economic uncertainty has also led the government to revise its economic growth forecast for 2025 down from 5% to 4.5% of real GDP.<sup>11</sup> Finance minister **Rindra Rabarinirinarison** revealed this during the annual **International Monetary Fund (IMF)** and **World Bank** meetings in **Washington, D.C.** (US), which occurred between 21 and 26 April. The government's reduced forecast was largely motivated by an expected decrease in exports to the US due to the increased tariffs, the

<sup>6</sup> RFI, 24 Apr 2025

<sup>7</sup> Madagascar Tribune, 8 May 2025

<sup>8</sup> France24, 24 Apr 2025

<sup>9</sup> COI, 24 Apr 2025

<sup>10</sup> BFM, 6 May 2025

<sup>11</sup> L'Express, 30 Apr 2025

loss of the majority of development assistance from the US, and slower global economic activity. It should be noted that the government's economic growth forecasts are still more optimistic than those of the IMF, which projects that Madagascar's economy will only grow by 3.9% of real GDP in 2025. This level of economic growth is insufficient for Madagascar to adequately address its serious developmental and economic challenges.

### Funding received for education projects

The loss of US development assistance will have negative economic and social impacts over the coming year, given Madagascar's dependence on foreign aid. Underscoring this dependence, there have been recent aid announcements.

Most notably, on 5 May, **Japan** announced that it had contributed \$1.45m to the **Global Partnership for Education (GPE)** multiplier for Madagascar.<sup>12</sup> This donation unlocked a further \$8.75m from the multiplier fund, which will be provided by the **Japan International Cooperation Agency (JICA)**, **German Committee for UNICEF** and **Denmark's Hempel Foundation**. This \$10.2m in funding will go towards projects aimed at enhancing school management capacity, providing remedial lessons, facilitating the re-enrolment of out-of-school children, teacher development, and providing remedial lessons to schoolchildren.

The GPE estimates that less than 25% of Malagasy schoolchildren secure the minimum language and math competencies by the end of primary education. This is a function of the country's lack of development and an insufficient number of qualified teachers. Madagascar's government lacks the resources to adequately address these challenges and is thus dependent on external aid.

### Security forces free hostages in the Analamanga region

Forces from the gendarmerie's specialised training command rescued three hostages in an operation in the **Anjozorobe** district of the **Analamanga Region** on 4 May.<sup>13</sup> The hostages were freed following a gunfight in which one of the suspected kidnappers was killed and two others injured. This operation followed a three-week investigation into the 16 April kidnapping of the victims in the **Ambohibary Vohilena** area of Anjozorobe.<sup>14</sup> Armed assailants seized the hostages from their home and then demanded a ransom for their return.

Anjozorobe has emerged as a kidnapping hotspot in Madagascar in the past year, as dozens of people have been kidnapped in the district. Local bandit gangs (known as dahalo) have turned to kidnapping as an additional source of revenue and primarily target rural villagers to extort ransoms from their families.

Dahalo have long been the most serious security concern in rural Madagascar. These bandit gangs tend to be well-armed and can include several dozen members. Historically, dahalo have focused on cattle rustling and raiding rural farmsteads for vanilla and valuables. However, in recent years, these groups have become increasingly emboldened and frequently hijack vehicles travelling along the country's rural roads.

The shift towards kidnapping is a major security concern as it changes the dynamics of the security environment in Madagascar. The apparent success enjoyed by dahalo gangs in Analamanga could potentially incentivise dahalo in other regions to pivot towards kidnapping operations as well. Although these gangs have currently targeted locals, there is a real possibility that they could begin targeting foreign nationals, given the perception that such nationals are wealthier and would command a higher ransom. This will particularly be an operational concern for those in the mining and agricultural sectors in Madagascar who are located in isolated rural areas.

<sup>12</sup> GPE, 5 May 2025

<sup>13</sup> NewsMada, 4 May 2025

<sup>14</sup> L'Express, 13 May 2025

## Planner

30 Jun 2025 **Paris (France)** Madagascar to attend joint commission on the **Scattered Islands**  
 Aug 2025 **Antananarivo (Madagascar)** The **Southern African Development Community (SADC) Heads of State and Government Summit**;

## Chronology

18 May 2025 **Antananarivo (Madagascar)** *Madagascar Tribune*. Opposition members of parliament (MPs), particularly from the **Firaisankina Platform**, seek to summon three key ministers over unresolved issues including the **Finance Act**, the **Scattered Islands** dispute and the controversial **Toliara Base Project**, demanding public accountability;

17 May 2025 **Antananarivo (Madagascar)** 2424. The **Council of Ministers** approves a recovery plan for the state-owned power and water utility **JIRAMA**;

17 May 2025 **Antananarivo (Madagascar)** *L'Express*. President **Andry Rajoelina** (meets with residents in the **Ankilimalinike** area of **Toliara (Atsimo-Andrefana Region)** in an effort to ease tensions over a planned mineral sands mining project in the area;

16 May 2025 **Antananarivo (Madagascar)** *L'Express*. Madagascar's director-general of customs, **Ernest Lainkana Zafivanona**, meets with **China's** vice minister for customs, **Wang Lingjun**, and discusses means to simplify customs procedures between the two countries;

15 May 2025 **Antananarivo (Madagascar)** *Madagascar Tribune*. Mines ministry issues a call for gold sector operators to apply for gold trading licenses;

15 May 2025 **Antananarivo (Madagascar)** *Midi Madagasikara*. The **Agence de Recouvrement des Avoirs Illicites (ARAI)** (illicit asset recovery agency) reveals that it froze assets worth over MGA 297m (\$66,000) in 2024;

13 May 2025 **Antananarivo (Madagascar)** *L'Express*. Government through its **Fond Malagasy de Sovereign (FSM)** (sovereign wealth fund) becomes a majority shareholder (49%) in the **Nouvelle Énergie Hydroélectrique de l'Onive** consortium, a public-private partnership responsible for the development of the **Sahofika Hydroelectric Power Station** in Madagascar;

13 May 2025 **Cairo (Egypt)** *Ahram*. Madagascar's armed forces minister General **Sahivelo Lala Monja Delphin**, meets with his Egyptian counterpart, General **Abdel Mageed Saqr**, to discuss defence cooperation;

10 May 2025 **Antananarivo (Madagascar)** *L'Express*. Transport minister **Valery Ramonjavelo** hosts a delegation from **Sri Lankan Airlines** to discuss potentially establishing direct flights between Antananarivo and **Colombo** (Sri Lanka)

2 May 2025 **Paris (France)** *RSF*. Madagascar falls 13 places to 113th out of 180 countries on the **2025 World Press Freedom Index**;

1 May 2025 **Antananarivo (Madagascar)** *L'Express*. Madagascar's trade unions stage demonstrations to commemorate **International Workers' Day**;

30 Apr 2025 **Antananarivo (Madagascar)** *L'Express*. Demonstrators block the **RN 9** roadway in **Toliara (Atsimo-Andrefana Region)** in an effort to disrupt a police operation in the area;

27 Apr 2025 **Cairo (Egypt)** *State Information Service*. Malagasy agriculture minister **Francois Gervais** meets with his Egyptian counterpart **Alaa Farouk** to discuss increased bilateral cooperation in the sector;

26 Apr 2025 **Antananarivo (Madagascar)** *L'Express*. Officials seize approximately 213 kilogrammes (kg) of illicit drugs in the **Mahazoma** area of **Betsiboka Region's Maevatanana** district;

20 Apr 2025 **Antananarivo (Madagascar) L'Express**. Madagascar hosts **Exercise Tulip 2025**, a multi-country military exercise in the **Indian Ocean** led by **France**, including Madagascar, **Mauritius, Seychelles, and Comoros**.

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Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com)

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