

Madagascar



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Basic information about the country:

Beginning in the 17th century, the British and French empires competed for control of Madagascar. In 1890, Madagascar formally became a French protectorate, and did not fully gain its independence from France until 1960.¹

Today, of the 20 million Malagasy people, most live in rural areas, and derive the majority of their income from farming, livestock breeding, or fishing. Farms, however, do not typically receive the financing needed to yield enough crops to feed the Malagasy people. In response, the government has explored solutions through loans, subsidies, etc. Additionally, the government has undertaken microfinance initiatives to distribute small scale funds to rural communities.²

Recently, politician and television station owner, Andry Rajoelina staged a coup to overthrow Marc Ravalomanana as President of Madagascar. Because the transfer of power occurred through force, the European Union has refused to recognize Rajoelina's government. Other organizations such as the African Union, and the United Nations have also voiced concerns about Madagascar's future under Rajoelina's rule.³

Population: 20,042,552 (July 2008 est.)

Population Growth Rate: 3.005% (2008 est.)

GDP (purchasing power parity): \$21.62 billion (2008 est.)

GDP (official exchange rate): \$9.729 billion (2008 est.)

GDP - real growth rate: 7% (2008 est.)

GDP - per capita (PPP): \$1,100 (2008 est.)

GDP - composition by sector: *Agriculture: 26%*
industry: 15.9%
*services: 58.1% (2008 est.)*ⁱ

Most important industries: meat processing, seafood, soap, breweries, tanneries, sugar, textiles, glassware, cement, automobile assembly plant, paper, petroleum, tourism. Agriculture employs 80% of the population

¹ http://en.wikipedia.org/wiki/History_of_Madagascar

² Case Study on Microfinance Institutions in Madagascar:
<http://www.imf.org/external/np/seminars/eng/2008/afrfin/pdf/Andrianasolo.pdf>

³ <http://en.wikipedia.org/wiki/Madagascar#Politics>

Macro data such as inflation, unemployment

Inflation rate (consumer prices):	9.2% (2008 est.)
Labor force:	7.3 million (2000)
Population below poverty line:	50% (2004 est.)
Household income or consumption by percentage share:	<i>lowest 10%: 1.9%</i> <i>highest 10%: 36.6% (2001)</i>
Distribution of family income - Gini index:	47.5 (2001)

Banking system

There are eight commercial banks operating in the country, with the four largest banks (89% market share), each controlling more than 15% of the market.⁴ Some of the largest banks are:⁵

Bank of Africa-Madagascar⁶

BOA-MADAGASCAR was established on 18 November 1999 during the takeover by the BANK OF AFRICA Group of the business of the former National Bank BTM.

The Bank has 55 outlets throughout the territory

The capital of the BOA-MADAGASCAR is owned by:

The company AFRICAN FINANCIAL HOLDING Indian Ocean (AFH-IO)	38.86%
The local private shareholders	26.47%
The Company Financigrave; re Internationale (SFI)	12.78%
The Dutch Society for Development (FMO)	10.08%
The Malagasy State	10.00%
Other shareholders (minority shareholders)	1.81%

⁴ African Development Bank: <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/24108396-EN-MADAGASCAR.PDF>

⁵ <http://www.mapsofworld.com/madagascar/economy-and-business/banks.html>

⁶ Bank of Africa-Madagascar (www.boa.mg)

The year 2007 was exceptional for the BOA-MADAGASCAR. The efforts undertaken under the three-year Development Plan 2007-2009 have already borne fruit, among others:

- Certification with ISO 9001: 2000 in the treatment of international transactions,
- The real-time connection of all 55 agencies of the BOA
- The proliferation of ATMs, which now number 39

BFV-Societe Generale

40 locations⁷

BNI-Crédit Lyonnais Madagascar

Bank SBM (State Bank of Mauritius) Madagascar

Foreign versus domestic ownership⁸

The Malagasy government encourages public foreign investment.

Privatizations: partial versus full⁹

Before Madagascar gained independence from France in 1960, private investment was almost entirely French. In the 1970's the government instituted socialist policies that restricted imports, price and foreign exchange, resulting in a marked decrease of private foreign investment and, eventually economic decline. In 1994, however, the IMF, World Bank and donating states intervened, applying pressure on the Malagasy government to liberalize its economic policy. As a result, in 1997, the government planned to privatize 45 state enterprises by the end of the year, although only two were successfully privatized.

Interest spread (lending rate minus deposit rate)¹⁰

33%: = 45% - 12%

Bank credit to the private sector¹¹

Claims on the Private Sector: 1,796.36 billion Ariary as of December 2008

Bank credit to the public sector¹²

Claims on the Public Sector: 359.97 billion Ariary as of December 2008

Deposit insurance: partial versus full

As of 2006, no deposit insurance system existed in Madagascar. However, Malagasy authorities were, and presumably still are, in discussions about the introduction of such a system.¹³

⁷ <http://www.bfvsg.mg/>

⁸ <http://www.nationsencyclopedia.com/Africa/Madagascar-FOREIGN-INVESTMENT.html>

⁹ <http://www.nationsencyclopedia.com/Africa/Madagascar-FOREIGN-INVESTMENT.html>

¹⁰ IMF International Finance Statistics, Country Report, March 2009

¹¹ Ibid

¹² Ibid

¹³ 2006 International Monetary Fund's Republic of Madagascar: Financial System Stability Assessment: <http://www.imf.org/external/pubs/ft/scr/2006/cr06305.pdf>

Insurance companies and other financial institutions

Three insurance firms operate in the country. They are liquid and are supervised by the Ministry of Finance and Economy.¹⁴

Central bank and its role in the economy:

The rate of the BCM is a reference rate for the formation of the base rate for banks. Modification is a signal of tightening or 'flexibility in conducting monetary policy'¹⁵

Floating rates: introduced in May of 1994. Previously, the exchange rate applied was that of the fixed exchange rate until 1982, then adjusted on a discretionary basis by the BCM until May 1994.

Under Article 6 of Law No. 94-004 establishing its constitution, the Central Bank of Madagascar (BCM) is responsible for ensuring the stability of the currency. In practice, the BCM performs this mission for the stability of domestic prices and real effective exchange rate (REER). These objectives can theoretically be controlled by targeted actions on *the money*. Under the optical "assets", the money is defined as the sum of the net external position of the banking system, net claims on the State and credit to the economy, while in the optical "commitments" it represents the whole of the money held by foreign banks (notes and coins) and their deposits with the banking system.

The REER is equivalent to the ratio "price expressed in domestic currency / price of our major trading partners shown in currencies". The REER is the measure of the competitiveness of our products for export. Thus, a decrease in the REER indicates an improvement in the competitiveness of our products, and higher TCER amounts to a deterioration in competitiveness.¹⁶

The Interbank Currency Market (MID): Introduced by Decree n ° 2004-731 du 27 / 07/2004, the MID continuously replaced the MID to the auction. The MID is a continuous network of intermediaries linked by an electronic system. It is governed by the Convention Place between intermediaries authorized participants, which sets the rules, organization and operation of the MID. Transactions on the MID are in cash. The BCM may intervene in the MID. Its operations are carried out to promote an orderly market.¹⁷

Data on the rates it sets and on the exchange rate

¹⁴ African Development Bank: <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/24108396-EN-MADAGASCAR.PDF>

¹⁵“ Monetary Policy of Central Bank of Madagascar.” Source: Central Bank of Madagascar, http://www.banque-centrale.mg/index.php?id=m2_2

¹⁶ <http://translate.google.com/translate?hl=en&sl=fr&u=http://www.banque-centrale.mg/&ei=ITTWSePZL47rlQeioP3cDA&sa=X&oi=translate&resnum=1&ct=result&prev=/search%3Fq%3Dcentral%2Bbank%2Bof%2Bmadagascar%26hl%3Den>. Central Bank of Madagascar

¹⁷ Central Bank of Madagascar. See “Monetary Policy of Central Bank of Madagascar”

Ariary Exchange Rate, 2008 (Central Bank of Madagascar)		
Euro	EUR	2 504,11
Dollar des Etats Unis (U S A)	USD	1 708,37
Livre Sterling (Royaume Uni)	GBP	3 156,79
Franc Suisse (Suisse)	CHF	1 578,89
Yen Japonais (Japon)	JPY	16,61
Dollar Canadien (Canada)	CAD	1 609,76
Couronne Danoise (Danemark)	DKK	336,05
Couronne Norvégienne (Norvège)	NOK	305,93
Couronne Suédoise (Suède)	SEK	261,43
Franc Djiboutien (Djibouti)	DJF	9,70
Droit de Tirages Spéciaux (F M I)	XDR	2 698,13
Roupie Mauricienne (Maurice)	MUR	60,32
Rand Sud Africain (Afrique du Sud)	ZAR	208,94
Dollar Australien (Australie)	AUD	1 449,79
Dollar Hong Kong (Hong Kong)	HKD	219,44
Dollar de Singapour (Singapour)	SGD	1 206,74
Dollar Néo-Zélandais (Nouvelle Zélande)	NZD	1 216,57

Ariary Exchange Rate, 2009 (Central Bank of Madagascar)

		JAN	FEV	MAR
Euro	EUR	2 525,81	2 510,61	2 523,16
Dollar des Etats Unis (U S A)	USD	1 904,75	1 964,08	1 937,22
Livre Sterling (Royaume Uni)	GBP	2 784,20	2 830,42	2 749,24
Franc Suisse (Suisse)	CHF	1 692,31	1 684,74	1 675,64
Yen Japonais (Japon)	JPY	21,07	21,27	19,82
Dollar Canadien (Canada)	CAD	1 554,88	1 577,19	1 532,72
Couronne Danoise (Danemark)	DKK	338,95	337,12	338,97
Couronne Norvégienne (Norvège)	NOK	273,09	285,72	285,76
Couronne Suédoise (Suède)	SEK	235,28	230,69	226,27
Franc Djiboutien (Djibouti)	DJF	10,82	11,16	10,86
Droit de Tirages Spéciaux (F M I)	XDR	2 883,27	2 921,19	2 867,62
Roupie Mauricienne (Maurice)	MUR	58,85	58,71	56,98
Rand Sud Africain (Afrique du Sud)	ZAR	192,04	196,12	194,39
Dollar Australien (Australie)	AUD	1 287,08	1 273,29	1 288,32
Dollar Hong Kong (Hong Kong)	HKD	245,57	253,31	249,85
Dollar de Singapour (Singapour)	SGD	1 277,69	1 294,06	1 265,41
Dollar Néo-Zélandais (Nouvelle Zélande)	NZD	1 049,28	1 010,68	1 029,50

Functions: unitary role of price stability; or price stability plus bank supervise¹⁸

it exercises the privilege of issuing banknotes and coins are legal tender on the territory of Madagascar;

it is the bankers' bank;

it is the bank of the State;

it manages the national currency;

it guarantees the proper function of the banking and financial system;

ensures the proper functioning of the payments system;

provides the General Secretariat of the Commission for Supervision Bancaire et Financière.

Independence and governance¹⁹

The Central Bank of Madagascar consists of two decision-making bodies: the Governor assisted by a Director General and Board of Directors and a supervisory body: the Censors.

The structure is as follows:

Directorates central charge, each in its case, financial operations in the territory and abroad, design and implementation of monetary policy, budget execution and management of human resources , processing and reliability of information;

Fourteen located throughout the island and whose primary function is to supply regions in monetary signs and collection of economic and financial information necessary for the conduct of monetary policy;

And the General Secretariat of the Commission for Supervision Bancaire et Financière (SG-CSBF).

Government bond market

Per Central Bank of Madagascar²⁰:

Purchases of Treasury bills by the banks of BCM on the secondary market have the effect of injecting liquidity, while its sales result in the reduction in liquidity. It should be stressed that the BCM acquires treasury bills only on the secondary market, given that the State 's debt directly to the BCM only by cash advances. The functioning of markets for treasury bills is

¹⁸ Central Bank of Madagascar, "Mission and Functions"

¹⁹ Ibid

²⁰ Central Bank of Madagascar, "Monetary Policy"

contained in [a procedures manual treasury bill auctions](#). These markets, primary market only since May 1997 and primary and secondary markets since November 1997, also contribute to a better control over liquidity banks and, consequently, the money supply. Indeed, given the centralization of operations in treasury bills is provided by the BCM, the subscriptions by banks and purchases of traders on the primary market is reflected in a decrease in liquidity.

In June 2005, the Central Bank has revised its interventions in the money market, for better regulation of the money.

The actions of the Central Bank in this market mainly include refinancing operations and the collection of cash.

Two types of refinancing operations are planned:

- Refinancing operations at the initiative of the Central Bank: repos of treasury bills or other negotiable debt securities by tender positive; outright purchase of such securities.
- Refinancing operations at the request of banks: repo securities for a period of 2 to 10 days; special repo securities (24 hours).

The actions of the Central Bank to drain liquidity are:

- Either in the form of negative tender;
- Either in the form of outright sales of Treasury bills or other negotiable debt securities.

Outstanding Auction-Based Treasury Bills (BTA): 652.5 bn Ariary outstanding as of Q4 2008.

Ariary (in billions)

Année	Total				dont secteur non bancaire				
	Encours au début	Tombees	Souscriptions	Encours à la fin	Encours au début	Tombees	Souscriptions	Marché secondaire	Encours à la fin
Annuelle									
2002	341,7	252,3	660,7	409,3	128,6	60,4	146,7	9,1	114,5
2003	409,3	1551,6	1735,9	593,6	114,5	404,3	318,7	172,8	207,5
2004	593,6	1582,8	1603,5	614,2	207,5	599,4	452,1	256,5	316,7
2005	614,2	2214,7	2240,	640,1	316,7	1143,8	850,1	415,7	438,9

			3						
2006	640,1	331,2	481,1	790,0	438,9	085,2	747,7	421,2	522,6
2007	790,0	389,5	413,9	814,4	522,6	450,9	197,4	216,9	486,0
2008	814,4	442,9	281,0	652,5	486,0	803,4	509,0	91,2	282,8
Trimestrielle									
2002 I	341,7	115,5	114,5	340,7	128,6	35,1	18,7	1,7	114,0
II	340,7	0,0	0,0	340,7	114,0	0,0	0,0	-4,2	109,8
III	340,7	0,0	0,0	340,7	109,8	0,0	0,0	-0,2	109,6
IV	0,0	136,8	546,1	409,3	109,6	25,3	128,1	11,7	114,5
2003 I	409,3	364,4	485,0	529,9	114,5	77,5	79,2	23,2	145,3
II	529,9	454,4	491,1	566,5	145,3	131,7	136,0	32,9	182,5
III	566,5	428,5	431,0	569,1	182,5	115,3	43,0	68,4	178,7
IV	569,1	304,3	328,8	593,6	178,7	79,8	60,4	48,2	207,5
2004 I	593,6	403,2	502,3	692,8	207,5	136,9	61,8	91,7	224,1
II	692,8	444,5	445,9	694,2	224,1	186,9	140,7	57,6	235,5
III	694,2	346,8	259,2	606,6	235,5	117,0	102,7	47,8	269,0
IV	606,6	388,4	396,0	614,2	269,0	158,5	146,9	59,3	316,7
2005 I	614,2	501,2	568,5	681,6	316,7	224,5	152,8	147,6	392,6
II	681,0	652,1	606,0	636,0	392,0	350,0	245,0	122,0	410,0

	6		8	3	6		0	4	0
III	636, 3	505,1	472, 1	603, 3	410, 0	276,6	180, 6	78,4	392, 4
IV	603, 3	556,3	592, 9	640, 1	392, 4	292,7	271, 7	67,3	438, 9
2006 I	640, 1	613,3	718, 6	745, 4	438, 9	338,5	306, 0	103, 6	510, 0
II	745, 4	1 049,2	984, 0	680, 2	510, 0	730,2	609, 2	102, 6	491, 6
III	680, 2	752,5	801, 0	728, 7	491, 6	469,5	388, 7	92,8	503, 6
IV	728, 7	916,2	977, 5	790, 0	503, 6	547,0	443, 8	122, 2	522, 6
2007 I	790, 0	824,5	972, 9	938, 4	522, 6	462,9	433, 6	113, 1	606, 4
II	938, 4	638,2	520, 9	821, 1	606, 4	385,5	259, 4	47,9	528, 2
III	821, 1	396,9	349, 0	773, 2	528, 2	261,6	239, 7	26,4	532, 7
IV	773, 2	529,9	571, 1	814, 4	532, 7	340,9	264, 7	29,5	486, 0
2008 I	814, 4	535,0	441, 2	720, 6	486, 0	287,8	231, 0	24,3	453, 5
II	720, 6	411,7	399, 6	708, 5	453, 5	221,6	158, 6	38,3	428, 8
III	708, 5	248,6	200, 4	660, 3	428, 8	160,5	51,3	13,9	333, 5
IV	660, 3	247,6	239, 8	652, 5	333, 5	133,5	68,1	14,7	282, 8
Mensuelle									
2008 JAN	814, 4	155,3	168, 8	827, 9	486, 0	74,9	65,4	10,2	486, 7
FEV	827, 9	193,9	173, 8	807, 8	486, 7	111,6	102, 9	2,2	480, 2
MAR	807, 8	185,8	98,6	720, 6	480, 2	101,3	62,7	11,9	453, 5
AVR	720, 6	158,9	159, 4	721, 1	453, 5	82,1	57,4	9,4	438, 2

MAI	721, 1	153,9	164, 3	731, 5	438, 2	86,3	55,6	18,5	426, 0
JUN	731, 5	98,9	75,9	708, 5	426, 0	53,2	45,6	10,4	428, 8
JUL	708, 5	89,4	67,2	686, 3	428, 8	54,6	18,2	6,4	398, 8
AOU	686, 3	91,3	68,2	663, 2	398, 8	68,0	21,9	6,2	358, 9
SEP	663, 2	67,9	65,0	660, 3	358, 9	37,9	11,2	1,3	333, 5
OCT	660, 3	122,0	104, 1	642, 4	333, 5	66,9	23,8	8,4	298, 8
NOV	642, 4	70,9	67,2	638, 7	298, 8	39,2	15,3	3,3	278, 2
DEC	638, 7	54,7	68,5	652, 5	278, 2	27,4	29,0	3,0	282, 8

Rate of Return by Treasury Bill Auction:

Année	Taux de rendement moyen				Total
	4 weeks	12 weeks	24 weeks	52 weeks	
Annuelle					
2002	10,56	11,28	12,29	0,00	11,39
2003	10,86	11,88	12,98	13,75	12,08
2004	12,66	12,27	12,79	13,19	12,78
2005	18,71	18,55	19,00	19,45	18,84
2006	20,96	21,14	21,32	22,64	21,20
2007	13,22	12,06	12,44	15,31	13,28
2008	6,27	7,68	9,08	10,34	8,80
Trimestrielle					
2002 trim. 1	5,50	8,89	9,04	0,00	8,19
Trim. 2	0,00	0,00	0,00	0,00	0,00
Trim. 3	0,00	0,00	0,00	0,00	0,00
Trim. 4	11,24	12,07	12,85	0,00	12,06

2003 trim. 1	11,56	12,33	13,43	14,36	12,64
Trim. 2	11,33	12,41	13,25	14,00	12,84
Trim. 3	10,63	11,53	12,64	13,55	11,53
Trim. 4	10,03	10,59	11,80	12,50	10,85
2004 trim. 1	10,04	10,46	11,40	12,37	11,03
Trim. 2	10,06	10,44	11,18	12,04	11,02
Trim. 3	13,22	12,03	12,07	12,59	12,92
Trim. 4	16,83	16,57	16,86	17,26	16,90
2005 trim. 1	18,03	17,89	17,75	18,27	18,05
Trim. 2	19,51	19,33	19,44	20,01	19,62
Trim. 3	19,28	18,32	19,66	20,31	19,27
Trim. 4	18,16	18,63	18,91	19,38	18,47
2006 trim. 1	19,53	19,40	19,87	21,46	19,80
Trim. 2	22,27	22,63	21,87	24,20	22,51
Trim. 3	21,81	22,97	23,50	24,21	22,19
Trim. 4	19,71	20,49	20,55	21,43	20,09
2007 trim. 1	17,66	18,40	18,64	19,94	18,33
Trim. 2	11,26	11,79	13,25	15,21	12,52
Trim. 3	7,72	8,60	8,67	8,60	8,23
Trim. 4	7,59	8,29	9,24	9,58	8,45
2008 trim. 1	6,96	8,06	9,14	9,94	8,58
Trim. 2	6,18	7,66	9,00	10,35	8,97
Trim. 3	5,19	7,23	9,06	10,60	8,63
Trim. 4	4,61	6,95	9,11	10,64	9,08
Mensuelle					
2008 JAN	7,18	8,12	9,25	9,81	8,47
FEV	6,79	8,04	9,07	9,72	8,51
MAR	6,69	8,00	9,15	10,32	8,91
AVR	6,55	7,83	9,10	10,40	9,13

MAI	6,12	7,63	8,97	10,44	8,91
JUN	5,68	7,26	8,84	10,12	8,77
JUL	5,42	7,25	9,05	10,56	8,24
AOU	5,08	7,19	9,05	10,57	8,78
SEP	4,80	7,25	9,08	10,65	8,88
OCT	4,74	7,04	9,01	10,59	9,09
NOV	4,52	6,74	9,10	10,67	9,24
DEC	4,49	6,90	9,24	10,71	8,90

**RESULTS OF SUBMISSIONS BY TREASURY BILLS AUCTION
(Billions of Ariary)**

Choose a date: 03 April 2009 [Browse](#)

RESULTS: 03/04/09

Maturity	4 weeks	12 weeks	24 weeks	52 weeks	Total
Bid Number	4.00	4.00	13.00	12.00	33.00
Tenders	4.00	4.00	12.00	12.00	32.00
Offers rejected	0.00	0.00	1.00	0.00	1.00
Non-competitive	0.00	0.00	0.00	0.00	0.00
Pledged	1.00	10.00	22.00	47.00	80.00
Competitive bids	1.00	10.00	22.00	47.00	80.00
Non-competitive	0.00	0.00	0.00	0.00	0.00
Assessable	10.11	10.89	37.92	70.89	129.81
Competitive bids	10.11	10.89	37.92	70.89	129.81
Non-competitive	0.00	0.00	0.00	0.00	0.00
Amount awarded	5.00	10.00	17.92	70.89	103.81
Competitive bids	5.00	10.00	17.92	70.89	103.81
Non-competitive	0.00	0.00	0.00	0.00	0.00
Min / Max rates proposed (in%)	3.50 - 5.00	6.00 - 8.29	8.50 - 11.10	9.40 - 12.50	3.50 - 12.50
Min / Max rates	3.50 -	6.00 -	8.50 -	9.40 -	3.50 - 12.50

allowed (in%)	5.00	8.29	9.30	12.50	
Weighted average rate (in%)	4.97	8.10	8.85	11.27	10.24

Primary versus secondary

Secondary market: The volume of transactions executed in the secondary market was MGA 161.6 bn (2006). It is dominated by transactions made by brokers and non-bank institutions.

Methods of Primary Issuance

A Dutch Treasury Bill Auction system was set up in 1997. Since 2006, the Madagascar Treasury now sets a maximum rate and indicates the total amount to be raised on the day of the auction to the central bank. Offers made below the maximum rate are all satisfied at their initial bidding rate. The central bank issues auction-based treasury bills (Bons du Trésor par Adjudication-BTA) using four maturity buckets:

4-weeks, 12-weeks, 24-weeks, and 52-weeks. As of December 2006, the outstanding BTA amount was MGA 728.7 bn. Non-bank financial institutions are the largest investors in treasury bills, followed by banks (35%) and insurance firms (5%). Foreign investors can only purchase government securities if they are residents and hold a local currency bank account.²¹

Micro finance²²:

The Malagasy government established the National Microfinance Strategy (SNMF) in 2004 as part of its initiative to alleviate poverty through microfinance. Additionally, under the Ministry of Finance the government established the National Microfinance Coordination Unit (CNMF) to develop policy on and promote microfinance.

Private equity and so forth

I&P Management

Euro 40 million under management²³

The Funds managed by I&P Management makes equity investments in Mauritius, Madagascar and the other countries of Indian Ocean region, in all sectors, which typically amount to between €1 million and €5 million. Investments can be made at any phase of the development of a project, i.e start-up, expansion or buy-out.

²¹ African Development Bank, <http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/24108396-EN-MADAGASCAR.PDF>

²² Case Study on Microfinance Institutions in Madagascar:
<http://www.imf.org/external/np/seminars/eng/2008/afrfin/pdf/Andrianasolo.pdf>

²³http://www.ip-mngt.com/default_en.aspx

