

AFRICA RISK CONSULTING

Madagascar Monthly Briefing August 2021

Madagascar Summary 13 August 2021

President Andry Rajoelina (2019-present) dismisses his entire cabinet, just weeks after police arrest 21 individuals in connection with an alleged plot to assassinate him and destabilise the country. Madagascar rolls out its national Covid-19 vaccination programme, aiming to vaccinate 50% of the population by 2023. Rajoelina promises reforms and regulation of import prices as consumer goods' prices rises. La Société State Procurement of Madagascar (SPM) (state procurement company) announces plans to acquire 25% of imported basic necessities. Madagascar's mining sector faces new challenges from European supply chain adjustments and developments in international deep-sea mining law.

Rajoelina fires entire cabinet weeks after assassination plot revelations ...

The office of President **Andry Rajoelina** (2019-present) announced on 12 August the immediate dismissal of all cabinet ministers. While his office gave no reason for the dismissal, Rajoelina had criticised the poor performance of his ministers in an address on national television on 8 August:

*"Like in a football team, you have to change when there are failures in government [...] there will be a change and this concerns those who do not carry out the work entrusted to them."*¹

The news follows an announcement on 2 August by attorney general **Berthine Razafiarivony** that **Madagascar** police had arrested 21 individuals on charges of threatening state security, plotting the assassination of the president, and assorted criminal charges.² Public security minister **Rodellys Fanomezantsoa Randrianarison** said on 22 July that police had arrested six people two days earlier, including a **French** national and two dual citizens of France and Madagascar, on charges of plotting to kill Rajoelina.³ Investigation into the alleged "*Coup d'Etat*" or "*Apollo 21*" is in progress; Razafiarivony announced on 10 August that 20 people have provided testimony to the authorities:

*"According to the material evidence in our possession, these individuals devised a plan to eliminate and neutralise various Malagasy personalities, including the head of state."*⁴

In his televised press conference on 8 August, Rajoelina discussed the alleged coup attempt, claiming that:

*"They try to eliminate me as I defend the interests of the nation."*⁵

Rajoelina said the Apollo 21 project allegedly comprised four phases. The first, "*Houston phase*", is to destabilise the country through social demonstrations; the second, "*ignition phase*", involves the assassination or resignation of five political leaders including the head of state, while the third and fourth, "*take-off and orbit phase*", were not disclosed.⁶ Government officials announced on 26 June, Madagascar's independence day, that the gendarmerie had foiled an assassination attempt on state secretariat in charge of the police and president Rajoelina's right-hand man, General **Richard Ravalomanana**.⁷

¹ [Reuters](#), 12 Aug 2021

² [Xinhua](#), 2 Aug 2021

³ [Reuters](#), 23 Jul 2021

⁴ [L'Express](#), 10 Aug 2021

⁵ [Linfo](#), 9 Aug 2021

⁶ [L'Express de Madagascar](#), 10 Aug 2021

⁷ [L'Express](#), 10 Aug 2021

Rajoelina alleged that five generals from the **Forces de défense et de sécurité (FDS)** were implicated in the plot, referring to the intelligence and armaments divisions and alluding to remuneration from the Apollo 21 project. **Paul Rafanoharana**, reported by think-tank **Institute for Security Studies (ISS)** to be a dual Malagasy-French national, former French gendarme captain and consultant to **Singapore-based Benchmark Advantage Group**, is allegedly a signatory to the “*Apollo 21*” funding document, which was addressed to the CEO of the Benchmark Group, majority shareholder in **Madagascar Oil**.⁸ ⁹ The project was allegedly funded by €10m (\$11.7m), €5m (\$5.8m) of which was used to hire foreign and local commandos.¹⁰ Rafanoharana, self-described on social media site **LinkedIn** as advisor to the archbishop of **Antananarivo** and accused of leading the Apollo 21 affair, allegedly promises in the document to “*guarantee the success of the overthrow of the regime in power*”.¹¹

The Benchmark Group denied allegations of its implication. In a news conference on 26 July, it pledged its support of the Malagasy government and condemned any actions that undermine the security of the state.¹² Rajoelina distanced himself from Rafanoharana, the alleged mastermind of the Apollo 21 affair, denying that Rafanoharana had served as his political advisor during the political transition.¹³

President Rajoelina bucked a political trend when he named his first cabinet in 2019, appointing 21 ministers, and one deputy minister instead of the usual 30 (see *ARC Briefing Madagascar February 2019*).¹⁴ He reshuffled the cabinet in January 2020, only one year into his tenure as president, removing six of the original 21 ministers and introducing an additional ten.¹⁵ Rajoelina replaced the health minister in August 2020, following disagreement over the management of the **Covid-19** pandemic (see *ARC Briefing Madagascar August 2020*).¹⁶ At time of writing, the new cabinet had yet to be announced.

Covid-19 vaccination programme rolls out ...

During his televised address on 8 August, President Rajoelina congratulated the nation on successfully suppressing a second wave of **Covid-19** infections, which reportedly peaked in April.¹⁷ As of 11 August, Madagascar had registered a total of 42,787 cases of Covid-19 in its population of 28.4 million, with 948 Covid-19-related deaths and 42,475 recoveries.¹⁸

Rajoelina said the government had purchased 300,000 doses of the **China-manufactured Sinovax** Covid-19 vaccine as part of its national Covid-19 vaccination campaign, which targets 4 million Malagasy citizens in 2021 and a further 10 million by 2023.¹⁹ Prime minister **Christian Ntsay** announced on 25 July that the government expected to receive 302,400 doses of **United States (US)**-based pharmaceutical company **Johnson & Johnson’s Janssen** Covid-19 vaccine as part of Madagascar’s allocation under the **World Health Organisation (WHO) COVAX** scheme, in addition to 160,000 doses of Janssen vaccine delivered in July in terms of a Malagasy government partnership with the **US Agency for International Development (USAID)** (see *ARC Briefing Madagascar July 2021*).²⁰ Ntsay also announced that 200,000 doses of the **British-Swedish-manufactured AstraZeneca** Covid-19 vaccine would be delivered in early August, to provide a second dose to

⁸ [International Institute for Security Studies](#), 6 Aug 2021

⁹ [L’Express de Madagascar](#), 10 Aug 2021

¹⁰ [L’Express de Madagascar](#), 10 Aug 2021

¹¹ [AfricaNews](#), 27 Jul 2021

¹² [AfricaNews](#), 27 Jul 2021

¹³ [Linfo](#), 9 Aug 2021

¹⁴ [News Central](#), 24 Jan 2019

¹⁵ [Orange](#), 29 Jan 2020

¹⁶ [Seychelles News Agency](#), 21 Aug 2020

¹⁷ [Linfo](#), 9 Aug 2021

¹⁸ [Worldometers](#), accessed 11 Aug 2021

¹⁹ [Madagascar Tribune](#), 10 Aug 2021

²⁰ [Madagascar Tribune](#), 26 Jul 2021

individuals who have received the related **India**-manufactured **Covishield** vaccine.²¹ Health minister **Jean-Louis Rakotovo** announced on 10 August the opening of registration for citizens to receive a Janssen vaccine. Citizens were invited to register through **Centres de santé de base (CSB II)** (basic health centres) and through an online vaccine registration platform.^{22 23}

Ntsay's public address on 25 July confirmed a 15-day extension of the national **État d'urgence sanitaire** (state of health emergency) (see *ARC Briefing Madagascar July 2021*) due to end on 9 August.²⁴ In his presidential address on 8 August, Rajoelina extended the state of emergency again, limiting gatherings to 400 persons and lifting the curfew. Madagascar borders remain closed pending improvement of the global health situation.²⁵

... as Rajoelina promises new reforms

During his 8 August presidential address, Rajoelina accused state officials of profiting from the suffering of others to enrich themselves, and encouraged them instead to control the prices displayed in local markets.²⁶ The rising cost of living has stoked social tensions and exacerbated food insecurity across the country. The presidency will seek to establish meetings with importers, wholesalers and retailers to discuss pricing and tackle the high cost of living.²⁷

In a bid to address the sharp rise in prices of imported basic necessities (produits de premières nécessités, PPN) since the start of the Covid-19 pandemic, the state-owned **Société State Procurement of Madagascar (SPM)** (state procurement company) announced its intention on 8 August to acquire 25% of imported basic necessities, including rice, sugar and flour.²⁸ SPM is importing 21,000 tonnes of rice from India and 8,000 tonnes of vary mora rice to reduce the price of rice from \$0.55 (MGA'2,100) per kilo to \$0.39 (MGA' 1,500) per kilo.²⁹ SPM managing director **Solo Andriamanampisoa** said the SPM does not intend to compete with local production, but will reduce its commercial margins in order to fulfil its role as regulator in the market.³⁰ The SPM is reportedly in discussions with local banks to finance the initiative and further interventions in the flour and sugar import markets.³¹

Madagascar imports 150,000 tonnes of flour per year, despite the launch of a wheat flour processing mill in **Toamasina** in 2020, financed by **Les Minoteries de L'Océan Indien SA (LMOI)**.^{32, 33} Wheat yields in Madagascar are not high, with 1 tonne per hectare reported in the rainy season 2019, and 1-2 tonnes per hectare in the off season.³⁴ Protracted periods of drought have heavily impacted the southern regions of Madagascar and the government clamped down on reporting of famine and food insecurity in June following **United Nations (UN) World Food Programme (UNWFP)** reports that 400,000 Malagasy citizens were at severe risk of starvation (see *ARC Briefing Madagascar July 2021*).³⁵

Androy region governor **Soja Lahimaro** on 11 August led a raid on wholesalers in the region to regulate prices of consumer goods.³⁶ The raid team reported reliance upon goods from the **Anosy** and

²¹ [Madagascar Tribune](#), 10 Aug 2021

²² [Madagascar Tribune](#), 10 Aug 2021

²³ [Vaksiny](#), Accessed: 11 Aug 2021

²⁴ [Orange](#), 26 Jul 2021

²⁵ [Linfo](#), 9 Aug 2021

²⁶ [Orange](#), 8 Aug 2021

²⁷ [Orange](#), 8 Aug 2021

²⁸ [News Mada](#), 10 Aug 2021

²⁹ [News Mada](#), 10 Aug 2021

³⁰ [News Mada](#), 10 Aug 2021

³¹ [News Mada](#), 10 Aug 2021

³² [News Mada](#), 10 Aug 2021

³³ [World Grain](#), 26 Nov 2019

³⁴ [World Grain](#), 26 Nov 2019

³⁵ [France24](#), 26 Jun 2021

³⁶ [Madagascar Tribune](#), 11 Aug 2021

Atsimo Andrefana regions, which levy a high price on exported goods. However, the team discovered no foul play by Androy’s wholesalers.³⁷

It remains to be seen whether the SPM can secure funding to meaningfully intervene in PPN imports and whether an attempt to regulate the price of imported staples will be successful. Food importers may continue to be pressured into slimmer profit margins, placing each business at greater risk during periods of global economic uncertainty.

New challenges to mining in Madagascar?

Small mining companies, including those with operations in Madagascar, have begun a drive to establish processing facilities in **European** special zones to process lithium, cobalt and other rare earths to feed the demand for electric vehicles in Europe and the US and help Western nations reduce their reliance upon China.³⁸ The move may threaten mining operations in Madagascar if European purchasers impose higher environmental, safety and governance (ESG) standards on the mining production process. However, European sites for refineries carry higher costs, both in terms of capital expenditure and operating costs, and Madagascar could remain competitive and capitalise on higher global demand for metals and minerals required for the energy transition if it addressed current problems in its **Special Economic Zone (SEZ)** law.

Madagascar established an SEZ under a private-public partnership (PPP) between the government’s investment promotion vehicle; the **Economic Development Board Mauritius (EDBM)**; and **Mauritius**-based public company, the **Mauritius-Africa Fund (MAF)**.³⁹ The establishment of SEZ sites was pursued under a competitiveness drive launched in 2015 by former president **Hery Rajaonarimampianina** (2014-2018). However, a **World Bank** report in 2020 noted that the presidency had not yet approved the **SEZ law** (Loi. 023-2017) due to electoral delays and delays in its approval by parliament and the **Haut Cour Constitutionnelle (HCC)** (Constitutional Court).⁴⁰ Without presidential promulgation, the SEZ law cannot be used, and the **Free Zone (FZ)** law (Loi. 037-2007) remains in effect instead.⁴¹

A report by **Germany**-based non-governmental organisation (NGO) **Transparency International** published in April, titled “*The Right Incentives? The risks of undue influence in tax policy*”, highlighted the role of Rajoelina’s political advisor, **Holijaona Raboanarijaona**, in criticising the yet to be promulgated SEZ law.⁴² Raboanarijaona reportedly supported the use of existing **Export Processing Zone (EPZ)** licences, which do not restrict companies to specific zones in Madagascar.⁴³ The Transparency International report noted the “*risk of undue influence around the Malagasy EPZ system [...] gaining new momentum*” and identified the Mauritius-Africa Fund as a source of lobbying for strong tax incentives under the SEZ law.⁴⁴

Small-scale miners in Madagascar are encouraged by a number of incentives. However, **Canada**-based graphite mining company **NextSource Materials** president **Craig Scherba** noted that relocating from low-cost jurisdictions carries higher risk, and that mining companies that can maintain low costs will survive.⁴⁵ Both foreign and domestic companies exporting 95% of their production are eligible for benefits under the FZ Law. If a company holds free zone status, it is entitled to the following incentives:

- Exemption from income tax during the first five years, if engaged in processing and intensive production;

³⁷ [Madagascar Tribune](#), 11 Aug 2021

³⁸ [Reuters](#), 16 Jul 2021

³⁹ [World Bank](#), 2020

⁴⁰ [World Bank](#), 2020

⁴¹ [World Bank](#), 2020

⁴² [Transparency International](#), April 2021

⁴³ [Transparency International](#), April 2021

⁴⁴ [Transparency International](#), April 2021

⁴⁵ [Reuters](#), 16 Jul 2021

- Income tax at the rate of 10% after the first five years for processing and intensive production;
- Two years' tax exemption for service sector companies, followed by a tax rate of 10%;
- 15 years' tax exemption for all other types of free zone companies, followed by a tax rate of 10%'
- Income tax reduction equal to the tax corresponding to 75% of the amount of new investments made after the exemption period;
- No registration fees when companies are subject to the registration formality;
- Imports are not subject to Value Added Tax (VAT);
- Export and sales to other Free Zone Units are subject to VAT at the rate of 0%;
- Sales made into the local market are subject to VAT at the rate of the ordinary law (20%);
- Sales made by local companies to Free Zone Units are subject to VAT at the rate of common law, which is deductible and refundable provided that the nature of the good or service consumed relates to taxable transactions;
- Raw materials, inputs, materials and equipment intended for free zones are exempt from customs duties and import taxes.⁴⁶

Developments in international deep-sea mining law may also negatively impact Madagascar's competitive outlook. The **UN Convention of the Law of the Sea (UNCLOS)** dictates that all countries share revenues from resources collectively owned by mankind, including international waters, which may adversely affect mining-dependent economies. In June, the **Republic of Nauru**, a central **Pacific Ocean** island nation, called for negotiations on rules governing deep-sea mining in international waters to be finalised within a two-year period.⁴⁷ However, the **African Group** within the **United Nations International Seabed Authority (ISA)** declared the task of agreeing regulations by mid-2023 impossible under Covid-19 distancing rules and current travel restrictions.⁴⁸ Polymetallic nodules, mined from seabed rocks, contain manganese, copper, nickel and cobalt, primary export metals from the 47 **African** nations represented at the ISA. The African group submitted a letter calling for "*a financial regime that properly compensates humanity for its resources and land-based miners for their losses*".⁴⁹ An ISA Secretariat report found that deep-sea mining competition is most likely to adversely affect the **Democratic Republic of the Congo, Gabon, Madagascar and Zambia**.⁵⁰

⁴⁶ World Bank, 2020

⁴⁷ Reuters, 27 Jul 2021

⁴⁸ Reuters, 27 Jul 2021

⁴⁹ Reuters, 27 Jul 2021

⁵⁰ Reuters, 27 Jul 2021

Planner

2023 (Madagascar) Potential presidential elections

Chronology

12 Aug 2021 **Antananarivo (Madagascar)** Reuters. The office of President **Andry Rajoelina** announces that the president has dismissed his entire cabinet;

8 Aug 2021 **Antananarivo (Madagascar)** *Madagascar Tribune*. President **Andry Rajoelina** delivers a televised address announcing the purchase of 10 million doses of **United States**-based manufacturer **Johnson & Johnson's Janssen Covid-19** vaccine and 300,000 of **China**-manufactured **Sinovax** doses in order to vaccinate 50% of Madagascar by 2023;

2 Aug 2021 **Antananarivo (Madagascar)** *L'Express*. Senior state prosecutor **Berthine Razafiarivony** says **Madagascar** authorities have arrested 21 more suspects, including 12 military personnel, in connection with a plot to kill President **Andry Rajoelina** and topple the government;

29 Jul 2021 **Antananarivo (Madagascar)** *Mining Weekly*. **Australia**-based miner **BlackEarth Minerals** confirms it has secured port access in **Madagascar** to export graphite concentrate from its **Maniry** project;

26 Jul 2021 **Fort Dauphin (Madagascar)** *Mining Weekly*. **United Kingdom**-based diversified miner **Rio Tinto** signs power purchase agreement for a new renewable energy plant to power the operations of its **QIT Madagascar Minerals** ilmenite mine in **Fort Dauphin**, southern **Madagascar**;

25 Jul 2021 **Antananarivo (Madagascar)** *Orange Mg*. Prime minister **Christian Ntsay** announces the extension of the **État d'urgence sanitaire** (state of health emergency) for a further 15 days;

22 Jul 2021 **Antananarivo (Madagascar)** *France24*. Police arrest six people, including one foreign citizen, suspected of plotting to kill President **Andry Rajoelina**;

21 Jul 2021 **Antananarivo (Madagascar)** *EWN*. **World Bank** earmarks \$490m to help **Madagascar** buy **Covid-19** vaccines and finance development projects;

15 Jul 2021 **Antananarivo (Madagascar)** *US embassy*. The **United States Agency for International Development (USAID)** donates computing equipment to the **Cour des Comptes** (Court of Accounts) as part of a five-year **TANTANA** programme to enhance auditing of public expenditure;

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