

AFRICA RISK CONSULTING

Madagascar Monthly Briefing June 2020

Madagascar Summary 22 June 2020

President Andry Rajoelina (2019-present) continues to tout Covid-Organics (CVO) as a cure for Covid-19 despite warnings from the international community about the need for clinical trials. Rajoelina fires education minister Rijaso Andriamanana over plans to order \$2m worth of sweets to mask the “bitter aftertaste” of CVO. The government announces a stimulus package of \$73m to help small businesses as lockdown regulations negatively impact the economy and environmental conservation. The African Development Bank (AfDB) has approved a \$4.5m loan for the Sahofika Hydropower energy plant.

Rajoelina continues to tout Covid-19 cure ...

President **Andry Rajoelina** (2019-present) continues to attract controversy over **Covid-Organics (CVO)**, his proposed herbal remedy for **Covid-19**. Rajoelina dismissed Madagascar’s education minister, **Rijaso Andriamanana**, on 4 June over plans to order more than \$2m worth of sweets for schoolchildren to mask the bitter aftertaste of CVO.¹ The plan to use state coffers to purchase sweets in one of the world’s poorest countries sparked outrage in the Malagasy press, forcing President Rajoelina to intervene.² However, although he has dismissed the education minister, Rajoelina continues to support and promote the herbal tonic as a cure for Covid-19, rejecting criticism of CVO as “western condescension” towards **Africa**.³ The **World Health Organization (WHO)**, **African Union (AU)** and the **African Centre for Disease Control** have yet to release any findings or developments in support of CVO.⁴ There are concerns that CVO may impart a false sense of security, and a move away from the handwashing and physical distancing that are fundamental in combating the spread of Covid-19.⁵

Some African countries continue to use CVO to combat Covid-19. The government of **Chad** sent a jet to Madagascar on 18 June to collect an additional donation of CVO from President Rajoelina.⁶ Chad has recorded low infection rates: 858 cases and 74 deaths in its population of 16.4 million as of 22 June; Rajoelina claims that these low figures are testament to the positive effects of CVO.⁷

President Rajoelina is attempting to position Madagascar as a new player in the global pharmaceutical market. Rajoelina announced on 18 June that the government will put in place measures to produce most of the medicines that are currently imported. Madagascar’s new pharmaceutical plant, **Pharmalagasy**, will launch **CVO+**, a curative and preventative capsule against Covid-19, in association with **Bionexx**, a company that specialises in plant extraction. The CVO+ capsule is made from Artemisia, the same ingredient present in Covid-Organics.⁸

... amid lockdown tensions

The lockdown measures that the government imposed in March to curb the spread of Covid-19 have met with growing resistance. Residents faced with a lack of income have been forced to contravene

¹ News18, 6 Jun 2020

² The Straits Times, 5 Jun 2020

³ BBC, 5 Jun 2020

⁴ Africanews.com, 18 Jun 2020

⁵ ARC analyst

⁶ Africanews, 18 Jun 2020

⁷ Africanews.com, 10 Jun 2020

⁸ Africannews.com, 18 Jun 2020

the lockdown regulations in order to survive. Anti-lockdown protests took place on 4 June in response to alleged police brutality. Tension and scuffles broke out between the police and citizens to denounce the measures taken to curb the spread of coronavirus. Protests were sparked by the beating of a street vendor for contravening lockdown regulations by engaging in commercial activity. Images of the incident were widely shared on social media, sparking anger amongst the residents in the eastern Madagascar town of **Toamasina**.⁹ Protestors burnt tires, blocked roads and pelted security forces with stones. Police fired rubber bullets in response, but denied allegations of excessive use of force. The unrest followed the deployment on 24 May of soldiers and medical staff after two people died of Covid-19 in Toamasina.

As of 20 June, Madagascar had recorded 1,596 cases of Covid-19, with 14 deaths and 655 recoveries in its population of roughly 27.4 million people.¹⁰ The government is gradually lifting restrictions in the capital city, **Antananarivo**, and in the south-eastern city of **Fianarantsoa**. However, lockdown continues for residents of Toamasina, the region most affected in terms of Covid-19 numbers.¹¹

Stimulus package: a welcome relief

The government announced on 17 June that it will offer a stimulus package to almost a million small businesses to secure loans at below market rates to help deal with the impact of the coronavirus.¹² The government loan provides a lower interest rate than commercial banks whose interest rates currently range from 20% to 40%:

“Over 980,000 businesses including small farmers, agricultural distributors, and those in the tourism, commerce, crafts and manufacturing sectors will be beneficiaries of the loan.”¹³

The news will come as welcome relief to the business sector, following the announcement by the **Banque Centrale de Madagascar (BCM)** (central bank) on 9 May that it has reduced its estimate of Madagascar’s economic growth rate from 5.5% to 1.2%.¹⁴ The BCM cited the global pandemic and subsequent shutdown of business organisations and tourist locations as the cause of lower economic growth. Covid-19 has also impacted public investment, including roads, health, education and infrastructure. The pandemic has severely impacted Madagascar’s main trading partners, including **China, Italy, the United States (US) and France**, which made up 46% of Madagascar’s total exports and 33% of its imports in 2019.¹⁵

Madagascar has lost half a billion dollars in much-needed tourism revenue since the start of 2020, according to official estimates.¹⁶ Madagascar frequently ranks amongst the 10 poorest countries in the world and relies heavily on its tourism industry. In 2019, it received more than 375,000 tourists with tourism revenue reaching nearly \$900m. Reports show that the average traveller spends around \$3,000 while 75% of the population lives on less than \$1.90 a day.¹⁷ The tourism industry also influences Madagascar’s conservation efforts, which rely on foreign funding, particularly from France and **Germany**. There are fears that international funding for conservation efforts will be jeopardised as donors face economic crises in their home countries.¹⁸ National parks director **Mamy Rakotoarijaona** estimated the loss in 2020 tourism revenues at around \$2m, and said he was not optimistic that the situation would return to normal in September.¹⁹

⁹ BBC, 4 Jun 2020

¹⁰ Worldometer, 20 Jun 2020

¹¹ Madagascar Tribune, 10 Jun 2020

¹² Reuters, 18 Jun 2020

¹³ Venture Africa, 19 Jun 2020

¹⁴ Madagascar Tribune, 9 May 2020

¹⁵ Reuters, 18 Jun 2020

¹⁶ Venture Africa, 22 May 2020

¹⁷ World Bank, accessed 2 Jun 2020

¹⁸ Ventures Africa, 10 Jun 2020

¹⁹ Mongaby, 22 May 2020

The coronavirus crisis has also affected the informal sector, which employs nine out of ten workers and contributes to 24% of the country's GDP.²⁰ The government hopes the stimulus package will cushion the impact of the virus and promote sustainable growth for Madagascar.

Sahofika hydropower: expanding green energy

The **African Development Fund (AfDB)** has approved a \$ 4.5m loan with a grant component to finance the Madagascar government's \$33m equity investment in the **Sahofika** hydropower project.²¹ Once complete, the project is expected to produce affordable and green energy to 8 million people.²² The AfDB will provide the funds through its **Africa Development Fund (ADF)**, which provides low-income **Regional Member Countries (RMCs)** occasional loans and grants in support of projects that target poverty reduction.²³

The Sahofika project is part of the AfDB's strong support for Madagascar's power sector. The commission of the Sahofika project will enable the national utility to save \$111m annually in fuel costs and phase out reliance on state subsidies.²⁴ The AfDB's clean energy director, **Kevin Kariuki**, noted:

*"The support to the Sahofika project exemplifies the Bank's commitment to delivering quality, affordable energy access across the continent for sustainable and inclusive growth, while helping member countries to responsibly harness their vast, yet underdeveloped renewable energy resources."*²⁵

The Sahofika project is located on the **Onive River**, south-west of Antananarivo. The project construction consists of a 205 MW hydroelectric power plan on a Build-Own-Operate-Transfer (BOOT) model and incorporates the construction and restoration of roads. It also includes the construction a 75km, 220 kv transmission line. Once completed, the project is expected to reduce annual CO2 emissions by 900,000 tons.²⁶

²⁰ Venture Africa, 10 Jun 2020

²¹ CNBC Africa, 22 May 2020

²² CNBC Africa, 22 May 2020

²³ Africa: Oil& Power, 26 May 2020

²⁴ Africa: Oil& Power, 26 May 2020

²⁵ CNBC Africa, 22 May 2020

²⁶ Africa: Oil&Power: 26 May 2020

Planner

26 Jun 2020 (**Madagascar**) Independence Day;

28-30 Sep 2020 **Antananarivo (Madagascar)** L'AviaDev Africa 2020 (Aeronautical Conference of Africa)²⁷

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

Chronology

21 June 2020 **Antananarivo (Madagascar)** *ITV*. A Charity worker from **Lancaster (United Kingdom)**, who was stranded in rural **Madagascar** during the **coronavirus** lockdown, has left the country;

18 Jun 2020 **Antananarivo (Madagascar)** *Reuters*. The government announces a stimulus package, offering close to a million small businesses secure loans at below market rates to help cushion the impact from the **coronavirus** outbreak;

18 Jun 2020 **Antananarivo (Madagascar)** *The Times of India*. A chartered flight under **Vande Bharat Mission** repatriates 85 stranded **Indian** nationals from Madagascar; the third phase of the Vande Bharat Mission will continue until 30 June;

16 Jun 2020 **Antananarivo (Madagascar)** *Africa News*. **The Republic of Chad** sends a jet to **Madagascar** to collect 20,000 doses in a second round of **Covid-Organics**;

12 Jun 2020 **Antananarivo (Madagascar)** *BBC*. **Madagascar's** judicial studies department director states that President **Andry Rajoelina's** purported remedy for **Covid-19** will be administered in clinical trials and that rumours that artemisia would be used in injectable format are false;

4 Jun 2020 **Antananarivo (Madagascar)** *The Straits Times*. President **Andry Rajoelina** sacks education minister **Rijasoa Andriamanana** after she said she was ordering \$2.2m worth of sweets to go with the president's alleged **covid-19** remedy **Covid-Organics** to take away the "bitter taste";

28 May 2020 **Antananarivo (Madagascar)** *Premium Times*. Government says social media reports that Madagascar quit the **World Health Organisation (WHO)** and has been offered \$20m by the WHO to kill its **Covid-Organic** cure, are false.

²⁷ The conference has been postponed from its original dates (6 May-8 May)

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