

## AFRICA RISK CONSULTING

### Madagascar Monthly Briefing October 2017

#### Madagascar Summary 13 October 2017

**President Hery Rajaonarimampianina (2014-present) confirms he is in favour of revising the 2010 constitution. Civil society organisations and opposition parties claim Rajaonarimampianina is attempting to prolong his stay in office to the detriment of Madagascar's political environment. Rajaonarimampianina presents the Security Sector Reform (SSR) policy document which will increase funding for internal security and combat dahalo (cattle rustlers). The International Monetary Fund (IMF) completes its discussions on the second review of Madagascar's economic programme. The United States Trade and Development Agency (USTDA) awards a grant to Madagascar-based energy company Henri Fraise Fils & Cie, to develop and implement mini solar power grids. Germany-based Siemens AG signs a memorandum of understanding (MoU) with Madagascar to cooperate and identify measures to fast track power generation and increase capacity by 300 megawatts (MW) by 2019.**

#### Rajaonarimampianina confirms his intention to revise constitution

President **Hery Rajaonarimampianina** (2014-present) confirmed on 16 September that he is in favour of revising the 2010 constitution, particularly article 46, which states that

*"The president of the republic in office who runs for the presidential elections [must] resign his post 60 days before the date of the poll."*<sup>1</sup>

Opposition party members allege that Rajaonarimampianina wants to revise the constitution to remain in power during the campaigning period for the 2018 presidential elections, thus ensuring control of the executive's administrative apparatus to promote the ruling **Hery Vaovao ho an'i Madagasikara (HVM)** party.<sup>2</sup>

Rajaonarimampianina did not state how, or when, he would make the changes, but he stressed that,

*"...the change of the constitution does not depend only on the president of the republic .... I think discussions are ongoing. So we will wait for the evolution of these discussions."*<sup>3</sup>

The national assembly and senate must approve a draft before it is submitted for a referendum.<sup>4</sup> Civil society organisations, while admitting that article 46 and article 47 of the 2010 constitution are flawed, believe that the presidential election is too close to consider revising the constitution.<sup>5</sup> Presidential elections are slated to occur between 24 November 2018 and 24 December 2018, as per article 47 of the constitution which states that,

*"The election of the President of the Republic takes place at least thirty days and at most sixty days before the expiration of the mandate of the President in office."*<sup>6</sup>

Rajaonarimampianina has also hinted that he would like to revise article 47, arguing that there is not enough time to organise an election.<sup>7</sup> The **Commission Electorale Nationale Indépendante (CENI)** (national electoral commission) reiterated these fears, expressing concerns about the preparations

<sup>1</sup> Constitution of Madagascar, 2010

<sup>2</sup> RFI Africa, 18 Sep 2017.

<sup>3</sup> RFI Africa, 18 Sep 2017.

<sup>4</sup> RFI Africa, 18 Sep 2017.

<sup>5</sup> RFI Africa, 18 Sep 2017.

<sup>6</sup> Constitution of Madagascar, 2010

<sup>7</sup> RFI Africa, 18 Sep 2017.

needed to run an election, and called for a date to be confirmed as soon as possible. Civil society organisations have warned that this call for amendments “reveals a desire to extend [Rajaonarimampianina’s] term in power” and could lead to political crisis.<sup>8</sup> **Harijaona Andriamora Niaina**, the leader of the **Rohy** movement that unites 76 civil society organisations across the country, stated that

*“...given the historical context and the behaviour of political actors in Madagascar, [the amendments could be] the source of a new crisis. An open door for electoral risks. We can have the 2018 elections with this same constitution [as the 2013 election, which] creates less risk than trying to amend the constitution before the 2018 elections.”<sup>9</sup>*

Despite criticism of the planned reforms, most people are in agreement that the constitution does need to be amended with regard to election scheduling. At the moment, the government is in a position where, constitutionally, elections must be held between 24 November and 24 December. However, according to article 36 of Madagascar’s electoral law 2012-005, the vote

*“...shall take place during the dry season of the year, between 30 April and 30 November, except in cases of force majeure pronounced by the competent court, upon referral by CENI.”<sup>10</sup>*

Thus, the government’s time window for elections is actually 24 November to 30 November, unless CENI requests a court order allowing elections to happen during the rainy season. Additionally, CENI stated in September that an election date needs to be chosen so that preparations can be made and that the electoral agency is already behind schedule. Any constitutional amendments will delay this process further, as this would require a referendum which CENI would also have to organise.

### Government outlines Security Sector Reform plan

Rajaonarimampianina presented the **Security Sector Reform (SSR)** policy document on 12 September, which will increase funding for internal security.<sup>11</sup> While increased funding is needed, the security problems require more than an increased budget, and depend on the government taking responsibility for the internal reorganisation of the security forces. The presentation, held at the **Ivato Conference Center**, outlined the government’s plans to assist an enlarged police force with improved equipment and training to combat *dahalo* (cattle rustlers).<sup>12</sup> The SSR is estimated to cost close to \$900m and aims to reduce corruption on roads by 75%, reduce paedophilia and drug trafficking by 80%, and arms trafficking by 50%.<sup>13</sup> The SSR policy document aims to achieve these goals by 2021.<sup>14</sup> The SSR outlines eight pillars of reform: army; gendarmerie; police; justice; territorial administration; intelligence; parliament; and non-state.<sup>15</sup>

International donors, particularly the **United Nations Peacebuilding Fund**,<sup>16</sup> have called for an SSR as a key condition for the disbursement of funds, and will help to subsidise the SSR expenses.<sup>17</sup> Rajaonarimampianina also emphasised how important it is that civil society recognises the need for these reforms and to also take responsibility, particularly for threats from *dahalo*.<sup>18</sup>

*“The dahalos have more weapons than the gendarmes. What is annoying is that when you want to increase weapons, people go up on their big horses and say ‘ahh, this is a police state!’ Yet we know it is necessary. Civil society must take responsibility... The public must speak out against*

<sup>8</sup> RFI Africa, 5 Oct 2017.

<sup>9</sup> RFI Africa, 5 Oct 2017.

<sup>10</sup> Electoral code, 2012-005.

<sup>11</sup> Madagascar Tribune, 13 Sep 2017.

<sup>12</sup> Madagascar Tribune, 13 Sep 2017.

<sup>13</sup> RFI Africa, 13 Sep 2017.

<sup>14</sup> RFI Africa, 13 Sep 2017.

<sup>15</sup> RFI Africa, 13 Sep 2017.

<sup>16</sup> L’Express de Madagascar, 13 Sep 2017.

<sup>17</sup> Madagascar Tribune, 13 Sep 2017.

<sup>18</sup> L’Express de Madagascar, 13 Sep 2017.

*white-collar criminals. It is difficult because they are all rotten. The best way to fight this is for justice to be firm, impartial and work independently.”<sup>19</sup>*

### IMF completes review of Madagascar’s economy

The **International Monetary Fund (IMF)** completed its discussions on the second review of Madagascar’s economic programme on 21 September.<sup>20</sup> The IMF team, led by the mission chief for Madagascar, **Marshall Mills**, found that the Madagascar government made good progress with regard to economic development under the **Economic Credit Facility (ECF)**-supported programme.<sup>21</sup> The IMF projects Madagascar’s gross domestic product (GDP) will grow 4.1% in 2017 which, while high for **sub-Saharan Africa**, is lower than expected due to the impact of cyclone **Enawo** as well as consistent droughts in parts of Madagascar.<sup>22</sup> GDP is expected to increase 5.1% in 2018 while inflation is expected to fall to 8% by the end of 2017 and continue to decline into 2018.<sup>23</sup> Mills was positive about Madagascar’s economy and progress, stating that,

*“...performance under the ECF-supported program remains strong. Based on current data, all quantitative performance targets for end-June were met. Revenue collection continues to exceed program targets. The **Central Bank of Madagascar** has appropriately managed pressures linked to the positive vanilla price shock, with the accumulation of additional foreign exchange reserves, while the exchange rate appreciated, consistent with its flexible exchange rate regime. Prudent monetary policy has helped to contain inflation. Most structural reforms planned in the program were completed, although some with delays.”<sup>24</sup>*

With regard to state-owned utility company **Jiro sy rano Malagasy (Jirama)**, which the IMF and other international donors have criticised for the large amount of government transfers and poor management, Mills stated that

*“... reforms at Jirama are advancing, notably to improve management and lower costs, and continued progress is essential to cut transfers as planned.”<sup>25</sup>*

The IMF approved a \$304.7m ECF loan, a medium- to long-term lending programme in the case of protracted balance of payments problems, for Madagascar on 28 July 2016.<sup>26</sup> The positive feedback from the IMF is likely to result in further credit facility programmes for the country, which will allow it to continue to correct any balance of payments issues the country may have in the future. The positive outlook for Madagascar’s GDP growth may also result in further international investment, particularly from tertiary service providers who wish to explore additional **African** markets.

### USTDA awards mini solar power grid grant

The **United States Trade and Development Agency (USTDA)** awarded a grant to Madagascar-based energy company **Henri Fraise Fils & Cie**, to develop and implement mini solar power grids, according to media reports on 22 September.<sup>27</sup> With only 15% of Madagascar’s population having access to electricity, the mini solar grids could provide a new model to supply power in Madagascar and other small developing nations, particularly in rural areas. The grant will allow for the installation of a combined 10 megawatts (MW) of solar power generation as well as 88MW of battery storage capacity, which could potentially provide electricity to 27,600 households.<sup>28</sup> The **sub-Saharan Africa** regional director of the USTDA, **Lida Fitts**, stated that,

<sup>19</sup> RFI Africa, 13 Sep 2017.

<sup>20</sup> International Monetary Fund, 21 Sep 2017.

<sup>21</sup> International Monetary Fund, 21 Sep 2017.

<sup>22</sup> International Monetary Fund, 21 Sep 2017.

<sup>23</sup> International Monetary Fund, 21 Sep 2017.

<sup>24</sup> International Monetary Fund, 21 Sep 2017.

<sup>25</sup> International Monetary Fund, 21 Sep 2017.

<sup>26</sup> International Monetary Fund, 21 Sep 2017.

<sup>27</sup> African Review, 22 Sep 2017.

<sup>28</sup> African Review, 22 Sep 2017.

*“USTDA is pleased to facilitate new business partnerships between the US and Malagasy companies that can spur long-term, sustainable economic growth. This project supports the adoption of innovative US technologies that can expand electrification in Madagascar.”<sup>29</sup>*

The government supports the implementation of solar panels, and Rajaonarimampianina inaugurated the implementation of a photovoltaic solar power plant at **Jumbo Score**, a large retail chain, in **Akorondrano** on 12 September.<sup>30</sup> Private energy company **GreenYellow** installed 420 solar panels onto the roof of the retail mall, which will reduce energy consumption by 33%.<sup>31</sup> Water, energy and hydrocarbons minister **Lantoniaina Rasoloelison** noted that the government will offer incentives to businesses wishing to follow Jumbo Score’s solar initiative.

*“The government is encouraging private companies to set an example on Jumbo Score and is ready to grant exemptions on such projects on customs duties on imported equipment, in order to facilitate investment.”<sup>32</sup>*

The government hopes that other business will follow this model, which will reduce the strain on the state-owned utility company Jirama, which has struggled to provide continuous energy to businesses and homeowners. Renewable energy may be the best option to provide electricity, particularly in rural Madagascar.

### Siemens to increase Madagascar’s power capacity

Germany-based **Siemens AG** signed a memorandum of understanding (MoU) with Madagascar on 29 September to cooperate and to identify measures to fast track power generation and increase capacity by 300MW by 2019.<sup>33</sup> The planned capacity increase will expand existing capacity by almost a third, which should increase the electricity supply for the population as well as businesses. Currently, there is only 676MW of installed generation capacity while only 20% of the Malagasy population has access to electricity.<sup>34</sup> Siemens chief executive officer (CEO) for **Southern and Eastern Africa, Sabine Dall’Omo**, stated that,

*“... the primary goal of this agreement is to increase national power generating capacity and to connect the local population to the power grid. A reliable and extensive power supply system is the fundamental prerequisite for economic growth. Improving the country’s energy mix will strengthen the well-established agriculture and mining industry and emerging tourism [and] textile industries.”<sup>35</sup>*

Siemens will install a 44MW gas turbine for mobile power generation in Antananarivo and assess the electrical grid based on new power generation sources; apply financing concepts that will ensure long-term sustainability; and create opportunities for local upskilling and job creation during construction and operation.<sup>36</sup> The MoU was signed with project partner, **Spain-based TSK**, in the presence of the German Chancellor **Angela Merkel**’s (2005-present) personal representative for **Africa, Günter Nooke**, and the German ambassador to Madagascar, **Harald Gehrig**.<sup>37</sup>

<sup>29</sup> African Review, 22 Sep 2017.

<sup>30</sup> L’Express de Madagascar, 13 Sep 2017.

<sup>31</sup> L’Express de Madagascar, 13 Sep 2017.

<sup>32</sup> L’Express de Madagascar, 13 Sep 2017.

<sup>33</sup> Independent Online, 29 Sep 2017.

<sup>34</sup> Independent Online, 29 Sep 2017.

<sup>35</sup> Independent Online, 29 Sep 2017.

<sup>36</sup> Independent Online, 29 Sep 2017.

<sup>37</sup> ESI-Africa, 2 Oct 2017.

## Planner

23-24 Oct 2017 **Cape Town (South Africa) Office des Mines Nationales et des Industries Stratégiques (OMNIS) at Africa Oil Week;**

2018 **(Madagascar)** Presidential and parliamentary elections – precise date not yet scheduled;

## Chronology

10 Oct 2017 **Antananarivo (Madagascar) ATW Online. Reunion-based Air Austral** finalises joint venture with **Air Madagascar**;

10 Oct 2017 **Antananarivo (Madagascar) PV Magazine.** Madagascar issues a request for pre-qualification for a 25MW solar PV project to be built near Antananarivo;

4 Oct 2017 **Antananarivo (Madagascar) News24.** Fears of plague spread in Madagascar after prime minister **Olivier Mahafaly** announces 24 people have died;

29 Sep 2017 **Antananarivo (Madagascar) IOL. Siemens** signs a memorandum of understanding with Madagascar to fast track measures to increase power capacity by 300MW;

22 Sep 2017 **Antananarivo (Madagascar) African Review. United States Trade and Development Agency** awards a grant to Madagascar-based **Henri Fraise Fils & Cie** to develop and implement solar mini-grids;

21 Sep 2017 **Antananarivo (Madagascar) IMF. International Monetary Fund** staff complete their review of Madagascar's economic progress;

18 Sep 2017 **Antananarivo (Madagascar) RFI Africa.** President **Hery Rajaonarimampianina** calls for constitutional amendments to correct electoral issues;

13 Sep 2017 **Antananarivo (Madagascar) RFI Africa.** Rajaonarimampianina presents his security sector reform plan;

13 Sep 2017 **Antananarivo (Madagascar) PV Magazine.** The government announces VAT and custom duty exemption for the import of solar PV components and a 50% reduction on the tax it imposes on the revenue generated by PV systems;

13 Sep 2017 **(Madagascar) L'Express de Madagascar. Shaomin Liang,** economic adviser to the **Chinese** embassy, says trade with Madagascar increased 10% year-on-year in the first half of 2017;