

AFRICA RISK CONSULTING

Madagascar Monthly Briefing May 2022

Madagascar Summary 13 May 2022

President Andry Rajoelina (2019-present) announces his intention to form a food security plan for Madagascar as Southern African Development Community (SADC) member states meet in Lilongwe (Malawi) to discuss agricultural cooperation. The minimum monthly wage for private sector workers increases from MGA'200,000 (\$49.17) to MGA'250,000 (\$61.47). Private sector employers are required to pay MGA'220,000 (\$54.09) with government contributing the remaining sum. United Kingdom (UK)-based oil marketing parent company Vivo Energy Group Plc reports that the Madagascar government owes \$12m in fuel subsidy arrears. The World Bank launches a new \$400m infrastructure and roads project in Madagascar. The European Union (EU) ambassador to Madagascar announces that a delegation from the European Investment Bank (EIB) and the European Development Fund (EDF) will visit Madagascar. UK-based Anglo-Australian mining company Rio Tinto's QIT Madagascar Minerals (QMM) mine launches a social audit in response to a negative report by a 'Publish what you pay' coalition. Cases of Covid-19 in Madagascar remain low.

Food security in the spotlight ...

President **Andry Rajoelina** (2019-present) has moved to address food security in **Madagascar**, a growing concern amid rising global food prices. The cost of living crisis and food insecurity bode poorly for the incumbent government, with little over a year remaining before the 2023 presidential elections. Humanitarian agencies, including the **United Nations (UN)**, claim that the **Ukraine** conflict, in combination with consecutive natural disasters and severe climate events, have places over 30 million people at risk in **Eswatini, Lesotho, Madagascar, Malawi, Namibia, Tanzania, Zambia** and **Zimbabwe**.¹²

Drought conditions have prevented the maturation of the maize harvest in southern Madagascar, contributing to significant food insecurity. The **Famine Early Warning System Network (FEWS Net)** published its April update on Madagascar's food security outlook on 6 May.³ Although rainfall in Madagascar's primary rice growing areas has improved since January, areas of the south-east impacted by Madagascar's unusually turbulent cyclone season remain flooded, and FEWS Net forecasts significant crop losses.⁴ **Qatar**-based media outlet **Al-Jazeera** reports that 60,000 hectares of rice paddies were flooded in Madagascar, with up to 90% of crops destroyed in cyclone hit areas.⁵

Madagascar is **Africa's** second largest rice producer and was the 142nd largest rice exporter globally in 2020, with **France** purchasing 75% of those exports.⁶ The **United States (US) Department of Agriculture (USDA)** published its **Rice Outlook** on 14 January, anticipating that Madagascar's rice imports will increase in 2022 and that it will produce a smaller rice crop for the 2021/2022 growing season.⁷

¹ [Reuters](#), 4 May 2022

² [The Herald](#), 11 May 2022

³ [Famine Early Warning System Network](#), 6 May 2022

⁴ [Famine Early Warning System Network](#), 6 May 2022

⁵ [Al-Jazeera](#), 5 Apr 2022

⁶ [Observatory of Economic Complexity](#), accessed 12 May 2022

⁷ [United States Department of Agriculture](#), 14 Jan 2022

Madagascar is forecast to remain a net food importer. In 2020, it imported foodstuffs valued \$203m and exported \$139m worth of foodstuffs.⁸ However, the country will find it increasingly difficult to import food to compensate for its lost harvests. The **United Nations (UN) Food and Agriculture Organisation (FAO)** posted a “*significant leap*” in the food price index in March, with prices reaching their highest levels ever recorded following a sharp rise in staple grains and vegetable oils.⁹ The FAO food index averaged 159.3 points in March, a rise of 12.6% from February and 33.6% higher than in March 2021.¹⁰ The FAO index declined slightly in April by 0.8% from March, averaging 158.5 points.¹¹

Higher prices are likely to have significant consequences for Malagasy citizens recovering from extreme weather conditions and disruption to the crop cycle, particularly cash crops grown in forested areas, such as cloves, lychee, breadfruit and vanilla. Rising food prices are also contributing to increasingly higher rates of inflation in Madagascar. The **Banky Foiben'i Madagasikara (BFM)** (central bank) anticipates inflation to rise above 8% by the end of 2022, fuelled by rising cereal (food) and fuel prices on the international markets.¹²

Southern African Development Community (SADC) leaders will meet in **Lilongwe (Malawi)** on 13 May to discuss a regional response to the “*food security situation*”.¹³ Agriculture ministers will analyse how flooding, cyclones and droughts have affected food security in each of the 16 member states. Ministers will also review the implementation of the **Regional Agricultural Policy (RAP)** and other programmes relating to food security, livestock, crops, fisheries and aquaculture.

Rajoelina hikes minimum wage

A hike in Madagascar's minimum wages may help to alleviate the impact of the rising cost of living. President Rajoelina announced on 29 April a hike in the minimum monthly wage for private sector workers, from MGA'200,000 (\$49.17) to MGA'250,000 (\$61.47).¹⁴ The decision was made following a meeting between the president and private sector employers' groups held on 29 April.

Private sector employer groups claim the government exerted significant pressure on them to raise wages beyond sustainable levels. **Groupement des entrepreneurs de Madagascar (GEM)** (Madagascar entrepreneurs' group) president **Thierry Rajaona** informed media that government had placed pressure on the private sector to commit to more than a 9.9% increase, in line with civil service wage hikes. Private sector stakeholders resisted a heftier increase, citing two years of economic crisis and a lack of resources to support a broad-based salary increase.¹⁵

The private sector has committed to increasing wages by 9.9%, raising minimum wages from MGA'220,000 (\$54.09), retrospectively enacted from 1 April.¹⁶ The state will “*assume*” the remaining MGA'30,000 (\$7.38) increase. **Fivondronan'ny Mpandraharaha Malagasy (FIVMPAMA)** (Malagasy patronage group) president **Rivo Rakotondranjy** is tasked with establishing a mechanism through which to pay the state's \$7.38 contribution to the higher wage.¹⁷ Rakotondranjy noted that payment of funds will only be possible after validation by all stakeholders and the adoption of the new minimum wage by decree.¹⁸ The government's commitment to subsidise wages by \$7.38 per month will place further strain on the treasury; however, these measures may protect Rajoelina's popularity ahead of 2023 presidential elections.

⁸ [Observatory of Economic Complexity](#), accessed 12 May 2022

⁹ [FAO](#), 8 Apr 2022

¹⁰ [FAO](#), 8 Apr 2022

¹¹ [FAO](#), 6 May 2022

¹² [Orange](#), 4 May 2022

¹³ [The Herald](#), 11 May 2022

¹⁴ [Orange](#), 1 May 2022

¹⁵ [Madagascar Tribune](#), 30 Apr 2022

¹⁶ [Orange](#), 1 May 2022

¹⁷ [Orange](#), 1 May 2022

¹⁸ [Orange](#), 1 May 2022

President Rajoelina also confirmed on 26 April a salary increase for civil servants, ranging from 5% to 25%. Those earning minimum wage will see their salaries increase by 25%, while higher earning civil servants will receive a 5% increase.¹⁹ Announcing the salary increases, Rajoelina cautioned that they were necessary in order to prepare for a rise in the price of petroleum products. The price of transport is expected to rise with fuel pump prices, contributing to the already high rate of inflation.²⁰ Rajoelina warned Madagascar consumers on 30 April that they must prepare to face an “*unavoidable rise*” in fuel prices. Since September 2019, Madagascar has operated multiple fuel pricing mechanisms to mitigate the impact of rising fuel prices on the domestic market. In April, the government took steps to freeze the price of sugar, flour, rice, gas and cement (see *ARC Briefing Madagascar April 2022*).^{21, 22}

A rise in fuel prices in Madagascar is likely to have negative consequences for food prices, public transport costs and non-food consumer items. However, failure to increase fuel prices may have dire consequences for Madagascar’s balance of payments as the gap between Madagascar’s pump prices and global market prices increases. **United Kingdom (UK)**-based oil marketing parent company **Vivo Energy Group Plc**’s annual report, published in March 2022, reveals that the Madagascar government owes Vivo Energy \$12m, the highest debt owed to the group by a country with a junk credit rating.²³

The central bank nevertheless praised President Rajoelina’s strategic hike in wages, anticipating that production would increase to meet new consumption demands.²⁴ Threats to GDP growth noted by the BFM include increases in cereal and fuel prices on international markets, natural disasters and a new wave of Covid-19.²⁵ The BFM reported results of the **Enquête de Conjoncture Economic (ECE)** (economic situation survey) for April 2022 on 3 May, revealing an improvement in economic activity in Q4 2021 and Q1 2022.²⁶ Economic growth reached 5.3% in Q1 2022, however, the Finance Law requires GDP growth of 5.4% or more.²⁷ Following completion of its quarterly review of fiscal policy on 3 May, the BFM **Comité Monétaire (CM)** (monetary policy committee) moved to narrow the interest rate corridor by increasing the rate of deposit facilities to 6% and the marginal lending facility rate to 8%.²⁸

Government launches post-cyclone recovery projects

President Rajoelina has visited several international finance institutions including the **World Bank** and the **International Monetary Fund (IMF)**, and plans to host the **European Union (EU)** as he seeks support for his post-cyclone recovery plan under the umbrella of the **Plan Emergence Madagascar (PEM)** (national development framework). Rajoelina met with World Bank Group president **David Malpass** and IMF managing director **Kristalina Georgieva** in **Washington (US)** in April, on the sidelines of the **Bretton Woods** spring meeting.²⁹

The World Bank and government of Madagascar on 18 April signed and launched two projects in Madagascar, totalling \$534.9m.³⁰ The two projects, **Connecting Madagascar for Inclusive Growth (Connecting Madagascar)** and **Pandemic Preparedness and Basic Health Services Delivery Project (Pandemic Preparedness)**, aim to strengthen Madagascar against economic shocks such as the Covid-19 pandemic and the extreme cyclone season. The \$400m Connecting Madagascar project

¹⁹ [Madagascar Tribune](#), 1 May 2022

²⁰ [Madagascar Tribune](#), 1 May 2022

²¹ [World Bank](#), 5 Sep 2019

²² [Africa News](#), 6 Apr 2022

²³ [Vivo Energy Group Plc](#), Mar 2022

²⁴ [Orange](#), 4 May 2022

²⁵ [Orange](#), 4 May 2022

²⁶ [Banky Foiben'i Madagaskiara](#), 3 May 2022

²⁷ [Orange](#), 4 May 2022

²⁸ [Banky Foiben'i Madagaskiara](#), 3 May 2022

²⁹ [Orange](#), 14 May 2022

³⁰ [World Bank](#), 18 Apr 2022

aims to improve connectivity and management of key roads in rural and southern Madagascar.³¹ The project has committed funds to rehabilitating 500km of local roads in the vicinity of the **RN10** and **RN31** to connect local rural communities to these highways.³² The project will finance the rehabilitation and paving of 100km of the RN31 between **Mangoaka** and **Bealalana** and 400km of the RN10. The roads project will also support food transport and production:

“The rehabilitation of the RN10 and associated local roads will provide reliable and year-long access to the southern part of the country that is most affected by food insecurity, while the rehabilitation of the RN31 and associated local roads will unlock a key agricultural region in the northwest.”³³

The Connecting Madagascar project is the third World Bank project launched in Madagascar to support development of the transport sector. The World Bank transport and roads portfolio in Madagascar now totals \$740m.³⁴ The \$134.9m Pandemic Preparedness project is also supported by the **International Development Association (IDA)** and was launched at the end of March (see *ARC Briefing Madagascar April 2022*).

International finance institutions are not the only parties interested in rebuilding Madagascar infrastructure. EU ambassador to Madagascar, **Giovanni di Girolamo** announced plans on 4 May for a large EU delegation to visit Madagascar.³⁵ Two delegations are scheduled to travel to Madagascar; the first includes members of the **European Development Fund (EDF)** management team, while the second is from the **European Investment Bank (EIB)**.³⁶ The EDF will review project implementation and programming issues to address cooperation between the EU and Madagascar. The EIB will focus on major project opportunities including mega-infrastructure projects involving water and energy supply to capital city **Antananarivo**.³⁷

Rio Tinto mine launches social audit

UK-based **Anglo-Australian** mining company **Rio Tinto's QIT Madagascar Minerals (QMM)** mine has launched a social audit in response to results of a transparency project run by a 'Publish what you pay' coalition composed of **Germany**-based non-profit organisation **Transparency International** and Madagascar-based **National Forum of Extractive Industries Transparency**.³⁸ The **Mobilising Extractives Transparency and Accountability in Madagascar** project report released to the public on 12 May discovered that villagers living in proximity to the mine reported a loss of access to natural resources in the region including land, forest and fish as well as a decline in water quality, loss of income, divisions within the local community and lack of consultation process from QMM officials.³⁹

QMM, 80% owned by Rio Tinto and 20% owned by the Madagascar government, has refuted the claims made by the report, maintaining that concerns of the local community are treated as a priority and that the recommendations of the report would be incorporated into its social outreach programme.⁴⁰ As part of its response to the report, Rio Tinto has launched a social audit with the communities neighbouring the **Fort-Dauphin** region mine with the aim of improving their engagement framework and participatory approach of the local communities.⁴¹

³¹ [World Bank](#), 18 Apr 2022

³² [World Bank](#), 18 Apr 2022

³³ [World Bank](#), 18 Apr 2022

³⁴ [World Bank](#), 18 Apr 2022

³⁵ [2424](#), 4 May 2022

³⁶ [2424](#), 4 May 2022

³⁷ [2424](#), 4 May 2022

³⁸ [Orange](#), 11 May 2022

³⁹ [Publiez Ce Que Vous Payez](#), 12 May 2022

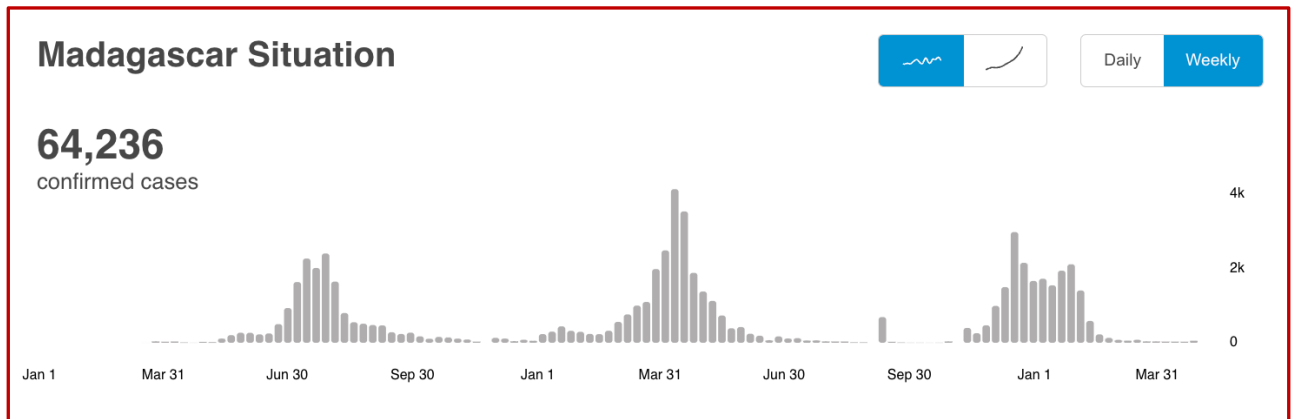
⁴⁰ [Orange](#), 11 May 2022

⁴¹ [Orange](#), 11 May 2022

Covid-19 update

Cyclone-impaired infrastructure has interrupted the capacity of Madagascan healthcare centres to test for and treat Covid-19 infections. Recent statistics published by the **World Health Organisation (WHO)** suggest that Madagascar recorded 55 new cases of Covid-19 during the week of 2 May.⁴² However, no new infections were detected in the week of 9 May.⁴³

A third wave of Covid-19 infections peaked in early January when new infections rose to levels last seen in March 2021.⁴⁴



Despite a cabinet decree re-opening Madagascar's international borders on 5 March, a ban on flights to **South Africa**, implemented on 3 March (see *ARC Briefing Madagascar March 2022*), remains in place.⁴⁵ The ban will expire, and be eligible for renewal, on 3 June.⁴⁶

Flights from **Europe** to Antananarivo have been operated by **Air France** and **Air Madagascar** since November (see *ARC Briefing Madagascar Nov 2021*). The same health restrictions apply to other international flights arriving in Madagascar, which include:

- Proof of a negative PCR test taken no more than 72 hours before boarding;
- Presentation of a reservation certificate for two nights and payment of at least one night at an approved hotel;
- Submission to a PCR test upon arrival (at the traveller's expense) and confinement until test result is known;
- Treatment at an approved hospital or medical hotel in the event of a positive test.⁴⁷

Since 23 February, domestic travelers flying within Madagascar are no longer required to submit to a **Rapid-Diagnostic Test (RDT)** three hours before departure.⁴⁸

Madagascar joined the WHO vaccination access scheme, **COVAX**, in April 2021 after initially opting out of the programme and instead using a local herbal remedy named **Covid-Organics** (see *ARC Briefing Madagascar Apr 2021*).⁴⁹ As of 13 May, WHO data reveals that 1.29 million of Madagascar's 28 million residents have received at least one dose of a Covid-19 vaccine, while 4.18% of the population is fully vaccinated.⁵⁰

⁴² [World Health Organisation](#), accessed 13 May 2022

⁴³ [World Health Organisation](#), accessed 13 May 2022

⁴⁴ [World Health Organisation](#), accessed 7 Apr 2022

⁴⁵ [Madagascar Tribune](#), 24 Feb 2022

⁴⁶ [Ch Aviation](#), 7 Mar 2022

⁴⁷ [Anadolu Agency](#), 5 Mar 2022

⁴⁸ [2424](#), 24 Feb 2022

⁴⁹ [VON](#), 1 Apr 2021

⁵⁰ [World Health Organisation](#), accessed 13 May 2022

Planner

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

Chronology

11 May 2022 **Antananarivo (Madagascar)** *Orange*. President **Andry Rajoelina** announces plans to hold a conference to develop a national plan to achieve food 'self-sufficiency' in Madagascar by reorienting the **National Agricultural Strategy**;

3 May 2022 **Antananarivo (Madagascar)** *Reporters sans Frontières*. Madagascar falls 41 places in **France**-based non-governmental organisation **Reporters sans Frontières World Press Freedom Index 2022**, to 98th of 180 countries;

30 Apr 2022 **Antananarivo (Madagascar)** *LINFO*. President **Andry Rajoelina** cautions that a rise in fuel prices will be "inevitable" as global fuel prices rise;

29 Apr 2022 **Antananarivo (Madagascar)** *Orange*. President **Andry Rajoelina** announces an increase in private sector minimum monthly salaries, from MGA' 200,000 (\$49.17) to MGA'250,000 (\$61.47), with the private sector responsible for a 9.9% increase MGA'220,000 (\$54.09) and the remaining MGA'30,000 (\$7.38) to be "assumed" by the state;

20 Apr 2022 **Antananarivo (Madagascar)** *AA*. **World Bank** grants **Madagascar** \$415m in funding for post-cyclone recovery projects;

18 Apr 2022 **Antananarivo (Madagascar)** *World Bank*. The **World Bank** and government of Madagascar sign an agreement loaning \$400m to Madagascar to fund the **Connecting Madagascar for Inclusive Growth** project, which aims to improve road infrastructure in rural areas of Madagascar, including the South;

14 Apr 2022 **Nairobi (Kenya)** *Business Daily*. **United Kingdom**-headquartered **Vivo Energy Group Plc**, owner of **Shell** and **Engen** brands in 23 countries, reports on arrears owed by governments since April 2021, including \$31m by **Kenya**, \$23m by **Morocco**, \$20m by **Senegal** and \$12m by **Madagascar**;

12 Apr 2022 **Antananarivo (Madagascar)** *CBonds*. **United States**-based credit rating agency **S&P Global** reviews Madagascar's local currency long-term credit rating, assigning a 'B-' rating with a positive outlook;

31 Mar 2022 **Antananarivo (Madagascar)** *2424*. The **Banky Foiben'i Madagasikara (BFM)** (central bank) appoints two new non-executive directors, former industry, trade and crafts minister **Lantsoa Rakotomalala** and **Rija Andrianantoanina**;

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