

## AFRICA RISK CONSULTING

### Madagascar Monthly Briefing April 2020

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#### Madagascar Summary 28 April 2020

*President Andry Rajoelina (2019-present) distributes an apparent cure for Covid-19 as part of a programme to ease Madagascar's partial lockdown. A curfew remains in place but people may circulate until 1 pm. The government's initial speed and additional measures appear to have contained the outbreak. Some feel the easing of restrictions is too soon but the government has countered with its fears of political unrest. The global shutdown has ended a 10-year tourism peak and resulted in a sharp economic contraction. The International Monetary Fund (IMF) has immediately agreed a debt relief and budgetary support package. The IMF move is expected to unleash other donor support.*

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#### President Rajoelina's controversial brew draws criticism ...

President **Andry Rajoelina** (2019-present) faces international criticism as he launches a putative cure for **Covid-19** as part of the government's measures to combat the disease and to ease Madagascar's lockdown. Rajoelina said the limited lockdown that the country implemented in three regions most affected by the virus would be lifted following the alleged discovery of a Covid-19 remedy named **Covid-Organics (CVO)**. The progressive lifting included capital region, **Antananarivo**, the south-eastern **Fianarantsoa Province** and the eastern port city of **Toamasina**.

Rajoelina, who launched the remedy personally, described it as a "*traditional remedy, which had curative and preventative qualities*" against Covid-19. The president claimed that the state's official research institution, **l'Institut malgache de recherche appliquées (Imra)**, had developed the remedy, which is a herbal tea with a base of artemesia and other plants with medicinal properties.<sup>1</sup> Civil society has criticised the government's launch of CVO and has asked for proof of any testing that it is effective against Covid-19. **Faraniaina Ramarosaona**, the coordinator of a civil society movement **Rohy**, highlighted that the Imra had not published any details of the remedy.<sup>2</sup>

Most controversially, the state has started to distribute CVO to the general population for free – apparently as part of the government's management of the epidemic. Children are reportedly required to drink it as part of the return to school.<sup>3</sup> Reacting to criticisms and concerns that the easing of lockdown was premature, the president's chief of staff, **Lova Ranoromaro**, told the media that the distribution of CVO was in conjunction with formal disease management measures. Notably, the government had acted speedily to isolate the "*cases [of covid-19] imported from abroad*" before they had closed the borders, and that the government had implemented "*a massive testing regime*". Ranoromaro said it was also compulsory to wear a mask and maintain social distancing.

#### ... amid continuing measures to combat Covid-19 ...

Measures that remain in place to combat the Covid-19 pandemic include:

- State of emergency (health)
- Distribution of the CVO from 20 April
- Lockdown in **Analamanga** (Antananarivo) and **Tamatave** port
- Internal flights suspended

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<sup>1</sup> Jeune Afrique, 27 Apr 2020,

<sup>2</sup> Jeune Afrique, 27 Apr 2020

<sup>3</sup> Africa News, 22 Apr 2020

- Lockdown easing from 20 April from 6h -13h
- Curfew from 20h to 5h
- Mandatory wearing of masks in public places
- Schools resume with “*compulsory distribution of CVO to pupils*”
- Public transport to resume with precautionary measures
- Ban on public gatherings remains.

Apart from the compulsory distribution of CVO, notably to schools, Madagascar’s management of the pandemic outbreak is described as effective. As at 26 April the country had 53 current cases, 71 recoveries and no deaths. Covid-19 hits older populations with pre-existing health conditions hardest: Madagascar’s roughly 27.5 million population has a youthful demographic with 76.2% under 35<sup>4</sup> and a median age of 19.6.<sup>5</sup> Nevertheless, an ARC source said the level of preparedness was surprising:

*“The government took early action and imposed travel restrictions on ships and airlines. Although theirs is a francophone heritage, the system works in a decentralised way. Regional authorities and businesses worked together to source and distribute personal protection equipment, gloves and hand sanitisers, as well as to identify suitable isolation centres. Moreover it is difficult to spread the virus. It is quite hard to get around. All domestic air travel has stopped and it takes days driving on bad roads to travel in to the affected areas.”<sup>6</sup>*

Despite the government’s apparent early success in containing the virus to date, the country’s health service is in a poor state. Concerns remain about the consequences should there be a resurgence of the outbreak. **British** Ambassador to Madagascar **Phil Boyle** warned in early April that,

*“The island has minimal health infrastructure, with 10 doctors for every 100,000 people ... If developed countries don’t step up, the humanitarian consequences could be considerable.”<sup>7</sup>*

As elsewhere on the **African** continent, there is concern about the social consequences of an immediate shutdown of the economy on the poorest members of society, who work on a daily wage basis and whose wages have suddenly come to an end. The government raised concerns on 22 April about the economic consequences and political instability that the lockdown could create.<sup>8</sup>

### ... and economic shutdown affects most sectors

The real impact of Covid-19 is the tsunami-like force of the global demand shock on every part of Madagascar’s economy. The **International Monetary Fund (IMF)** tried to quantify the global shock and has forecast a 3% global economic contraction. Africa’s lost trade is estimated at \$39 billion, according to the **World Trade Organisation (WTO)**. Madagascar as an island economy is particularly hit.

*“The main drivers of the economy are tourism. The economy will be hit very hard. In reality tourism brings in more foreign exchange to the economy than anything else. Mining in Madagascar draws a lot of attention but these are small operations in revenue terms compared to tourism. Agriculture and vanilla exports will also be hit hard as there are restrictions on export activity.”<sup>9</sup>*

The contribution of travel and tourism to gross domestic product (GDP) has grown consistently since 1999. According to the IMF, tourism numbers reached a ten-year peak of more than 380,000 visitors in 2019, an increase of 32% compared to 2018 with the result that tourism revenue was equivalent to 5% of GDP. A further 15% increase was initially forecast for 2020, but the abrupt end to tourism

<sup>4</sup> African Economic Outlook, accessed 28 Apr 2020

<sup>5</sup> Worldometers, accessed 28 Apr 2020

<sup>6</sup> ARC source, international business executive 27 Apr 2020

<sup>7</sup> Confectionerynews.com 27 Apr 2020

<sup>8</sup> Africa Intelligence, 22 Apr 2020

<sup>9</sup> ARC source, international business executive 27 Apr 2020

traffic since March suggests a significant slowdown. The IMF also foresees a slow recovery through 2021 before resuming pre-pandemic levels in 2022.

*“Growth in 2020 is expected to fall to 1.6 percent (3.6 percentage points below the pre-pandemic baseline estimate). Assuming a pick-up to the pre-pandemic level in 2021, growth averages 5.3 percent over 2022–25.”<sup>10</sup>*

With airlines grounded, the north to south supply chain is broken and will be slow to recover. Tourist airlines’ return flights carry freight compartments for perishable agricultural products. These are no longer available to Madagascar’s south-north exporters. Madagascar is the world’s largest producer of vanilla in a \$1 billion a year industry.<sup>11</sup> The supply chain disruption will see an acute shortage of supply and could see vanilla prices rise or substitutes eat into Madagascar’s market share. International non-governmental organisation **Fairtrade** has called on the **G20** group of countries to protect cocoa farmers in developing countries from the worst effects of the Covid-19 crisis. The prospect is grim for Madagascar’s emerging ‘certified origin’ or branded chocolate that aims to create more value for local communities.<sup>12</sup>

Meanwhile, most of the mining sector had shut down by 25 March in response to Covid-19 crisis. **Australia**-based graphite junior **Bass Metals** placed its **Graphmada** mine on care and maintenance while **Japan**’s **Sumitomo Corp** has suspended operations at its **Ambatovy** nickel mine.

### IMF’s response to plight of poor countries is swift

The IMF has acted with unprecedented speed to provide both debt relief and budgetary support to poor countries facing the virus. Madagascar was one of the early beneficiaries of immediate debt service relieve for 19 of Africa’s poorest and most vulnerable counties. Madagascar ranks alongside **Benin, Burkina Faso, Central African Republic, Chad, Comoros, DRC, The Gambia, Guinea, Guinea-Bissau, Liberia, Malawi, Mali, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Sierra Leone** and **Togo**.

On the budget support side, the IMF board on 3 April approved an immediate \$165m disbursement to the country under the fund’s **Rapid Credit Facility (RCF)** citing the severe impact that Covid-19 is having on the economy.

It is unlikely that normal economic activity will resume in the next three months so the government is likely to need support to provide social welfare grants to support the poorest. The IMF involvement is expected to trigger additional donor support from other bilateral donor sources.

<sup>10</sup> IMF report, 30 Mar 2020

<sup>11</sup> Forbes magazine, 15 Apr 2020

<sup>12</sup> Confectionerynews.com

## Planner

26 Jun 2020 **(Madagascar)** Independence Day;

28-30 Sep 2020 **Antananarivo (Madagascar)** L'AviaDev Africa 2020 (Aeronautical Conference of Africa)<sup>13</sup>

2023 **(Madagascar)** Potential presidential elections

## Chronology

22 Apr 2020 **Antananarivo (Madagascar)** *Africa Intelligence*. Government raises concerns about the economic consequences and the political instability that the lockdown could create;

20 Apr 2020 **Antananarivo (Madagascar)** *L'Express*. President **Andry Rajoelina** promotes an unproven remedy for **Covid-19** named **covid-organics**;

22 Apr 2020 **Antananarivo (Madagascar)** *CPJ*. **United States-based Committee to Protect Journalists** says **Madagascar** authorities should immediately release local privately-held newspaper Madagascar-based **Ny Valosoa** director **Arphine Helisoa** and halt the legal proceedings against her;

8 Apr 2020 **Tokyo (Japan)** *Reuters*. Japan-headquartered **Sumitomo Corp** warns it may miss its net profit estimate by 100 billion yen (\$919m) due to the **Covid-19** crisis and falling oil prices, to which the closure of Madagascar's **Ambatovy** nickel mine was a contributing factor;

14 Apr 2020 **(Africa)** *IMF*. **International Monetary Fund** approves immediate debt service relief to 25 poor and vulnerable countries, including 19 **African** countries: **Benin, Burkina Faso, Central African Republic, Chad, Comoros, DRC, The Gambia, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Sierra Leone and Togo**;

26 Mar 2020 **Ambatovy (Madagascar)** *Reuters*. **Japan-based Sumitomo Corp** to temporarily suspend operations at its **Ambatovy** nickel mine in **Madagascar** to prevent the spread of **covid-19**;

26 Mar 2020 **Antananarivo (Madagascar)** *Reuters*. **Banky Foiben'i Madagasikara** (central bank) says it has injected \$112.2m in March into the banking system to help it cope with **covid-19**;

26 Mar 2020 **Ambatovy (Madagascar)** *Reuters*. **Japan-based Sumitomo Corp** to temporarily suspend operations at its **Ambatovy** nickel mine in **Madagascar** to prevent the spread of **covid-19**;

25 Mar 2020 **Graphmada (Madagascar)** *Mining Weekly*. **Australia-based graphite junior Bass Metals** announces plans to place its **Graphmada** mine on care and maintenance;

<sup>13</sup> The conference has been postponed from its original dates (6 May-8 May)

### About Africa Risk Consulting:

**Africa Risk Consulting (ARC)** is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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