

## AFRICA RISK CONSULTING

### Madagascar Monthly Briefing November 2022

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#### Madagascar Summary 14 November 2022

*President Andry Rajoelina (2019-present) launches his long-awaited development plan, Plan Emergence de Madagascar (PEM) (plan for the emergence of Madagascar). The ambitious investment and infrastructure plan is aimed at rapidly developing Madagascar's economic capacity in the coming five years. The short time-span between the plan's launch and the 2023 election means the PEM is an election campaign platform rather than a serious economic policy. Rajoelina dismisses foreign affairs minister Richard Randriamandrato after he instructed the country's United Nations delegation to vote for a resolution condemning Russia's annexation of Ukrainian territory, in violation of Madagascar's policy of non-alignment. The dismissal has once again brought ties between the Rajoelina administration and Russia under scrutiny. Madagascar's financial intelligence service announces its intention to investigate political party funding over money laundering concerns. Madagascar has extended its ban on South African airline Airlink as a diplomatic dispute between the two countries continues.*

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#### President Andry Rajoelina launches investment and infrastructure plan

President **Andry Rajoelina** (2019-present) unveiled his long-awaited investment and infrastructure plan – the **Plan Emergence de Madagascar (PEM)** (plan for the emergence of Madagascar) – at a three-day conference between 28 and 30 October at the **Ivato International Convention Centre (CCI Ivato)** in **Antananarivo**.<sup>1</sup> The PEM, touted as Rajoelina's economic development plan, formed a cornerstone of his 2018 presidential election campaign. The president technically launched the PEM in 2019 but no details pertaining to the plan were released until the 28 October conference.

The PEM seemingly revolves around the four general pillars of good governance, strengthening human capital, accelerated growth and the environment. However, the three-day event focussed on six specific “*strategic sectors*” – food self-sufficiency, agribusiness challenges, connecting and electrification, infrastructure, investments in the tourism sector, competitiveness and business production.<sup>2</sup>

The PEM is seen as the creation of a plethora of investment incentives and planned infrastructure expenditure.<sup>3</sup> These investment incentives include offering tax and customs relief for investors participating in key government projects. The new programmes and economic sectors in which investors will receive tax exemptions are:

- The **One District, One Factory (ODOF)** programme, which is intended to encourage the development of manufacturing and agri-processing outside of the major urban areas of Antananarivo and **Toamasina**;
- Projects related to renewable energy development and the manufacturing of ethanol for fuel;
- Construction related to the development of hotels and other tourism-related infrastructure;
- The zero-rating of import tax on any capital equipment necessary for the tourism industry; notably, this includes bringing in wild animals that can be used for safaris;

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<sup>1</sup>Madagascar Tribune, 31 Oct 2022

<sup>2</sup>Le Journal de Mayotte, 1 Nov 2022

<sup>3</sup>Madagascar Tribune, 31 Oct 2022

Rajoelina noted that these tax exemptions are already included in the **2023 Finance Bill**, which was submitted to the **Assemblée Nationale** (national assembly) on 27 October.<sup>4</sup> The finance bill will officially be presented to the national assembly on 22 November and be debated for three days before being put forward for a vote on 25 November. Despite the bill being filed with the national assembly, the draft has not yet been made public, and following the announcement of the financial details and tax exemptions of the PEM, calls from civil society for the text to be made public have increased.<sup>5</sup>

The finance bill will also reveal how much funding the government has committed to infrastructure development projects. This is pertinent, as a major aspect of the unveiling of the PEM was the announcement of planned investment in major infrastructure projects. The centrepiece of this infrastructure development is the goal of constructing 6,800-10,000 km of roads across Madagascar by 2028.<sup>6</sup> It is unclear if this refers to the construction of new roadways or the repairing of older roads; however, given the dilapidated state of Madagascar's road network, this is a moot point. The PEM calls for \$8 billion for infrastructure development, \$3 billion of which will be for the Antananarivo-Toamasina highway, money that the country does not have, raising further questions.<sup>7</sup> The country is already heavily dependent on donor financing and concessional loans to fund its infrastructure development. Illustrative of this was the 16 October announcement by the finance ministry that the **African Export-Import Bank (Afreximbank)** would provide \$200m in low-interest loan financing towards funding the Antananarivo-Toamasina highway.<sup>8</sup> The lack of financial resources means that the projects outlined by the PEM will depend heavily on public-private partnerships (PPPs).

Madagascar is also likely to seek to use PPP agreements to find additional power generation projects. Among the core tenets of the PEM's electrification subsector is rapidly expanding the country's electricity grid while simultaneously achieving energy self-sufficiency by 2028.<sup>9</sup> This is an ambitious goal, as only around 25% of Malagasy households have electricity access and the state-owned power utility, **Jirama**, struggles to meet this demand.<sup>10</sup> The PEM has identified the country's hydropower potential but these projects take time to develop; notably, the country's **Sahofika Hydro-Power Project** on the **Onive River**, which began construction in 2019, is only expected to be completed in 2038.

The PEM's projects are nearly all aimed at being achieved by 2028, an intentional goal as this would be when Rajoelina's next presidential term ends should he win re-election in the upcoming 2023 presidential election. This end date combined with the ambitious nature of the PEM confirms that the plan is less of a sensible development roadmap but rather his planned 2023 campaign platform. Rajoelina is expected to travel across Madagascar in the coming year launching and pledging projects related to the PEM. However, few, if any, of these will be completed or even implemented prior to the December 2023 election. Rajoelina is hoping that by increasing his visibility in such a manner he will dispel criticism over his poor management of the Malagasy economy thus far and the fact that it took almost four years to properly unveil the PEM.

### Foreign affairs minister dismissed over United Nations vote

Rajoelina dismissed his foreign affairs minister, **Richard Randriamandrato**, on 18 October for unknown reasons; however, it appears that the minister was fired for instructing Madagascar's delegation at the **United Nations (UN)** to support the 12 October resolution condemning **Russia's** annexing of territory in eastern **Ukraine**.<sup>11</sup> This decision breached Madagascar's position of studied non-alignment towards Russia's war on Ukraine.

<sup>4</sup>Madagascar Tribune, 27 Oct 2022

<sup>5</sup>2424.mg, 14 Nov 2022

<sup>6</sup>L'Express de Madagascar, 28 Oct 2022.

<sup>7</sup>Madagascar Tribune, 31 Oct 2022

<sup>8</sup>2424.mg, 16 Oct 2022

<sup>9</sup>L'Express de Madagascar, 31 Oct 2022

<sup>10</sup>IEA, 14 Nov 2022

<sup>11</sup>Midi Madagasikara, 19 Oct 2022

The position of non-alignment is due to Madagascar's close diplomatic ties with Russia as well as its dependence on aid and donor financing from western states including the **United States (US)** and the **European Union (EU)**. Significantly, Russia and Madagascar signed a military cooperation agreement on 25 March in terms of which the two countries agreed to collaborate on the development of military products, the training of military personnel and the maintenance of equipment.<sup>12</sup> Madagascar's defence ministry was likely particularly keen on securing the Russian military training as Malagasy security forces continue to struggle to defeat the large bandit gangs (known locally as *dahalo*) that operate in the country's interior.

In a clear effort to mend relations with Russia, Randriamandrato was replaced by defence minister General **Richard Rakotonirina** who will serve as acting foreign affairs minister until Rajoelina appoints a permanent successor.<sup>13</sup> Rakotonirina signed the military cooperation agreement during a working visit to Russia in March and is considered to have good ties with Russian military officials.

Rajoelina's rapid removal of Randriamandrato following the UN vote will once again raise questions about Rajoelina's ties to Russia. Reports in 2019 alleged that Russian intelligence actively sought to interfere in the 2018 Madagascar presidential election, claiming that these agents initially sought to finance and support former prime minister **Jean Omer Beriziky**'s presidential bid.<sup>14</sup> However, after it became apparent that Beriziky had no chance of success, the agents allegedly tried to pressure Beriziky to drop out of the race and back Rajoelina. Beriziky refused to do so; however, these reports indicate that Russian intelligence was actively seeking to gain access and influence with the Rajoelina campaign ahead of the 2018 election. The reports have resulted in increased scrutiny on the Rajoelina administration's relationship with Russia, which will likely increase as the 2023 presidential election approaches. Madagascar's western aid partners will be opposed to any such alleged Russian involvement in the president's re-election campaign.

The **Service de Renseignement Financier (SAMFIN)** (financial intelligence service) announced on 27 October that it will increase its scrutiny of political party funding ahead of the 2023 election amid concerns of alleged foreign interference, money laundering and corruption.<sup>15</sup> SAMFIN voiced concern that some political parties are taking advantage of the country's lax political party funding laws to launder money. The lack of effective regulation and oversight of party fundraising and campaign expenditure creates ample opportunity for such criminality. Madagascar has a reputation for insufficient anti-money laundering and counter-terrorism finance (AML-CTF) laws and is one of only three countries – along with **Haiti** and **Australia** – that has not committed to bringing lawyers, accountants and real estate agents under AML-CTF regulations.<sup>16</sup> Madagascar is facing increased pressure to improve its AML-CTF regulations, as this will enable the country to enhance its global financial inclusion. This includes calls from civil society groups, such as **Germany**-headquartered non-governmental organisation **Transparency International**, for the country to introduce new laws enhancing transparency over political party funding.<sup>17</sup>

### **Flight embargo on South African operators extended indefinitely**

Aviation authorities, on 15 October, indefinitely extended the country's ban on **South Africa's Airlink** airline, making it one of the only airlines that have not been allowed to resume operations in Madagascar following the easing of **Covid-19** flight restrictions earlier this year (see *ARC Briefing Madagascar Mar 2022*).<sup>18</sup> The ban has been extended due to an ongoing diplomatic dispute between the South African and Malagasy governments over 73.5kg of smuggled gold estimated to be worth around \$4.1m. South African customs officials seized the bullion as it was being trafficked through

<sup>12</sup> Defence Web, 18 April 2022

<sup>13</sup> Midi Madagasikara, 19 Oct 2022

<sup>14</sup> Daily Maverick, 11 Apr 2019

<sup>15</sup> Midi Madagasikara, 27 Oct 2022

<sup>16</sup> The Guardian, 12 Mar 2022

<sup>17</sup> Midi Madagasikara, 27 Oct 2022

<sup>18</sup> Daily Maverick, 17 Oct 2022

South Africa's **O.R Tambo International Airport (Gauteng Province)** en route to **Dubai (United Arab Emirates)**. The Malagasy citizens trafficking the gold were subsequently arrested.

Madagascar has requested that the gold be returned but South African authorities have refused to do so, claiming that it forms part of the evidence in the smugglers' criminal trial. The diplomatic impasse is costing Madagascar's economy significantly in lost business and tourism revenue, as South Africa is a major air transport hub in **Southern Africa** as well as a source of tourism to Madagascar. The exclusion of an international airline from Madagascar is also unwise given that the national carrier, **Air Madagascar**, is heavily indebted and urgently needs around \$69m in capital to remain operational.<sup>19</sup>

### Planner

22 Nov 2022 **Antananarivo (Madagascar)** Finance minister to present the **2023 Financial Bill** to the **National Assembly**;

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

### Chronology

14 Nov 2022 **Antananarivo (Madagascar)** *Madagascar Tribune*. **Antananarivo** mayor **Naina Andriantsitohaina** reveals that he survived an attack by unknown gunmen on 13 November while in his official vehicle; it is unclear at present if the attack was politically motivated;

14 Nov 2022 **Antananarivo (Madagascar)** *L'Express de Madagascar*. **Economic Development Board of Madagascar** unveils a new investment incentive mechanism to bolster private sector investment in renewable energy projects;

11 Nov 2022 **Antananarivo (Madagascar)** *L'Express de Madagascar*. **French** ambassador **Arnaud Guillois** meets with **Commission électorale nationale indépendante pour la transition (CENI)** (independent electoral commission) president **Andrianarisedo Retaf Arsene Dama** and commits France's support for the 2023 election;

11 Nov 2022 **Paris (France)** *Madagascar Tribune*. **Transparency International** files a complaint with **France's** national financial prosecutor and **Madagascar's Pôle Anti-Corruption (PAC)** alleging widespread corruption in Madagascar's litchi sector, particularly regarding contracts to **Europe**;

9 Nov 2022 **Sharm El Sheik (Egypt)** *Madagascar Tribune*. President **Andry Rajoelina** addresses the **United Nations Climate Conference (COP 27)** calling on wealthy nations to follow through on their commitment to create a \$100m **Green Climate Fund**;

9 Nov 2022 **Antananarivo (Madagascar)** *2424.mg*. Higher education ministry reveals **Madagascar** has only 15 practising neurosurgeons and can only train one neurosurgeon a year, resulting in a major shortage of these essential medical specialists;

9 Nov 2022 **Analamanga (Madagascar)** *L'Express de Madagascar*. Health officials confirm cases of **Bubonic plague** in the **Anjzorobe, Ambatolaona, and Ankazobe** districts of **Analamanga** region;

7 Nov 2022 **Antananarivo (Madagascar)** *Madagascar Tribune*. **Extractive Industries Transparency Initiative (EITI)** reports **Madagascar** to be the world's second-largest exporter of natural graphite.

5 Nov 2022 **Nosy Be (Madagascar)** *Madagascar Tribune*. President **Andry Rajoelina** inaugurates a new road connecting to **Nosy Be** airport;

28 Oct 2022 **Antananarivo (Madagascar)** *Madagascar Tribune*. Unions representing legal clerks announce they will conclude a three-week-long judicial sector strike on 2 November;

<sup>19</sup> L'Express de Madagascar, 14 Nov 2022.

27 Oct 2022 **Antananarivo (Madagascar)** *2424.mg*. **Conseil des ministres** (council of ministers) announces tax relief for the education and health sectors;

27 Oct 2022 **Antananarivo (Madagascar)** *Madagascar Tribune*. **Conseil des ministres** (council of ministers) submits the **2023 Finance Bill** to the **Assemblée Nationale** (national assembly) for approval;

26 Oct 2022 **Antananarivo (Madagascar)** *Madagascar Tribune*. Opposition parties and civil society organisations report that they wrote to **Commission électorale nationale indépendante pour la transition (CENI)** (independent electoral commission) on 20 October raising concerns over alleged anomalies in the reviewing of the electoral list;

15 Oct 2022 **Antananarivo (Madagascar)** *Daily Maverick*. Authorities extend the ban on **South Africa's Airlink** airline due to an ongoing dispute over smuggled gold.

### About Africa Risk Consulting:

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