

AFRICA RISK CONSULTING

Madagascar Monthly Briefing November 2019

Madagascar Summary 21 November 2019

Municipal elections are scheduled for the 27 November amid doubts over voter turnout. Three of Antananarivo's mayoral candidates sign a "Charter of Good Conduct". United States-based newspaper The New York Times investigates Russia's role in Madagascar's 2018 presidential elections. Madagascar maintains its ranking of 161 out of 190 countries in the World Bank's 2020 Doing Business rankings. The government plans to tackle its electrification challenges with the help of the private sector.

Will Malagasy turn out for 27 November municipal elections?

Official campaigning for Madagascar's 27 November municipal elections began on 5 November and is expected to end on 25 November.¹ Although campaigning has been peaceful to date, there is nonetheless concern that any claims of electoral fraud may give rise to post-election protests.

Canada-based private security firm **Garda World** is tasked with the election's security efforts, and has described the pre-electoral climate as "generally calm and peaceful".² The **Electoral Institute for Sustainable Democracy in Africa (EISA)** reports that 10,299 583 registered voters will vote at 25,288 polling stations for the 6,275 candidates running as mayors and 4,902 as municipal councillors in the country's 1,695 municipalities.³

Challenges regarding voter turnout persist. Madagascar's electoral commission, the **Commission Électorale Nationale Indépendante (CENI)**, does not have the budget for civic and voter education, which often sees lower voter turnout in municipal elections as opposed to the general and legislative elections.⁴ Candidates appear to be trying to change this through social network engagement and collaboration with other candidates.⁵ Many have shared their candidacy journeys on social media.

Voter fatigue may also be a factor in low turnout. Malagasy voted in legislative polls on 27 May in what was widely seen as a second election between President **Andry Rajoelina's** (2009-2014, 2019-present) **Tanora malaGasy Vonona (TGV)** party and opposition leader and former president **Marc Ravalomanana's** (2002-2009) **Tiako i Madagasikara (TIM)** party, following Ravalomanana's defeat to Rajoelina in a run-off election to win the presidency in December 2018 (see *ARC Briefing Madagascar* January 2019).⁷

To address the "many voting irregularities"⁸ observed in the 2018 presidential elections, three mayoral candidates in the capital, **Antananarivo**, have called for a more transparent and accountable election process to prevent political violence. Antananarivo mayoral candidates **Eliace Ralaiarimanana**, **Faniry Alban Rakotoarisoa** and **Naina Andriantsitohaina** signed a "Charter of Good Conduct" on 13 November.⁹ The three candidates pledged to operate in a credible manner,

¹ Madagascar Tribune, 5 Nov 2019

² Garda World, 8 Nov 2019

³ Electoral Institute for Sustainable Democracy in Africa (EISA), 30 Oct 2019

⁴ Garda World, 8 Nov 2019

⁵ CENI, 26 September 2019

⁶ L'Express de Madagascar, 20 Nov 2019

⁷ Africanews, 27 May 2019

⁸ News24, 8 Nov 2018

⁹ Madagascar Tribune, 13 Nov 2019

banning electoral fraud and any incitement of hatred towards opposition candidates. The three candidates also agreed to accept the results pronounced by the CENI, expected on or before 14 January 2020.

The two strongest candidates running for mayor of Antananarivo are Andriantsitohaina and **Ny Rina Randriamasinoro**. Andriantsitohaina is the current foreign affairs minister and candidate for President Rajoelina's **Isika Rehetra Miaraka amin-i Andry Rajoelina (IRD)** coalition, while Randriamasinoro represents the TIM (see *ARC Briefing Madagascar September 2019*).¹⁰ Randriamasinoro has been in the local news regarding some financial management inconsistencies during a previous post in the municipality.¹¹ It is unclear if this will impact his candidacy. Scandal aside, however, Andriantsitohaina is favoured to win – not surprising, given the dominance of the IRD.

New York Times investigates Russia's role in 2018 presidential election

United States (US)-based newspaper, **The New York Times** published an exposé on 11 November describing **Russia's** role in Madagascar's 2018 presidential elections. The article highlighted the dissemination of disinformation and offers of bribes, drawing comparisons with Russia's alleged interference in the 2016 US presidential elections. While Madagascar seemingly offers little strategic importance to Russia, it aligns with its increasing interest in re-establishing links with **Africa**. The New York Times described Russia's involvement in Madagascar's elections as its "*most overt attempts at election interference to date*".¹²

Russia's involvement reportedly included the purchasing of airtime on television and radio channels, placing billboards around the country, paying young people to attend political rallies, and publishing its own newspaper using local students to write articles that bolstered support for the incumbent – but now former – president, **Henry Rajaonarimampianina** (2014-2018), and bashing opponents Andry Rajoelina and Marc Ravalomanana.¹³ After the first round of results in November 2018 had Rajaonarimampianina coming in at third place with 7.52% of the vote (see *ARC Briefing Madagascar November 2018*), Russia's support of Rajaonarimampianina reportedly stopped and instead Rajoelina received the Russian backing.¹⁴ CENI vice-president **Thierry Rakotonarivo** recounted the worries of Madagascar's election commission:

*"We all recall what the Russians did in the United States during the election. We were truly afraid."*¹⁵

The New York Times claims that President **Vladimir Putin** (2000-2008, 2012-present) approved the operation and that it was coordinated by many of the same figures reportedly involved in the US in 2016.¹⁶ Russian businessman and Putin confidant **Yevgeny Prigozhin** was reportedly at the centre of the operation.¹⁷ US Special Counsel **Robert Mueller** indicted Prigozhin in 2018 for his actions in the 2016 US presidential elections and the **US Treasury Department** stepped up sanctions against him in September.¹⁸ However, these actions do not appear to have slowed down Prigozhin, and instead he is said to be at the forefront of the "*Russian Scramble for Africa*",

*"... a pattern in which Russia has swooped into African nations, hoping to reshape their politics for material gain".*¹⁹

¹⁰ RFI Afrique, 16 Nov 2019

¹¹ La Vérité, 19 Nov 2019

¹² New York Times, 11 Nov 2019

¹³ New York Times, 11 Nov 2019

¹⁴ New York Times, 11 Nov 2019

¹⁵ New York Times, 11 Nov 2019

¹⁶ New York Times, 11 Nov 2019

¹⁷ BBC News, 4 Nov 2019

¹⁸ Wall Street Journal, 30 Sep 2019

¹⁹ New York Times, 11 Nov 2019

Prigozhin's company was reportedly able to negotiate with the new government and retain a 70% stake in a Malagasy government-run company that sells chromium.²⁰ This calls into question Madagascar's sovereignty and autonomy, and highlights potential issues and added competition for investors not associated with the **Kremlin**.

Madagascar keeps its ranking in World Bank's 2020 Doing Business Report

Madagascar has kept its ranking of 161 out of 190 countries in the **World Bank's 2020 Doing Business** rankings, published on 24 October.²¹ The annual Doing Business rankings assess the ease of starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency in World Bank member countries.

The World Bank report indicated two main factors contributing to Madagascar's stagnant ranking: export revenues and industrial activity. These were affected by deceleration in major export markets, and the slow roll-out of public spending in the first half of 2019, after the 2018 presidential election. President Rajoelina's new administration took time to revise the 2019 budget, leading to slower budget execution, particularly with regards to public investments. Although 2018 saw Madagascar reach a decade high of 5.1% economic growth as a result of efforts in its export-oriented sectors, this growth slowed in the first half of 2019 with decreasing demands from its key trading partners along with the delay in public spending.²²

On the whole, Madagascar is on par with **Sub-Saharan Africa's** averages, yet two indices – dealing with construction permits, and getting electricity – are well below the average.

Category	Sub-Saharan Africa average	Madagascar's Score
Starting a Business	80.1	88.8
Dealing with Construction Permits	58.5	35.9
Getting Electricity	50.4	24.1
Protecting Minority Investors	38.5	36
Paying Taxes	57.8	62.6
Trading Across Borders	53.6	61
Enforcing Contracts	49.6	50

World Bank representative **Dia Styvanley** believes that a "*post-election rebound*" in both public and private investments will raise growth to 5.3% in 2020.²³ However, inadequate infrastructures, low human capital, and weak governance remain challenges for Madagascar's growth. **Marie-Chantal Uwanyiligira**, World Bank's Country Manager for Madagascar, cited poverty and Madagascar's lack of immunity to the global environment as points of concern but reassured that there is hope:

*"There is a window of opportunity for the country to implement transformative reforms and create a more competitive environment for private investors and job creation."*²⁴

Uwanyiligira recommended that a clear distinction between the roles of the public and private sector would achieve the above. Additionally, Madagascar's current tax abatements and regimes are costing

²⁰ Washington Examiner, 11 Nov 2019

²¹ World Bank, 24 Oct 2019

²² World Bank, 24 October 2019

²³ World Bank Press Release, 25 Oct 2019

²⁴ World Bank Press Release, 25 Oct 2019

the government a quarter of its annual revenues.²⁵ World Bank senior economist in Madagascar **Marc Stocker** suggested a “*more systematic and transparent cost-benefit analysis of these tax expenditures*” could ensure that ineffective measures are identified and adjusted, and that priority is switched to social spending and investments.²⁶ The current list of tax expenditures includes exemptions to favoured beneficiaries and leaves the economy vulnerable to tax fraud. To illustrate the current flaws, Stocker presents a stark paradigm:

“To put numbers in perspective, the total amount of tax expenditures in 2018 was equivalent to the cost of constructing 3,375 primary school buildings or two for each single municipality.”²⁷

In order to make its business environment more attractive, Madagascar would do well to reinforce and strengthen its competition laws and their enforcement by independent regulators, and perhaps look at incentivising companies to ensure best practices. Whether the Malagasy government will be able to increase investments and social spending whilst still ensuring fiscal sustainability remains to be seen. Acting upon these recommendations would hopefully see Madagascar’s ranking move up in the World Bank’s **2021 Doing Business** Rankings.

Will Madagascar be able to address its continuing electrification problems?

The World Bank’s rankings clearly signal the need for Madagascar to address its electrification problems. The country currently produces 417 megawatts of electricity, 73% of which is fuel-based, a situation that the director general of energy **Andry Ramaroson** deems “*catastrophic*”.²⁸ Whilst only 15% of the country is connected to the grid, state-owned utility company **Jiro sy rano Malagasy (Jirama)** has accumulated large debts, which the World Bank says amounts to €400m (\$443m), and an operating loss of €75m (\$83m).²⁹

The government does have plans to involve the private sector to help solve its current electricity situation. It aims to build 1,100 km of lines over the next five years with the goal of increasing the country’s electrification rate from 15% to 50%.³⁰ A 120-megawatt dam and hydroelectric plant (named ‘**Volobe**’) on the **Ivondro River** is also on the agenda and expected to be operational by 2023.³¹ This would be the largest private-sector investment in the electricity sector.³² **France**-based engineering firm **Colas**, **Norway**-based renewable energy company **SN Power**, Madagascar’s **Jovena** and the **Africa50 investment platform** have teamed up for the project, having signed an agreement in early October.³³

Whether the plans to build and replace the hydroplants built during French colonial rule will actually materialise remains to be seen. As Ramaroson pointed out:

“Presidents are reluctant to take on lengthy and costly construction projects likely to drag on beyond their five-year mandates.”³⁴

Yet, with private sector involvement it may just be possible. Naina Andriantsitohaina, the favourite to win the mayoral position during the upcoming municipal elections (see above), has promised that electricity-reach is one of his priorities.³⁵ Andriantsitohaina may be a key future player in ensuring

²⁵ World Bank Press Release, 25 Oct 2019

²⁶ World Bank, 24 Oct 2019

²⁷ World Bank Blog, 25 Oct 2019

²⁸ Africa News, 7 Nov 2019, News24, 15 October 2019

²⁹ Africa News, 7 Nov 2019

³⁰ Africa News, 7 Nov 2019

³¹Source, director of operations at local energy agency, Antananarivo

³² News24, 15 October 2019

³³ Colas Press Release, 4 October 2019

³⁴ News24, 15 October 2019

³⁵ L’Express de Madagascar, 20 November 2019

that these energy projects receive the follow-through they require to ensure greater reach and more sustainable energy resources for Madagascar.

Planner

27 Nov 2019 (**Madagascar**) Municipal elections scheduled;

14 Jan 2020 (**Madagascar**) Electoral results expected to be released;

20 June 2020 **The Hague (Netherlands)** Hearing set for land dispute between Kenya and **Somalia** (A verdict in Somalia's favour could result in Kenya contesting its border with **Tanzania** which could have destabilising domino effects on **Mozambique, Madagascar, and South Africa**);³⁶

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

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

Chronology

18 Nov 2019 (**United States**) *NBC News*. **United States**-based **NBC News Today Show** reports on child slave labour in **Madagascar's** mica mines, from which 91% of the 46,000 tonnes of mica exported in 2018 was shipped to **China**;

13 Nov 2019 **Maniry (Madagascar)** *Mining Technology*. **Australia**-based mining company **BlackEarth Minerals** launches its large-scale mining pilot programme in southern **Madagascar**;

11 Nov 2019 **Antananarivo (Madagascar)** *New York Times*. Exposé investigates **Russia's** role in Madagascar's 2018 presidential elections, alleging dissemination of disinformation and offers of bribes;

8 Nov 2019 **Base Toliara (Madagascar)** *Mining News*. Government suspends activities at the Base Toliara ilmenite mine following conflict between local communities;

5-6 Nov 2019 **Addis Ababa (Ethiopia)** *East African Business Week*. **Madagascar** participates in **Common Market for Eastern and Southern Africa's (COMESA)** development of a regional climate change resilience framework;

5 Nov 2019 (**Madagascar**). *Midi Madagasikara*. Campaigns commence for Madagascar's 27 November municipal election, and are expected to end on 25 November;

4-8 Nov 2019 **Cape Town (South Africa)** *Jeune Afrique*. **Africa Oil Week** focuses on the role of gas in **Africa's** hydrocarbon future, with 80% of new discoveries since 2015 having been gas;

24 Oct 2019 **Sochi (Russia)** *New York Times*. President **Vladimir Putin** hosts 43 **African** heads of state, including **Madagascar's** President **Andry Rajoelina**, at a summit meeting.

³⁶ African Arguments, 30 October 2019

About Africa Risk Consulting:

Africa Risk Consulting (ARC) is a pan-African consulting company that provides timely, relevant information and advice that enables its clients to take informed investment decisions and to safeguard their reputations.

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