

## AFRICA RISK CONSULTING

### Madagascar Monthly Briefing August 2022

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#### Madagascar Summary 11 August 2022

*Banky Foiben'i Madagasikara (BFM) (central bank) Monetary Policy Committee (MPC) raises the benchmark interest rate to 6.9% citing the need to control inflation. Madagascar police detain two leading members of the opposition party Tiako I Madagasikara (TIM) at an anti-government protest organised by the Rassemblement des Opposants a Madagascar pour la Democratie (RMDM) on 23 July in Antananarivo. A second round of anti-government protests erupts on 3 August. President Andry Rajoelina conducts a tour of the Sava region announcing a clean-up of the vanilla industry. The council of ministers suspends flights to Moroni (Comoros) citing unaddressed concerns relating to gold smuggling. Foreign Minister Richard Randriamandrato meets with South Africa president Cyril Ramaphosa to discuss the repatriation of Malagasy citizens and 74kg of gold seized in Johannesburg in December 2020. The mine and strategic resources ministry announces the closure of four illegal gold mining operations on the Kamoro river, allegedly run by Chinese nationals. World Health Organisation (WHO) statistics indicate that Madagascar's fourth wave of Covid-19 is now in decline.*

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#### Central Bank hikes interest rate to 8.9%

The **Banky Foiben'i Madagasikara (BFM) (central bank) Monetary Policy Committee (MPC)** has raised the benchmark interest rate by 0.9%, raising the price of borrowing for a second consecutive meeting.<sup>1</sup> The MPC also raised the lower deposit facility rate to 6.9%, and the marginal lending facility rate to 8.9%.<sup>2</sup> The decision published on 2 August marks the third quarterly hike of the deposit rate and the second quarterly hike of the interest rate.<sup>3</sup>

The central bank's economic outlook acknowledged Madagascar's extreme weather including successive cyclones which arrived in February 2022 (see *ARC Briefing Madagascar March 2022*) and ongoing drought conditions in southern Madagascar as dampeners to domestic growth. Upside risks include global supply chain disruptions, the **Russia-Ukraine** war, and Covid-19 lockdowns in **China**.<sup>4</sup>

The MPC reports that headline inflation reached 6.9% in June after core inflation rose to 8.3%. The MPC justified the rate hikes stating that the adjusted rates would contain inflation and preserve growth potential by financing production. The next BFM MPC meeting will be held before the end of the year.<sup>5</sup>

The BFM currently operates a system of flexible targeting of monetary aggregates with an interest rate corridor system but plans to adopt an interest rate targeting system in 2023

#### Anti-government protests on the rise

Madagascar police detained two leading members of the opposition party **Tiako I Madagasikara (TIM)** at an anti-government protest organised by the **Rassemblement des Opposants a Madagascar pour la Democratie (RMDM)** on 23 July in Antananarivo.<sup>6</sup> **Rina Randriamasinoro**, the secretary general of the TIM party, and its national coordinator **Jean-Claude Rakotonirina** were

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<sup>1</sup> [Bloomberg](#), 2 Aug 2022

<sup>2</sup> [Central Banking](#), 3 Aug 2022

<sup>3</sup> [Bloomberg](#), 2 Aug 2022

<sup>4</sup> [Central Banking](#), 3 Aug 2022

<sup>5</sup> [Orange Madagascar](#), 2 Aug 2022

<sup>6</sup> [VoA](#), 23 Jul 2022

released later the same day. The protest organised by RMDM was scheduled to take place inside a warehouse owned by opposition leader **Marc Ravalomanana** however, protesters were met by security forces who blocked access to the venue. The protest spontaneously turned into a sit-in protest outside of the warehouse.

A second round of protests erupted in **Itaosy** on 4 August with protestors burning tyres and blocking traffic shortly after midday in response to a power cut which had begun at 6 am. The protests were closely monitored by the military and the police. In July, president Rajoelina vowed to reform state-owned water and energy utility **Jiro sy rano Malagasy (JIRAMA)** in response to reports of ‘*mismanagement*’.<sup>7</sup>

Protests of this size are rare in Madagascar, a country where the ruling party suppress with the political opposition’s civil rights and press freedom. Madagascar’s latest anti-government protests have been fuelled by the rising cost of living.<sup>8</sup> In early July, Madagascar hiked fuel prices by 44% to relieve mounting pressure on the government purse. A rise in international fuel prices quickly pushed up the cost of maintaining fuel subsidies for the government, the price of diesel and petrol had remained unchanged since 2019 (*see ARC Briefing Madagascar July 2022*). As a result of the higher fuel prices, the price of consumable goods has also risen, magnifying the economic impact on Malagasy citizens.

These protests, historically repressed by security forces in Madagascar are a bad omen for Rajoelina with the 2023 presidential elections on the horizon.

### **Rajoelina intervenes in vanilla exports**

President Rajoelina has announced a clean-up of Madagascar’s largest export, the vanilla industry, threatening legal action against actors who abuse peasant planters.<sup>9</sup> Madagascar’s vanilla campaign for 2022 launched on 7 July but was interrupted less than a week later, on 13 July when protesters blocked the road between **Andapa** to **Sambava (Sava region)**. The protesters denounced practices employed by vanilla collectors (buyers) to push sale prices lower than the government mandated price of MGA’75,000 (\$18) per kilo.<sup>10</sup>

Rajoelina announced the vanilla drive whilst touring the Sava region, which exports 80% of Madagascar’s vanilla. The president met with vanilla planters, collectors, preparers, and exporters in **Antalaha** to discuss the application of a minimum pricing system which would be enforced by the state. Green vanilla is currently priced at \$18 per kilo and prepared vanilla, suitable for immediate export, is at \$250 per kilo. During the meeting, state actors indicated that vanilla exporters will also be subject to an approval process.<sup>11</sup>

President Rajoelina highlighted illegal practices which endanger the vanilla growing sector, including market boycotts leveraged by collectors against peasant planters to drive prices below the government threshold, often as low as \$5 per kilo.<sup>12</sup>

Malagasy exporters are additionally required to repatriate at least 70% of earnings in a foreign currency. Rajoelina acknowledged that vanilla exporters are reluctant to repatriate foreign currency earnings, with some having falsely claimed compliance with this requirement.<sup>13</sup>

The vanilla sector clean-up, if effectively administered by the state will bolster state revenue and provide additional foreign currency liquidity to the Malagasy government. Currently, the vanilla sector contributes \$600 million in tax to state revenues.<sup>14</sup>

<sup>7</sup> [Madagascar Tribune](#), 9 Jul 2022

<sup>8</sup> [Bothside News](#), 5 Aug 2022

<sup>9</sup> [Anadolu Agency](#), 25 Jul 2022

<sup>10</sup> [Madagascar Tribune](#), 13 Jul 2022

<sup>11</sup> [Anadolu Agency](#), 25 Jul 2022

<sup>12</sup> [Anadolu Agency](#), 25 Jul 2022

<sup>13</sup> [Anadolu Agency](#), 25 Jul 2022

<sup>14</sup> [Anadolu Agency](#), 25 Jul 2022

## Flights to Comoros halted over gold smuggling concerns

State-owned national airline **Madagascar Airlines** suspended flights between **Madagascar** and **Moroni (Comoros)** on 23 July citing a “*cancellation of flight authorisation by the competent authority.*”<sup>15</sup> The cancellation comes just three weeks after Madagascar Airlines resumed flights to its sister islands in the **Indian Ocean**.<sup>16</sup>

Transport minister, **Rolland Ranjatoelina** indicated that the suspension was linked to a high risk of gold trafficking. In December 2021, two Malagasy nationals were arrested in Comoros with 49 kilos of gold in their possession (see *ARC Briefing Madagascar January 2022*). The arrested individuals, **Pierre Stenny Andrianantenainambininstoa** and **Azaly Failaza Pacheco** were due to depart Moroni and fly to **Dubai (United Arab Emirates)** on a private jet leased by Dubai-based conglomerate **AI Futtaim**.<sup>17</sup>

The Malagasy independent anti-corruption body, the **Pôle anti-corruption (PAC)** issued international arrest warrants for the pair on 28 December. **France**-based newspaper **RFI** reports that the arrested pair were known to Malagasy authorities and connected to the **South African** gold smuggling scandal, which saw 74 kilos of gold seized by authorities in **Johannesburg** in December 2020 (see *ARC Briefing Madagascar January 2021*).<sup>18</sup>

The flight suspension may be a political tool designed to place pressure on Comorian officials - despite repeated demands by the Malagasy state, the 49 kilos of gold seized in Comoros has not been returned to Madagascar. Ranjatoelina denied any “*causal link*” to the impounded gold, stressing that the flight suspension was “*simply prevention.*”<sup>19</sup> Flights between Madagascar and Comoros will only resume when the council of ministers approves.<sup>20</sup>

Flights between South Africa and Madagascar also remain suspended. The council of ministers determined that South Africa-based private commercial airline **Airlink** would remain barred from operations when Madagascar lifted its international flight ban in April 2022.<sup>21</sup>

Airlink CEO **Rodger Foster** alleges that the continued ban on South African flights is designed to pressure South African authorities to return Malagasy couriers and the 74 kilos of gold bullion which was seized in December 2020. South Africa is opposed to the repatriation and intends to keep both the couriers and the gold until the local legal proceedings are complete.<sup>22</sup> The gold smugglers arrived in South Africa on a plane reported to also be used often by the Madagascan finance ministry, which has fuelled fears that the offenders may benefit from political protection and face lenient treatment in the Madagascan courts.<sup>23</sup>

Foreign minister **Richard Randriamandrato** met with South African president **Cyril Ramaphosa** (2018-present) on 13 July, reiterating the desire for the return of both the Malagasy couriers and the gold. South Africa-based newspaper the **Daily Maverick** estimates that the confiscated gold and hard currency are worth \$4 million, a significant sum to the Malagasy authorities.<sup>24</sup>

South Africa operates as a significant exporter of illicitly mined gold to **Dubai**, also a key export destination for Madagascar’s illicit gold. **Marcena Hunter**, a senior analyst at the **Global Initiative Against Transnational Organized Crime (GIATOC)** believes that Malagasy gold will continue to reach Dubai via **Ethiopia**.<sup>25</sup>

<sup>15</sup> [Archyde](#), 23 Jul 2022

<sup>16</sup> [RFI](#), 22 Jul 2022

<sup>17</sup> [RFI](#), 7 Jan 2022

<sup>18</sup> [RFI](#), 7 Jan 2022

<sup>19</sup> [Archyde](#), 23 Jul 2022

<sup>20</sup> [Archyde](#), 23 Jul 2022

<sup>21</sup> [Daily Maverick](#), 12 Jul 2022

<sup>22</sup> [Daily Maverick](#), 12 Jul 2022

<sup>23</sup> [PressNewsAgency](#), 20 Jan 2021

<sup>24</sup> [Daily Maverick](#), 12 Jul 2022

<sup>25</sup> [Institute for Security Studies](#), 5 Aug 2022

The mines and strategic resources ministry announced on 20 July the suspension of four illegal gold mining operations in the **Kamoro river**, allegedly run by **Chinese** nationals.<sup>26</sup> The ministry issued a statement claiming that the river has been illegally exploited since 2016.<sup>27</sup> The establishment of the illegal mines in 2016, amounting to losses of millions of dollars each year, and their longevity is a clear failure of preventative and policing authorities. The Malagasy state undertook a programme of reform and formalisation of the gold industry in 2015, establishing the national gold agency **Agence Nationale de la Filière OR (ANOR)**.<sup>28</sup> Following the establishment of the ANOR, declared gold exports surged from 0kg in 2015 to 3,084kg in 2018 but this accounts for only a fraction of Madagascar's real gold exports.<sup>29</sup> In short, the formalisation of Madagascar's gold industry has been a failure.

Gold mining in Madagascar is dominated by artisanal and small-scale operations and is estimated to employ between 750,000 and two million people.<sup>30</sup> These operations mean the Malagasy gold sector is particularly porous, lending itself to clandestine exports and depriving the government of much needed revenue.<sup>31</sup>

The suspension of the four illegal gold mining operations is a start in addressing the impact of illicit production and exports and recovering lost government revenues. However, the slow pace of reform in the mining and vanilla industry is often attributed to bribery and corruption amongst Malagasy officials. The **Daily Maverick** questions whether the highest office in Madagascar is a beneficiary of these illicit exports, and therefore, purposely slowing down the pace of reforms.<sup>32</sup>

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<sup>26</sup> [Ministère des Mines et des Ressources Stratégiques](#), 20 Jul 2022

<sup>27</sup> [Ministère des Mines et des Ressources Stratégiques](#), 20 Jul 2022

<sup>28</sup> [OCCRP](#), 25 Jul 2022

<sup>29</sup> [OCCRP](#), 25 Jul 2022

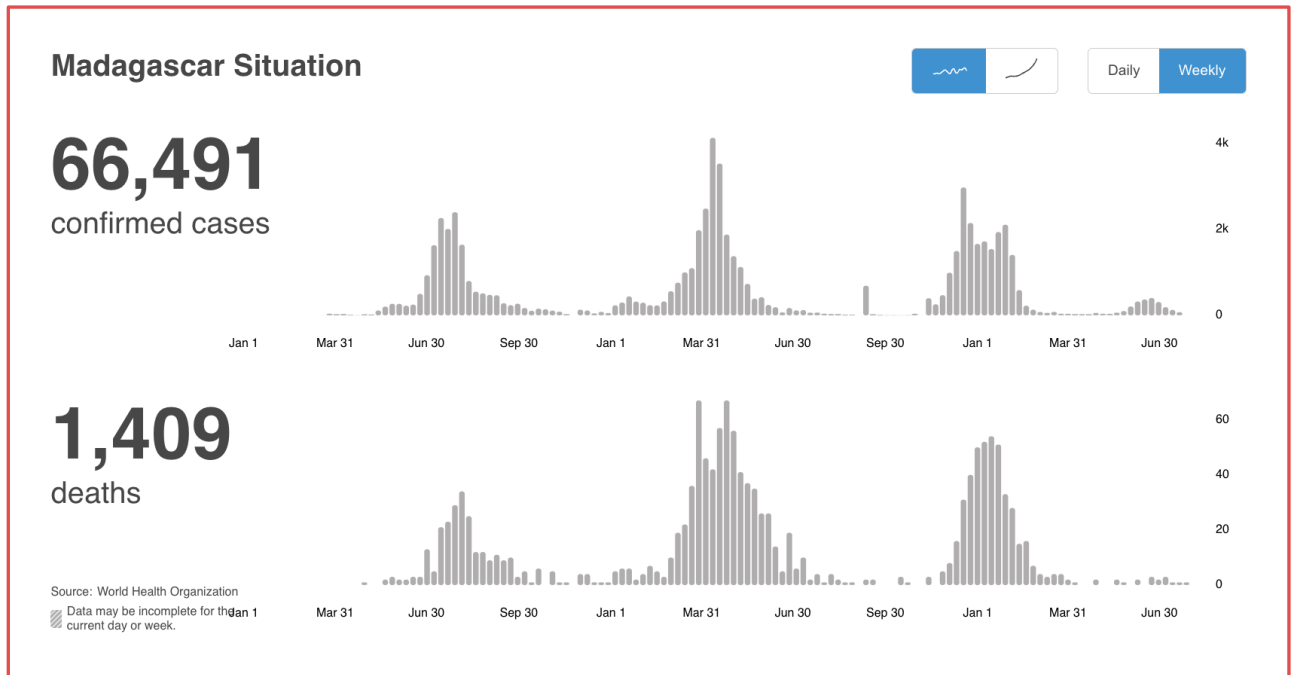
<sup>30</sup> [Global Gold Production Touching Ground](#), 2020

<sup>31</sup> [EITI](#), accessed 10 Aug 2022

<sup>32</sup> [Daily Maverick](#), 12 Jul 2022

## A fourth wave of Covid-19 in decline

The **World Health Organisation (WHO)** recently published statistics suggesting that Madagascar's fourth wave of **Covid-19** infections has been controlled and is now in decline.<sup>33</sup> Madagascar's last wave of Covid-19 infections peaked in early January when new infections rose to levels last seen in March 2021.<sup>34</sup>



Government testing between 30 July and 5 August revealed 239 active cases of Covid-19, of which 66 were new cases. This is a significant decline from the first week of July, when health authorities counted over 300 new infections. The **Analamanga** region has the highest rate of new cases, recording 51 of the 66 new cases, followed by the **Diana** region with 6, **Matsiatra Ambony** region with 6 and **Amoron'i Mania** with 1.<sup>35</sup>

The Malagasy government lifted all Covid-19 restrictions to facilitate nationwide celebrations for Madagascar's **62<sup>nd</sup> Independence Day** on 26 June.<sup>36</sup> A military parade in **Barea Stadium** (Antananarivo) drew large crowds and may have facilitated the spread of the virus in early July.

Health restrictions continue to apply to international flights arriving in Madagascar, including:

- 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 quarantine hotel;
- Submission to a PCR test upon arrival (at the traveller's expense) and confinement until the test result is known;
- Treatment at an approved hospital or medical hotel in the event of a positive test.<sup>37</sup>

Since 23 February, domestic travellers flying within Madagascar are no longer required to submit to a **Rapid-Diagnostic Test (RDT)** three hours before departure.<sup>38</sup>

<sup>33</sup> [World Health Organisation](#), accessed 10 Aug 2022

<sup>34</sup> [World Health Organisation](#), accessed 10 Aug 2022

<sup>35</sup> [Madagascar Tribune](#), 11 Jul 2022

<sup>36</sup> [Le Matinal](#), 27 Jun 2022

<sup>37</sup> [Anadolu Agency](#), 5 Mar 2022

<sup>38</sup> [2424](#), 24 Feb 2022

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*).<sup>39</sup> WHO data revealed that as of 10 August 1.29 million residents of Madagascar's 28 million population (5.03%) have received at least one dose of a Covid-19 vaccine, while 4.85% of the population is fully vaccinated.<sup>40</sup>

## Planner

2023 (**Madagascar**) Presidential elections (TBA);

## Chronology

10 Aug 2022 **Antananarivo (Madagascar)** *Madagascar Tribune*. The **Office malgache des hydrocarbures (OMH)** (office of hydrocarbons) announces the expected arrival of a fuel shipment to Madagascar, following a weeklong delay which led to supply shortages and disruption at fuel stations belonging to two major oil companies;

9 Aug 2022 **Antananarivo (Madagascar)** *Orange*. President **Andry Rajoelina** hosts the 10<sup>th</sup> partnership dialogue meeting between **Madagascar** and the **European Union (EU)** at the state palace in **Iavoloha**;

8 Aug 2022 **Antananarivo (Madagascar)** *Orange*. State-owned water and energy utility **Jiro sy rano Malagasy (JIRAMA)** announces the **Project d'Amélioration de la Gouvernance et des Opérations dans le Secteur d'Electricité - Réseau Interconnecté d'Antananarivo (PAGOSE - RIA)**, a plan to connect the North and South Antananarivo source posts using two new 90kV transmission lines. The plan will improve electricity supply to Antananarivo but involves the resettlement of those living in the transmission line corridor;

3 Aug 2022 **Antananarivo (Madagascar)** *Madagascar Tribune*. Protesters in **Itaosy** protest ongoing power cuts, burning tyres and blocking major roads;

2 Aug 2022 **Antananarivo (Madagascar)** *Bloomberg*. Monetary policy committee raises the benchmark interest rate by 90 basis points to 8.9%, raising borrowing costs for a second consecutive quarter;

2 Aug 2022 **Antananarivo (Madagascar)** *Madagascar Tribune*. The **Office malgache des hydrocarbures (OMH)** (office of hydrocarbons) reports a temporary diesel supply problem but confirms that fuel stocks are sufficient;

30 Jul 2022 **Ambohitriandriana (Madagascar)** *Madagascar Tribune*. Ministry of defence announces it suspects former residents of the **Ambolotarakely commune (Ankazobe district)** of carrying out an arson attack that killed 31 individuals;

29 Jul 2022 **Antananarivo (Madagascar)** *IMF*. President **Andry Rajoelina** receives a delegation from the **International Monetary Fund (IMF)** and **World Bank** at the state palace in **Iavoloha**;

28 Jul 2022 **Antananarivo (Madagascar)** *Council of Ministers*. Madagascar launches an international call for tenders to produce passports, Madagascar's existing provider **Belgium-based Semlex Europe SA**'s contract is set to expire in 2023;

25 Jul 2022 **Komoro (Madagascar)** *OCCRP*. **Madagascar** authorities suspend four illegal gold mining operations that were run by **Chinese** nationals in the northwest of the country;

25 Jul 2022 **Antananarivo (Madagascar)** *Anadolu Agency*. President **Andry** announces a clean-up of the vanilla sector threatening legal action against actors who exploit peasant planters;

<sup>39</sup> *VON*, 1 Apr 2021

<sup>40</sup> *World Health Organisation*, accessed 10 Aug 2022

22 Jul 2022 **Antananarivo (Madagascar)** *RFI*. National airline, **Madagascan Airlines**, suspends flights to **Comoros** following a decision by transport minister **Rolland Ranjatoelina** to suspend flights over gold smuggling concerns;

12 Jul 2022 **Antananarivo (Madagascar)** *Reinsurance News* **ARC Group** and **African Bank** provides almost \$800,000 in a drought insurance pay out to **Madagascar**;

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