

AFRICA RISK CONSULTING**Madagascar Monthly Briefing December 2020**

Madagascar Summary 14 December 2020

The Madagascar government has set a minimum export price of \$250 per kilogramme for its key export, vanilla. Canada-based global vanilla distributor Aust & Hachmann warns that the higher export price could have buyers sourcing vanilla from other countries. Madagascar has affirmed its decision to not participate in the COVAX global initiative for access to the COVID-19 vaccine once it has been approved and licensed. The United Nations World Food Program (WFP) announces that southern Madagascar is on the brink of a humanitarian disaster with 1.5 million people in need of emergency food and nutrition assistance. A United States Agency for International Development (USAID) grant of \$1.2m will finance off-grid electrification of rural households in the regions of Amoron'i Mania, Atsimo Andrefana and Boeny. African Development Bank (AfDB) workshops target increased sustainability of its projects in Madagascar.

Higher vanilla price could see buyers searching elsewhere...

The **Madagascar** government has set a minimum export price of \$250 per kilogramme (kg) for its key crop of vanilla.¹ The higher export price may force vanilla buyers to source the product from other vanilla-producing countries. Madagascar is the world's largest vanilla producer, with the country's north-eastern region generating nearly 80% of global supply.² The current market price for Madagascar vanilla is \$50-100 per kg, which is below Madagascar's official export price.³ A **Canada**-based global vanilla distributor **Aust & Hachmann** report notes that the current market scenario will force international vanilla buyers to consider alternative sources and options for their vanilla needs:

*"[A] handful of major industrial buyers drive the worldwide vanilla market, and we do not believe they will be cowed into buying vanilla almost 50% above the actual market value... Major competing producing origins such as **Papua New Guinea, Indonesia and Uganda** are all free and open vanilla markets."*⁴

Vanilla prices have been especially volatile in the past two decades, with prices rising as high as \$600 per kg in 2018, but they are now plunging.⁵ The **COVID-19** pandemic has caused global demand for vanilla to drop below average, with the price falling from approximately \$200 to \$150 per kg of dry beans (see *ARC Briefing Madagascar November 2020*).⁶ While local farmers have seen their earnings plummet, the government has also lost export revenue and valuable foreign exchange earnings.⁷

With flowering for the 2021 crop well underway, Madagascar may have back-to-back bumper vanilla crops in both 2020 and 2021.⁸ Indonesia is expected to add 250 to 300 tonnes to the global market in 2020, while Papua New Guinea is estimated to add a minimum of 250 tonnes. Ugandan, Indonesian and Papua New Guinean exporters are likely to take advantage of the Malagasy government's higher pricing and, unburdened by price and export controls, will attempt to capture market share through selling their vanilla more competitively.⁹

¹ Food Business News, 25 Nov 2020

² CBS News, 2 Aug 2020

³ Aust & Hachmann, 6 Nov 2020

⁴ Aust & Hachmann, 6 Nov 2020

⁵ Food Business News, 25 Nov 2020

⁶ Hindu Business Line, 18 Nov 2020

⁷ Source, Madagascar analyst

⁸ Aust & Hachmann, 6 Nov 2020

⁹ Aust & Hachmann, 6 Nov 2020

Madagascar produces over 80% of the world's vanilla and the country's reliance on this export for most of its foreign exchange is a significant source of vulnerability.¹⁰ Agricultural exports account for a large share of Madagascar's foreign exchange earnings. Vanilla and coffee provided 27% of export revenue in 2001, while agriculture accounted for nearly 30% of GDP and 40% of merchandise export earnings, providing livelihood to 80% of the population.¹¹

COVID continues to plague Madagascar ...

The spread of COVID-19 infection has slowed in Madagascar but continues to have an impact on its economy. As of 15 December, Madagascar had recorded 17,578 confirmed cases of COVID-19 in its population of roughly 26 million, with 16,992 recoveries and 259 deaths.¹² All regions have been affected, with the majority of cases found in the central and northern provinces of **Anamalanga, Antsinanana, Alaotra Mangoro** and **Diana**. Compared to other 'neighbouring' countries, confirmed cases as a proportion of the population remain comparatively low at below 0.1%:

COVID-19 update on 'neighbouring' Eastern African countries ¹³				
	Confirmed cases	Deaths	Recovered cases	% of population
Madagascar	17,578	259	16,992	<0.1%
Comoros	628	7	606	<0.1%
Kenya	91,892	1,587	53,028	<0.1%
Mauritius	515	10	478	<0.1%
Mozambique	16,954	142	14,818	<0.1%
Reunion (France)	8,431	41	8,037	0.9%
Seychelles	187	0	182	0.2%
Tanzania	509 ¹⁴	21	183	<0.1%

The pandemic continues to affect poorer Malagasy the most. Madagascar lifted curfew and strict regulations to curb the spread of COVID-19 on 6 October and limited international flights have been allowed since 1 October (see *ARC Briefing Madagascar October 2020*), and it is unlikely that the country will return to lockdown and restrictions on markets and free movement, as this would lead to increased food insecurity in urban areas and particularly southern Madagascar, which is on the brink of a humanitarian disaster (see below).¹⁵

Madagascar has also affirmed its decision to not participate in the **COVAX** global initiative for access to the COVID-19 vaccine once it has been approved and licensed.¹⁶ COVAX is a COVID-19 vaccine access initiative led by the **World Health Organization (WHO)** that aims to accelerate the development and manufacture of vaccines, and guarantee fair and equitable access for every participating country.¹⁷ Over 150 other countries are participating in the COVAX Facility.

A government spokesperson confirmed that Madagascar will wait to see the effectiveness of the vaccine in countries that use it first. The island nation will resort to its tradition concoction that its own scientists discovered earlier this year to combat the COVID-19 virus (see *ARC Briefing Madagascar April 2020*).¹⁸ The tonic, **Covid-Organics (CVO)**, is based on traditional herbs and the indigenous plant *Artemisia annua*, which has anti-malaria properties. The effects of the infusion have not yet been scientifically tested, with the WHO issuing several warnings against its use. The Malagasy

¹⁰ African Development Bank, 2020.

¹¹ African Development Bank, 2020.

¹² John Hopkins Covid-19 Dashboard, 15 Dec 2020

¹³ John Hopkins Covid-19 Dashboard, 23 Nov 2020

¹⁴ The Tanzanian government has not published any nationwide figures since 8 May, News 24, 8 Jul 2020

¹⁵ ReliefWeb, 18 Nov 2020

¹⁶ Africa News, 27 Nov 2020

¹⁷ Mmegi, 13 Nov 2020

¹⁸ Africa News, 27 Nov 2020

government announced in April that it had created a cure for COVID-19 and immediately began distributing the herbal cocktail.¹⁹ Those claims met with both derision and optimism, with most western countries dismissing the alleged healing powers of the remedy, but several African states such as **Senegal** signed up to purchase stocks.²⁰ More than a quarter of Madagascar's 26 million inhabitants have so far taken the concoction, according to government figures.²¹ There are still nine million bottles in stock.

Government does not welcome internal dissent regarding the herbal remedy; ministers have been sacked and protesters arrested.²² President **Andry Rajoelina** (2019-present) fired health minister **Ahmad Ahmad** as part of a government reshuffle when he sought outside help for COVID-19. As hospitals raised concerns about rapidly filling hospitals, Ahmad wrote to international agencies urgently requesting medical equipment.²³ Despite the internal squabbles over the remedy, government communications official **Rinah Rakotomanga** recently told the **United Kingdom**-based **BBC** that the Malagasy government still encourages its use:

*"The majority of people who used the product and don't have a chronic illness recovered completely, we are proud to have this remedy against the disease. It's in our culture as Malagasy people to use decoctions like this... as long as it's working, we don't need clinical trials."*²⁴

... as drought intensifies hunger emergency

The **United Nations (UN) World Food Program (WFP)** announced on 4 December that southern Madagascar is on the brink of a humanitarian disaster. The WFP reported that 1.5 million people – just over half of the region's population – are in need of emergency food and nutrition assistance, as COVID-19 worsens an already treacherous dry season.²⁵ Hunger has spread across 10 districts in southern Madagascar, with women and children most in need of food assistance. According to the WFP's latest **Integrated Food Phase Classification** figures, 100,000 children under five are in danger of acute malnutrition, with 19,000 already facing a critical situation.²⁶ WFP spokesman **Thomas Phiri** said Madagascar has the world's highest stunting rate, a condition that impairs a child's growth and physical and mental development.²⁷ A mid-October assessment of the **District of Amboasary** at the epicentre of the humanitarian crisis, showed that more than 75% of children withdrew from school due to hunger-related issues.²⁸ President Rajoelina visited the region after reports emerged that at least eight children had died of hunger, vowing to win the war against malnutrition.²⁹ The government has also deployed the military to distribute food and first aid in the area.

The **United States (US)**-based **Washington Post** reports that the crisis is a consequence of three consecutive years of drought and ruined harvests, along with the government's historic neglect of the remote region and effects of the COVID-19 pandemic.³⁰ Drought has wiped out the country's harvests and many farmers have given up cattle farming because of livestock theft.³¹ Rising insecurity has exacerbated poverty and complicated humanitarian relief efforts. WFP official **Theodore Mbainaissem** said residents have no more resources to allow them to face the crisis and the extent of

¹⁹ The South African, 26 Nov 2020

²⁰ The South African, 26 Nov 2020

²¹ The South African, 26 Nov 2020

²² The South African, 26 Nov 2020

²³ The South African, 26 Nov 2020

²⁴ The South African, 26 Nov 2020

²⁵ ReliefWeb, 18 Nov 2020

²⁶ ReliefWeb, 18 Nov 2020

²⁷ Voice of America, 27 Nov 2020

²⁸ ReliefWeb, 18 Nov 2020

²⁹ Washington Post, 4 Dec 2020

³⁰ Washington Post, 4 Dec 2020

³¹ Washington Post, 4 Dec 2020

the hunger caught government and humanitarians by surprise.³² Mbainaissem said when COVID-19 restrictions were in place, residents were unable to go elsewhere to search for work. Although restrictions have been lifted, Mbainaissem said for now the only available solution is to bring in enough food for the coming months.³³

Despite some food being distributed, the WFP reports it is not enough and residents said food handouts only last a few days.³⁴ The WFP started providing emergency food assistance in September, and has reached 100,000 people through food distribution in Amboasary district, where the situation is more severe.³⁵ The WFP reports it only has enough supplies to sustain half a million people through to the end of this year and is urgently calling for nearly \$37.6m to avert catastrophe in the next six months.³⁶ Between now and June 2021, the WFP aims to extend its reach from 560,000 to 891,000 through in-kind distributions and cash-based assistance in nine districts, **Toliara II, Betsioky Sud, Ampanihy, Bekily, Beloha, Tsihombe, Ambovombe** and **Taolagnaro**.³⁷

USAID provides \$1.2m for rural household electrification

The **US Agency for International Development (USAID)** is providing a grant of \$1.2m to **Autarsys Madagascar, Hydro Ingénierie Études et Réalisations (HIER)** and **Henri Fraise Fils & Cie** for off-grid electrification of rural households in the regions of **Amoron'i Mania, Atsimo Andrefana and Boeny**.³⁸ With only 15% of the local population currently having access to electricity, the grant is a significant investment in helping Madagascar meet its energy needs. Autarsys Madagascar is expected to build an off-grid plant consisting of a solar power plant with a battery storage system, and a small electrification distribution network.³⁹ Henri Fraise Fils & Cie will build a 100 kilowatts peak (kWp) solar power plant and Hydro Ingénierie Études et Réalisations is expected to extend its mini-hydro grid.⁴⁰

The grant is part of the **Power Africa Initiative** launched under President **Barack Obama's** (2009-2017) administration with the aim of supporting economic growth and development in **Africa** through improved access to reliable, affordable and sustainable electricity.⁴¹ The subsidies are part of the US government's \$3m effort to increase energy production and access to electricity in Madagascar.⁴² Since 2018, the initiative has provided more than 57,000 people with access to electricity and estimates that by 2022 it will provide electricity to more than 400,000 people. USAID, which manages Power Africa, estimates that the grant to the three off-grid providers will enable electrification of 5,200 homes and businesses in rural Madagascar.

The grants form part of Power Africa's **Southern Africa Energy Programme (SAEP)**, which is working in partnership with Madagascar's energy ministry as well as its **Rural Electrification Agency (ADER)** and the private sector.⁴³ As part of the programme, USAID is working with the engineering school of the **Université d'Antananarivo** to help increase local expertise in the development of mini-grids.⁴⁴

France-based renewable energy producer **Akuo Energy** and Madagascar's renewable energy group, **Groupe Filatex**, have also commissioned a 2.9-MWp solar plant in Madagascar, which consists of

³² Washington Post, 4 Dec 2020

³³ Washington Post, 4 Dec 2020

³⁴ Washington Post, 4 Dec 2020

³⁵ ReliefWeb, 18 Nov 2020

³⁶ Voice of America, 27 Nov 2020

³⁷ ReliefWeb, 18 Nov 2020

³⁸ Afrik 21, 27 Nov 2020

³⁹ Afrik 21, 27 Nov 2020

⁴⁰ Afrik 21, 27 Nov 2020

⁴¹ Afrik 21, 27 Nov 2020

⁴² Afrik 21, 27 Nov 2020

⁴³ Afrik 21, 27 Nov 2020

⁴⁴ Afrik 21, 27 Nov 2020

containerised pre-assembled photovoltaic units (see *ARC Briefing Madagascar November 2020*).⁴⁵ Akuo is collaborating in the project with Filatex's energy unit, **Enelec**. The pilot portable PV plant, located in the port city of **Tulear**, uses 44 of Akuo's Solar GEM containerised "plug and play" units, each of which uses 200 fully preassembled and pre-wired PV panels.⁴⁶ Akuo said the solution is suitable for sites with harsh weather conditions and unstable environments. The \$7.1m project is the first of its kind in Madagascar. Filatex CEO **Hasnaine Yavarhousen** said if the project is successful, Akuo and Enelec will roll out similar plants in the coming months.⁴⁷

AfDB targets project sustainability

The **African Development Bank (AfDB)** and the Malagasy government co-organised a virtual training workshop from 18 to 20 November on environmental and social safeguards in implementation of AfDB-financed projects.⁴⁸ The AfDB invested over \$192m in Madagascar in 2019, and aims to ensure that the projects it finances are implemented in an environmentally friendly way.⁴⁹

The agenda for the workshop, attended by 80 participants and sector ministry experts, included appropriation of roles and responsibilities in implementing and monitoring environmental and social measures of projects; understanding the mechanisms for managing complaints relating to projects; and improving the environmental and social performance of the portfolio of projects financed by the AfDB in Madagascar.⁵⁰ AfDB country officer in Madagascar **Mohamed Cherif** said sound assessment of environmental and social impacts and risks is necessary to ensure the environmental and social sustainability of projects.⁵¹

The AfDB has been providing financial support to Madagascar since 1976, and its portfolio currently amounts to over \$2 billion.⁵² The \$192.36m package that the AfDB approved in 2019 provided support for Madagascar in areas of power generation, agriculture, natural disaster risk and improving economic competitiveness. The social and environmental sustainability of its financed projects is a key principle of the AfDB's ten-year strategy for the period 2013-2023 and focuses on inclusive growth and the transition to green growth.⁵³

⁴⁵ Renewable Now, 13 Nov 2020.

⁴⁶ Renewable Now, 13 Nov 2020.

⁴⁷ Renewable Now, 13 Nov 2020.

⁴⁸ Afrik, 21, 25 Nov 2020

⁴⁹ Afrik, 21, 25 Nov 2020

⁵⁰ Afrik, 21, 25 Nov 2020

⁵¹ Afrik, 21, 25 Nov 2020

⁵² Afrik, 21, 25 Nov 2020

⁵³ Afrik, 21, 25 Nov 2020

Planner

- 17 Dec 2020 **(Madagascar)** Environmental activist **Clovis Razafimalala** goes on trial on charges of destruction of public buildings and arson;
- 1 Jan 2021 **(Africa)** **African Continental Free Trade Agreement (AfCFTA)** comes into force;
- 2023 **(Madagascar)** Potential presidential elections.
- 2023 **(Madagascar)** Indian Ocean Island Games

Chronology

- 11 Dec 2020 **Antananarivo (Madagascar)** *Foreign Brief*. About 12,000 electors, mostly mayors and municipal councillors, decide their constituency's senator in elections for the **Senate**;
- 9 Dec 2020 **London (United Kingdom)** *The Guardian*. A lost collection of relics showing the life of **Madagascar's** last queen, **Queen Ranavalona III**, will return to the country after the Malagasy government purchased it in a London auction;
- 9 Dec 2020 **Johannesburg (South Africa)** *Amnesty International*. **United Kingdom**-based non-governmental organisation **Amnesty International** calls for Malagasy authorities to drop what it calls "*spurious charges*" against environmental activist **Clovis Razafimalala**;
- 8 Dec 2020 **Antananarivo (Madagascar)** *Business World*. Twelve **Indian**-origin businessmen have pledged to contribute more than \$500,000 for the construction or rehabilitation programme for 15 primary schools in the capital, Antananarivo;
- 7 Dec 2020 **Antananarivo (Madagascar)** *Inside the Games*. Madagascar replaces the **Maldives** as host of the 2023 **Indian Ocean Island Games** due to concerns over the **COVID-19** pandemic;
- 4 Dec 2020 **Amboasary (Madagascar)** *Washington Post*. The **United Nations World Food Program (WFP)** announces that **Southern Madagascar** is on the brink of a humanitarian disaster with 1.5 million people in need of emergency food and nutrition assistance;
- 30 Nov 2020 **Antananarivo (Madagascar)** *Mongabay.com*. Madagascar moves to reopen domestic trade in non-precious timber;
- 25 Nov 2020 **Antananarivo (Madagascar)** *Food Business News*. The government sets a minimum export price of \$250 per kilogramme for vanilla as **Canada**-based global vanilla distributor **Aust & Hachmann** warns that the increased export price could have buyers sourcing vanilla from other countries;
- 25 Nov 2020 **Antananarivo (Madagascar)** *Afrik 21*. The **United States Agency for International Development (USAID)** is providing a grant of \$1.2m to finance off-grid electrification of rural households in the regions of **Amoron'i Mania, Atsimo Andrefana** and **Boeny**;
- 23 Nov 2020 **Antananarivo (Madagascar)** *Inside the Games*. Madagascar will host the **African Judo Championships** from 17-20 December;
- 21 Nov 2020 **Antananarivo (Madagascar)** *Bloomberg*. Madagascar's economy and finance ministry predicts economic turnaround in 2021 with 4.5% growth;
- 19 Nov 2020 **Antananarivo (Madagascar)** *Quartz*. The **World Economic Forum** reports that Madagascar is slowly breaking up into smaller islands as a result of the **East African Rift System** slowly breaking away;
- 18 Nov 2020 **Antananarivo (Madagascar)** *Afrik 21*. **African Development Bank (AfDB)** and Malagasy government host a virtual training workshop on environmental and social safeguards in the implementation of AfDB-financed projects in Madagascar;

17 Nov 2020 **Tulear (Madagascar) Renewables Now.** France-based renewable energy company **Akuo** deploys 44 mobile solar units in Madagascar;

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