

## AFRICA RISK CONSULTING

### Madagascar Monthly Briefing December 2021

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#### Madagascar Summary 7 December 2021

*Twenty individuals including two French nationals appear before a Madagascar court, accused of plotting to murder President Andry Rajoelina (2019-present). The National Assembly passes the 2022 Finance Law with no revisions after five days of review. The World Bank accuses state-owned utilities company JIRAMA of ineligible expenditure on the PAGOSE project and asks it to return \$1.75m in funding. The United States Agency for International Development (USAID) launches a \$5.8m five-year public-private partnership (PPP) to plant 1.5 million trees and improve the income of 2,000 rural farming families. Madagascar closes its air borders to flights from South Africa citing concerns about the new Omicron Covid-19 variant.*

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#### Apollo 21 in court...

The trial of 20 people, including two **French** nationals, charged with plotting to murder President **Andry Rajoelina** (2019-present) began in an **Antananarivo** court on 6 December.<sup>1</sup> The trial follows the arrest by **Madagascar** police in July of 21 individuals on charges of threatening state security, plotting the assassination of the president, and several other crimes (see *ARC Briefing Madagascar August 2021*).<sup>2,3</sup> The suspects have denied all charges related to their alleged involvement in the so-called "**Apollo 21**" plot.<sup>4,5</sup>

The sequence of events and circumstances of the alleged coup remain unclear. Malagasy officials have not publicly released details of the crime and the trial will not be open to the public. However, selected journalists are permitted to attend the trial, which is expected to last three to four days.<sup>6</sup> **Arlette Rafanomadio**, legal counsel for accused dual French-Malagasy national **Paul Rafanoharana**, raised concerns that the trial could not proceed fairly unless made open to the public:

*"Without a public hearing ... it will be easy [for the government] to put pressure on the magistrates."*<sup>7</sup>

Former French army colonel and Madagascar-based investment company **Tsarafirst** executive **Phillipe Francois** is the second French national accused of the same crimes – criminal conspiracy, criminal association, rebellion against the president and possession of illegal weapons. The legal team confirmed that access to the accused has been "*difficult*" and that time to consult with clients has been limited to 30 minutes despite the supporting court documents totalling 400 pages.<sup>8</sup>

#### Finance bill adopted

The **Assemblée Nationale** (national assembly) adopted the **projet de loi de finances (PLF)** (2022 finance bill) without amendment on 23 November, following five days of review.<sup>9</sup> Finance and economy minister **Rindra Hasimbelo** presented the bill to parliamentary deputies on 18 November,

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<sup>1</sup> [Reuters](#), 6 Dec 2021

<sup>2</sup> [Xinhua](#), 2 Aug 2021

<sup>3</sup> [Reuters](#), 23 Jul 2021

<sup>4</sup> [Reuters](#), 6 Dec 2021

<sup>5</sup> [Seychelles News Agency](#), 6 Dec 2021

<sup>6</sup> [Agence France-Presse](#), 6 Dec 2021

<sup>7</sup> [Reuters](#), 6 Dec 2021

<sup>8</sup> [Agence France-Presse](#), 6 Dec 2021

<sup>9</sup> [RFI](#), 24 Nov 2021

following a two-week delay.<sup>10 11</sup> Parliamentarians highlighted the delay, noting that the bill was originally tabled for review on 29 October. Malagasy law provides that national assembly members be allowed 30 days to review the finance bill and the senate a further 15 days. The **Madagascar Tribune** accused government of “*expeditious [...] often superficial examination*” of the PLF and highlighted a lack of citizen debate of government accounts.<sup>12</sup>

The RLF 2022 focuses on resumption of economic activity, predicting growth of 5.4% in 2022, rising from 3.5% in 2021.<sup>13</sup> Economic growth of 4.3% in 2021 was originally forecast for Madagascar, but a second wave of **Covid-19** infections slowed economic activity during Q2 of 2021.<sup>14</sup> The budget deficit is due to narrow in 2022, falling to 6.1% from 6.6% in 2021. Inflation is forecast to rise to 7% in 2022, from 6.4% in 2021.<sup>15</sup>

The 2022 finance bill implements a 1.1% increase in tax revenue, increasing expected government revenue to 4,219 billion ariary (\$1.05m) in 2022.<sup>16</sup> The bill removes certain tax advantages from free zones including:

- A decrease in the **impôt sur le revenu (IR)** (income tax) exemption period for new free zones and enterprises (1, 3 and 10 years of age depending on sector of operations);
- Lowering the rate of tax reduction for investment;
- Limiting the stability guarantees issued;
- Eliminating IR exemption for reinsurance premiums;
- Microfinance and management centres will no longer be exempt from income tax;
- Renewable energy, agriculture, tourism and industrial sector investors will receive a lower rate of tax reduction.<sup>17</sup>

The budget allows for an increase in public spending, including the construction of hospitals and basic health centres and a recruitment drive for healthcare professionals.<sup>18</sup> National education, access to clean drinking water and infrastructure also remain on the list of government spending priorities.<sup>19</sup> The ministries of environment, water, sanitation, hygiene and social protection each received an uplift in their budgets from 2021 of at least 75%.<sup>20</sup>

Civil society organisation **Collectif des citoyens et organisations citoyennes** (collective of citizens and civic organisations) secretary general **Hony Radert** applauded the decision to increase ministerial budgets:

*“From now on, it is up to these ministries to show their capacity to use these allocations wisely [...] that will involve all the stakeholders.”<sup>21</sup>*

However, Radert labelled the lack of consultation with the private sector “*concerning*”, noting the importance of dialogue in the context of post-Covid economic recovery:

*“it is really essential to find this dialogue again before making decisions that can strongly impact priority sectors such as free zones. If we cannot produce properly, it is impossible to recover from the crisis and move forward, whether economically or socially.”<sup>22</sup>*

<sup>10</sup> [Madagascar Tribune](#), 18 Nov 2021

<sup>11</sup> [Republikan'I Madagaskara](#), 7 Nov 2021

<sup>12</sup> [Madagascar Tribune](#), 18 Nov 2021

<sup>13</sup> [Bloomberg](#), 13 Nov 2021

<sup>14</sup> [Bloomberg](#), 13 Nov 2021

<sup>15</sup> [Bloomberg](#), 13 Nov 2021

<sup>16</sup> [Madagascar Tribune](#), 24 Nov 2021

<sup>17</sup> [Republikan'I Madagaskara](#), 7 Nov 2021

<sup>18</sup> [Orange](#), 18 Nov 2021

<sup>19</sup> [Orange](#), 18 Nov 2021

<sup>20</sup> [RFL](#), 24 Nov 2021

<sup>21</sup> [RFL](#), 24 Nov 2021

<sup>22</sup> [RFL](#), 24 Nov 2021

Overall, budgets without a specific destination declined from 8.2% in 2021 to 5.9% in 2022 (\$203.2m) the majority of which is accounted for by the ‘Emergence’ projects in Southern Madagascar, indicating ample opportunity for leakage from the budget.<sup>23</sup>

Civil society actors, including Radert, criticised the lack of debt transparency and a clear roadmap to reduce public debt.<sup>24</sup> The external borrowing plan has doubled in the 2022 budget, rising to 15.6 trillion ariary (\$3.95 billion) with 400 billion ariary (\$100.4m) earmarked for military defence equipment.<sup>25</sup>

### JIRAMA meets World Bank repayment deadline

The 2022 budget has allocated 380 billion ariary (\$95.4m) in subsidies to state-owned electric utility and water services company **Jiro sy Rano Malagasy (JIRAMA)**.<sup>26</sup> The allocation is a welcome development for the 58% of Malagasy who lack access to safe drinking water. Madagascar continues to fall short of the **United Nations (UN) Sustainable Development Goals (SDGs)** set in 2015, with only 26% of the population having access to electricity.<sup>27, 28</sup>

The utility company successfully met a payment deadline with the **World Bank** on 2 December, repaying \$634,719 of ineligible expenses relating to the \$65m World Bank-financed **Pagose** energy project.<sup>29, 30</sup> The World Bank had recommended on 28 October that JIRAMA conduct an audit of its fixed assets management system to determine anomalies and produce a register of fixed assets acquired for the Pagose project.<sup>31</sup> The World Bank identified \$1.75m in project expenditure that did not comply with **International Development Association (IDA)** procedures and were classed as ‘ineligible’. The Malagasy government is required to reimburse ineligible payments to the IDA, a World Bank agency that provides zero to low-interest loans and grants for programmes that boost economic growth, reduce inequalities, and improve people’s living conditions.<sup>32</sup>

Despite significant signs of poor fiscal management, JIRAMA signed a 25-year power purchase agreement (PPA) on 26 November with special purpose hydroelectric company **Nouvelle énergie hydroélectrique de l’Onive (NEHO)**, owned by **Morocco**-based **Themis**, pan-African group **Eranove** and **France**-based construction group **Effiage**.<sup>33</sup> NEHO is responsible for the financing, construction, operation and maintenance of the 192-MW **Sahofika** hydroelectric project. Once complete, the hydroelectric facility will be the largest in Madagascar and will supply 1.6 million households.<sup>34</sup> Themis managing director **Tas Anvaripour** described the realisation of the Sahofika hydroelectric project as the cornerstone of Madagascar’s electricity sector transformation:

*“The project will enable a transition to green energy and a reduction of more than 30% in the average purchase cost for JIRAMA.”<sup>35</sup>*

### USAID programme targets chocolate and spice sector

In further good news for Madagascar’s environmental activists, the **United States (US) Agency for International Development (USAID)** launched a five-year programme on 29 November to support agroforestry systems and biodiversity on the island. The \$5.8m programme targets Madagascar’s chocolate and spice industry, aiming to plant 1.5 million trees and improve the income of 2,000 rural

<sup>23</sup> RFL, 24 Nov 2021

<sup>24</sup> RFL, 24 Nov 2021

<sup>25</sup> RFL, 24 Nov 2021

<sup>26</sup> [Madagascar Tribune](#), 24 Nov 2021

<sup>27</sup> [US Agency for International Development](#), accessed 7 Dec 2021

<sup>28</sup> [World Bank Data](#), accessed 7 Dec 2021

<sup>29</sup> [Madagascar Tribune](#), 4 Dec 2021

<sup>30</sup> [African Development Bank](#), 13 Dec 2019

<sup>31</sup> [Madagascar Tribune](#), 4 Dec 2021

<sup>32</sup> [World Bank IDA](#), accessed 7 Dec 2021

<sup>33</sup> [Afrik21](#), 26 Nov 2021

<sup>34</sup> [Afrik21](#), 26 Nov 2021

<sup>35</sup> [Afrik21](#), 26 Nov 2021

farming families.<sup>36</sup> Approximately 80% of the global supply of vanilla is grown in Madagascar. Vanilla was Madagascar's top export in 2019, with sales totalling \$651m,<sup>37</sup> In the same year, cocoa beans generated \$31.2m for Madagascar. However, the **Global Initiative Against Transnational Organised Crime** named the vanilla industry as a key contributor to corruption, money laundering and criminality in Madagascar in September (see *ARC Briefing Madagascar October 2021*).

The **TSIRO Alliance** is a public-private partnership (PPP), part of the **US Health, Ecosystems and Agriculture for Resilient, Thriving Societies (HEARTH) Global Development Alliance**, which aims to partner the public and private sectors to solve development challenges. The TSIRO alliance is composed of US-based **Catholic Relief Services (CRS)**, the **Fine Chocolate Industry Association (FCIA)**, US-based chocolate maker **Beyond Good, Guittard Chocolate, Akesson's Organic**, and the **Heirloom Cacao Preservation Fund (HCP)**. Technical partners include **United Kingdom (UK)-based Bristol Zoo** and Madagascar-based **Centre ValBio**.

The USAID programme complements another US-led initiative launched by Beyond Good in September (see *ARC Briefing Madagascar October 2021*). Beyond Good intends to begin selling carbon credits for land preserved by Madagascar's cocoa farmers.<sup>38</sup> Beyond Good is partnering with US-based environmental organisation **Conservation International** and UK-based **Bristol Zoo** to preserve trees, under which the **Criollo** cocoa variety is grown.<sup>39</sup> Green carbon credits may offer a new industry for Madagascar, one that supports the local community and restores the country's natural assets.

### Madagascar closes air border with South Africa over Omicron concerns

The Madagascar council of ministers announced on 1 December a decision to close Madagascar's air borders with **South Africa**, citing concerns about the Covid-19 **Omicron** variant.<sup>40</sup> However, the decision is unlikely to impact travel to and from South Africa; the Madagascar Tribune noted on 2 December that since Madagascar reopened air borders with **Reunion** and **Mauritius** on 13 October, there have been no direct flights to or from South Africa (see *ARC Briefing Madagascar November 2021*). The council of ministers has also failed to publish a 'red list' detailing countries to which Madagascar will remain closed despite mentioning the list in council communications in October.<sup>41</sup>

The US has also implemented new travel requirements for passengers transiting from Madagascar and **Comoros**. As of 6 December, all passengers two years of age and older must submit to a one-day Covid-19 test prior to boarding a flight to the US, regardless of Covid vaccination status and nationality.<sup>42</sup> The announcement from the US embassy in Madagascar and Comoros followed the delivery of 398,970 doses of US-manufactured **Pfizer** Covid-19 vaccine on 25 November.<sup>43</sup>

New cases of Covid-19 in Madagascar climbed slowly in early December, reversing a trend of low transmission since government lifted a 17-month nationwide state of emergency on 3 September (see *ARC Briefing Madagascar September 2021*). The **World Health Organisation (WHO)** reported that as of 5 December, Madagascar had recorded 104 new cases over a seven-day period but reported no deaths in the same period.<sup>44</sup> As of 6 December, Madagascar had registered a total of 44,800 cases of Covid-19 in its population of 26.97 million, with 972 Covid-19-related deaths.<sup>45</sup>

Madagascar joined the WHO vaccination access scheme, **COVAX**, in April after initially opting out of the programme and instead using a local herbal remedy named **Covid-Organics** (see *ARC Briefing*

<sup>36</sup> [US Embassy in Madagascar & Comoros](#), 29 Nov 2021

<sup>37</sup> [Observatory of Economic Complexity](#), accessed 7 Dec 2021

<sup>38</sup> [Bloomberg Green](#), 26 Sep 2021

<sup>39</sup> [Bloomberg Green](#), 26 Sep 2021

<sup>40</sup> [Madagascar Tribune](#), 2 Dec 2021

<sup>41</sup> [Madagascar Tribune](#), 2 Dec 2021

<sup>42</sup> [US Embassy in Madagascar and Comoros](#), 6 Dec 2021

<sup>43</sup> [US Embassy in Madagascar and Comoros](#), 25 Nov 2021

<sup>44</sup> [World Health Organisation](#), accessed 6 Dec

<sup>45</sup> [World Health Organisation](#), accessed 6 Dec

*Madagascar April 2021*).<sup>46</sup> As of 6 December, 1.92% of the Madagascan population, 532,674 individuals, have received at least one dose of a Covid-19 vaccine, while 1.75% or 484,570 individuals are fully vaccinated.<sup>47</sup>

## Planner

2023 (**Madagascar**) Potential presidential elections

## Chronology

6 Dec 2021 **Antananarivo (Madagascar)** *US Embassy*. Passengers transiting to the **United States (US)** from Madagascar will be required to provide proof of a negative **Covid-19** test taken not more than 24 hours prior to departure;

5 Dec 2021 **Antananarivo (Madagascar)** *AFP*. Trial in capital **Antananarivo** set to begin on 6 December for 21 people accused of planning a coup d'état, including two **French** men and their wives;

2 Dec 2021 **Antananarivo (Madagascar)** *Madagascar Tribune*. The Madagascar council of ministers rules to close airspace to **South Africa** citing concerns over the **Covid-19** variant **Omicron**;

27 Nov 2021 **Ivandry (Madagascar)** *Madagascar Tribune*. President **Andry Rajoelina** delivers a speech at a youth connect event in Ivandry promising to create more jobs for unemployed youth through the agriculture-based **Fihariana programme**;

23 Nov 2021 **Antananarivo (Madagascar)** *Madagascar Tribune*. The national assembly passes the 2022 finance law (PLF), after five days of examination;

18 Nov 2021 **Antananarivo (Madagascar)** *Madagascar Tribune*. Economy and finance minister **Rindra Hasimbelo** presents the 2022 finance bill to deputies, to face a vote at the National Assembly on 23 November;

<sup>46</sup> [VON](#), 1 Apr 2021

<sup>47</sup> [World Health Organisation](#), accessed 6 Dec 2021

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### Getting in touch

Please contact us by email [info@africariskconsulting.com](mailto:info@africariskconsulting.com) or call + 44 (0) 20 7078 4080

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