

AFRICA RISK CONSULTING

Madagascar Monthly Briefing January 2021

Madagascar Summary 20 January 2021

South African police seize 73.5kg gold worth \$4.5m thought to come from Madagascar at O.R. Tambo international Airport, casting a spotlight on Africa's illicit gold trade. The new senate is complete as President Andry Rajoelina (2019-present) announces the six senators he has appointed to join the 12 senators elected from the six provinces. Although Madagascar continues to see a comparatively low rate of Covid-19 infection, the pandemic and global measures to curb its spread continue to have a significant impact on the country's economic outlook. United Nations (UN) humanitarian organisation World Food Programme (WFP) predicts 1.35 million people in southern Madagascar will be food insecure as it appeals for \$35m for food distribution and malnutrition programmes. Tropical storm Eloise makes landfall in north-eastern town of Antalaha.

South African police foil plot to smuggle Malagasy gold ...

South African police arrested three passengers in transit at **O.R. Tambo International Airport (Gauteng)** on 4 January and seized 73.5kg of gold bars in their hand luggage.¹ The arrests highlight the extent and consequences of Africa's illicit gold trade.. The suspects were on their way from **Madagascar to Dubai (United Arab Emirates)** via **Ethiopia** when police apprehended them. Although the exact origin of the gold bars is unclear, there are strong indications they came from Madagascar. The seized gold is worth approximately \$4.5m on the legal market.²

The **Conseil des Ministres** (council of ministers) issued a statement on the government website on 6 January, stating that the Malagasy government would cooperate with the South African government in efforts to return the gold to the **Banky Foiben'i Madagasikara** (central bank of Madagascar) and to extradite the three suspects arrested at O.R. Tambo.³ The Malagasy government noted the importance of current efforts to clamp down on illicit gold trade in the country.⁴ **Germany**-based non-governmental organisation (NGO) **Transparency International** highlighted the problem of the illicit gold trade in Madagascar in a 2018 report:

*"Gold mining, on an artisanal and small scale, appears controlled by a network of powerful traders who are allegedly involved in smuggling. Government officials appear to be complicit or incompetent to stop the smuggling."*⁵

United Kingdom (UK)-based international news agency **Reuters** reported in 2019 that large volumes of gold worth billions of dollars were smuggled out of the **African** continent to the **Middle East**.⁶ In 2016 the UAE had reported a much higher import value than countries were reporting exports, signalling a significant likelihood of illicit activity.⁷ **United Nations Comtrade** reported a \$121m difference between exports reported from Madagascar and imports reported by the UAE in 2016.⁸ In 2020 the Malagasy government reported official gold exports of 2.4 metric tons, while **France**-based news agency **La Verité** claimed the real amount of gold leaving Madagascar was closer

¹ News24, 4 Jan 2021

² Daily Maverick, 12 Jan 2021

³ Presidency.gov, 6 Jan 2021

⁴ Presidency.gov, 6 Jan 2021

⁵ Daily Maverick, 12 Jan 2021

⁶ Reuters, 24 Apr 2019

⁷ Reuters, 24 Apr 2019

⁸ Reuters, 24 Apr 2019

to 20 metric tons.⁹ With 1 metric ton estimated to be worth \$6m, Madagascar could be earning approximately \$120m for its gold exports on the legal market.

The illicit gold trade impacts not only government coffers but carries a heavy social price. Gold is often mined without official oversight, or adherence to environmental and safety regulations.¹⁰ Informal methods of gold production often result in toxic chemicals leaking into soil, rocks and rivers. The Malagasy government on 11 October suspended a controversial gold mine, the **Mac Lai Sime Gianna (MLSG)** in **Vohilava** commune, for using mercury to separate gold from ore and causing notable damage to the river (see *ARC Briefing Madagascar October 2020*). The illicit gold trade is frequently controlled by groups funding insurgencies or other illegal operations, and the battle to control the lucrative trade can lead to armed conflict.¹¹

Razafimahefa heads new senate

President **Andry Rajoelina** (2019-present) announced on 19 January the names of the six senators who will join the 12 senators elected across Madagascar's six provinces.¹² The six senators chosen by President Rajoelina are **Herilaza Imbiki** (magistrate), **Tahina Hajaniaina Andrianandrasana** (magistrate), **Landy Mbolatiana Randriamanantenaso** (magistrate), **Jean André Ndremanjary** (former minister of sport), **Tsiebo Mahaleo Richard Victor** (former member of Sakaraha) and **Richard Barijohn Ramanambintana** (former director of institutional communication in Antananarivo). All 18 senators will proceed to the official handover on 25 January.¹³

Herimanana Razafimahefa, elected in the province of Antananarivo, was elected as the new president of the Senate during the first special meeting of the new parliamentarians of the upper house on 19 January.¹⁴ Razafimahefa was the sole candidate for the presidency and obtained his approval by the assembly, replacing **Rivo Rakotovo** on 25 January.¹⁵

Covid-19 continues to affect economic outlook

Although Madagascar continues to see a comparatively low rate of **Covid-19** infection, the pandemic and global measures to curb its spread continue to have a significant impact on the country's economic outlook. As of 20 January, Madagascar had recorded 18,301 confirmed cases of Covid-19 in its population of approximately 28 million, with 17,609 recoveries and 273 deaths.¹⁶ Active cases currently number 419, with the majority in the provinces of **Anamalanga**, **Antsinanana**, **Alaotra Mangoro** and **Diana** in central and northern Madagascar.¹⁷ There is no indication that the new strain of **coronavirus** seen in South Africa and the **United Kingdom (UK)** has arrived in the country.

The Malagasy government lifted the Covid-19 curfew on 6 October (see *ARC Briefing Madagascar October 2020*) and since then has not signalled any intention to reinstate lockdown or strict restrictions, unlike many other countries. To enter Madagascar, travellers need to provide proof of a negative coronavirus test taken within 72hrs of travel and take a PCR test when entering **Ivato International Airport**. If the PCR test is positive, travellers may be subjected to isolation at state-mandated facilities for treatment.¹⁸

The government noted its decision in November not to participate in the **World Health Organisation (WHO)**-led **COVAX** global initiative for access to the Covid-19 vaccine once it has been approved and

⁹ La Verité, 22 Sep 2020

¹⁰ Reuters, 24 Apr 2019

¹¹ Reuters, 24 Apr 2019

¹² Madagascar Tribune, 19 Jan 2021

¹³ Madagascar Tribune, 19 Jan 2021

¹⁴ Madagascar Tribune, 20 Jan 2021

¹⁵ Madagascar Tribune, 20 Jan 2021

¹⁶ Worldometer Covid-19, accessed 20 Jan 2021

¹⁷ John Hopkins Covid-19 Dashboard, 23 Nov 2020

¹⁸ US Embassy, 29 Dec 2020

licensed (see *ARC Briefing Madagascar December 2020*).¹⁹ Instead, Madagascar will wait to see the effectiveness of the vaccine in countries that use it first.

Covid-19 related restrictions and the former lockdown nevertheless continue to have a significant impact on Madagascar's economic outlook. The **World Bank** reports a sharp recession with GDP contraction of 4.2% due to domestic containment measures and global trade disruptions.²⁰ The **Institut National de la Statistique (INSTAT)** (national institute for statistics) reported in November poor economic conditions during the three first quarters of 2020, with a 20% drop in export revenues from 2019.²¹ This was mainly driven by Covid-19-related restrictions and a fall in revenue from tourism (-98%), mining exports (-53%) and textile exports (-12%).²² Although the resilience of agricultural productivity reduced the impact of Covid-19, the World Bank reports that high rates of informal work, insufficient infrastructure, and institutional weakness exacerbated the GDP contraction.²³ Economic recovery is within the country's reach, but this depends on the government's ability to mobilise domestic resources for investment in infrastructure and human capital.

The economic fallout from the pandemic continues to affect the poorer population the most, amid elevating uncertainties about food supplies and work opportunities during a period with drought-like conditions (see below).

Humanitarian disaster escalates...

United Nations (UN) humanitarian organisation **World Food Programme (WFP)** claimed in a news release on 12 January that one third of the population (35%) in southern Madagascar is near hunger, warning that 1.35 million of the region's population of 3.86 million are at risk of food insecurity.²⁴ Drought conditions have resulted in poor harvests, while Covid-19 restrictions have affected seasonal employment and access to food markets. Many people have had to leave their homes in search of work and food.²⁵ The **United States (US)**-based **Famine Early Warning Systems Network (FEWS Net)** reported on 1 January that there has been little or no rain since the onset of the traditional rainy season in October, which has led to drought and "*abnormal dryness*" in central and southern Madagascar.²⁶ In its December food security outlook, FEWS Net claims that cereal prices are 30-50% above average due to shortages, particularly in southern markets such as **Ambovombe** and **Tulear I**.²⁷ WFP's country representative in Madagascar, **Moumini Ouedraogo**, stated:

*"We can't face another year like this. With no rain and a poor harvest, people will face starvation. No one should have to live like this."*²⁸

The WFP is calling for \$35m in immediate funding for lifesaving food distribution and malnutrition programmes. Speaking at a press briefing in **Geneva (Switzerland)** on 12 January, WFP regional director for **Southern Africa** and **Indian Ocean States**, **Lola Castro**, noted the number of food-insecure people almost doubled from July to November, from 700,000 to 1.3 million.²⁹ Castro stated:

*"What we are saying here is that the situation we're facing in Southern Madagascar is not normal. It is very different to any normal year of crisis and that we really need to act immediately; 300,000 people need (...) life-saving support."*³⁰

¹⁹ Africa News, 27 Nov 2020

²⁰ World Bank, 16 Dec 2020

²¹ INSTAT, Nov 2020

²² FEWS Net, 1 Jan 2021

²³ World Bank, 16 Dec 2020

²⁴ WFP, 12 Jan 2021

²⁵ UN, 12 Jan 2021

²⁶ FEWS Net, 1 Jan 2021

²⁷ FEWS Net, 1 Jan 2021

²⁸ WFP, 12 Jan 2021

²⁹ UN, 12 Jan 2021

³⁰ UN, 12 Jan 2021

Children continue to be the worst affected. Acute malnutrition is found in 10.7% of children under 5 in the three most affected regions of **Androy**, **Anôsy** and **Atsimo Andrefana**.³¹ The UN reports that three out of four children are absent from school in the area, either foraging for food or begging.

FEWS Net forecasts that areas currently in 'stressed' food insecurity phases will be elevated to 'crisis' in the absence of "*strong and imminent*" humanitarian assistance.³² With the support the WFP is calling for, the Malagasy government may be able to avert escalation to the 'emergency' and 'famine' phases.

...as tropical storm Eloise makes landfall

Tropical storm **Eloise** reportedly made landfall near the north-eastern coastal town of **Antalaha** late on 19 January.³³ The UN **Office for the Coordination of Humanitarian Affairs (OCHA)** reported that the storm was expected to bring heavy rains and winds causing landslides and floods.³⁴ The WFP's **Automated Disaster Analysis and Mapping (ADAM)** predicted that more than 1.6 million people could be exposed to winds of more than 60km/h, while more than 1.3 million people could be exposed to winds of more than 90km/h.³⁵ Malagasy government and humanitarian organisations are coordinating their response activities. The **Bureau National de Gestion des Risques et des Catastrophes (BNGRC)** (national office for risk and disaster management) is leading the response mechanisms at local and national levels, such as evacuation plans, contingency plans and emergency operation centres.³⁶

Eloise is expected to hit northern districts of Madagascar before re-emerging in the **Mozambique Channel** on 21 January and possibly strengthening into a tropical cyclone as it moves towards southern **Mozambique**.³⁷ OCHA reports that government and humanitarian actors in both Madagascar and Mozambique remain on high alert, whilst country weather services of **Eswatini** and South Africa are closely monitoring the situation.³⁸

³¹ UN, 12 Jan 2021

³² FEWS Net, 1 Jan 2021

³³ OCHA, 19 Jan 2021

³⁴ OCHA, 19 Jan 2021

³⁵ ADAM, 18 Jan 2021

³⁶ OCHA, 19 Jan 2021

³⁷ OCHA, 19 Jan 2021

³⁸ OCHA, 19 Jan 2021

Planner

2023 **(Madagascar)** Potential presidential elections.

Chronology

20 Jan 2021 **Antananarivo (Madagascar)** *Madagascar Tribune*. Herimanana Razafimahefa is elected president of the newly elected Malagasy senate, replacing **Rivo Rakotovoao**;

19 Jan 2021 **Antananarivo (Madagascar)** *Madagascar Tribune*. President **Andry Rajoelina** appoints six senators to join the 12 elected senators;

19 Jan 2021 **Antalaha (Madagascar)** *OCHA*. Tropical storm **Eloise** makes landfall near the north-eastern coastal town of **Antalaha**, bringing heavy rains and wind;

12 Jan 2021 **Antananarivo (Madagascar)** *WFP*. **United Nations (UN)** humanitarian organisation **World Food Programme (WFP)** predicts 1.35 million people in southern Madagascar will be food insecure and calls for \$35m in lifesaving support;

11 Jan 2021 **(Africa)** *AfDB*. Multilateral development finance institution **African Development Bank** pledges to mobilise \$6.5 billion in support of Africa's **Great Green Wall**, a flagship initiative led by the **African Union** to combat increasing desertification in the region;

6 Jan 2021 **(Africa)** *AA*. **China's** state councilor and foreign affairs minister, **Wang Yi**, says China attaches high importance to its relations with **Africa**, during his second day of an official visit to **Nigeria** as part of a five-nation tour of the continent, including Nigeria, **Democratic Republic of the Congo, Botswana, Tanzania** and the **Seychelles**.

4 Jan 2021 **Harare (Zimbabwe)** *News24*. **South African** authorities arrest three suspected smugglers at **O.R. Tambo International Airport** in **Johannesburg** after finding 73.5 kilograms of gold bars worth about R66m (\$4.5m) in their hand luggage; the men were en route from **Madagascar** to **Dubai** via **Ethiopia**;

26 Dec 2020 **Antananarivo (Madagascar)** *Madagascar Tribune*. The **Banque centrale de Madagascar (BFM)** (central bank) reminds Malagasy that 30 June 2021 is the deadline for exchanging old bank notes from 2003-2004;

15 Dec 2020 **(Africa)** *Bloomberg*. An **African Export-Import Bank** report says a continent-wide free-trade pact could help to realise more than \$84 billion in untapped intra-African exports;

About Africa Risk Consulting:

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