

AFRICA RISK CONSULTING

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Madagascar Summary 13 December 2024

*Madagascar holds its local government elections which are expected to be dominated by the ruling **Isika Rehetra Miaraka amin'i Andry Rajoelina (IRD)** coalition. This underscores the weak state of Madagascar's political opposition. The legislature passes the 2025 Finance Bill thus ensuring that the government will have a budget in the coming year. The most notable inclusion in the bill is the implementation of a new tax on mobile transactions. The International Monetary Fund (IMF) and World Bank delay payments to Madagascar, citing a need for better adherence to its reform programmes.*

Ruling coalition set to dominate local government elections

Madagascar held its local government elections on 11 December to elect councillors and mayors of its various municipalities and communes.¹ The election followed a three-week campaign period that was primarily focused on the country's major urban areas. This election was primarily a contest between the ruling **Isika Rehetra Miaraka amin'i Andry Rajoelina (IRD)** coalition and the opposition **Firaisankina Platform** coalition (see *ARC Briefing Madagascar Nov 2024*).

Although the **Commission électorale nationale Indépendante (CENI)** (independent national electoral commission) is not expected to announce the provisional election results for at least another week, the initial results from voting stations indicate that the IRD is set to be the main winner of these elections. According to CENI's vote count as of the morning of 13 December, the IRD was leading the tally in most of Madagascar's major urban areas.² In fact, the Firaisankina Platform is only leading in the northern city of **Antsiranana (Diana Region)**.

This will alarm the opposition which was hoping for a strong performance in urban areas. It is especially noteworthy that the opposition has underperformed in the port city of **Toamasina (Atsinanana Region)**, and in **Toliara (Atsimo-Andrefana Region)** where it has typically enjoyed strong support.

It should be noted that although the IRD is currently leading the vote count in the capital **Antananarivo**, the election is still considered too early to call, and the Firaisankina Platform may still be able to win control of the influential mayor's office. The Antananarivo mayoral election has been a close-fought affair between the incumbent mayor, **Harilala Ramanantsoa** of the IRD, and **Tojo Ravalomanana** of the Firaisankina Platform. Notably, Tojo Ravalomanana is the son of former president **Marc Ravalomanana** (2002-2009) who was initially intended to be the opposition's mayoral candidate but was barred due to an ongoing tax dispute (see *ARC Briefing Madagascar Oct 2024*). As a result, Tojo Ravalomanana was parachuted in as a candidate and is essentially viewed as his father's proxy. As of 13 December, Ramanantsoa had received 43% of the vote to Tojo Ravalomanana's 36.21%.³ However, vote counting is still underway.

Regardless of the Antananarivo election result, Madagascar's opposition is in a severely weakened state. The IRD has dominated elections ever since the 2018 presidential election which saw President **Andry Rajoelina** (2018-present) return to power. Ravalomanana has repeatedly sought to form new opposition coalitions to effectively challenge Rajoelina and the IRD to little avail. Instead, disgruntled

¹ L'Express, 11 Dec 2024

² L'Express, 13 Dec 2024

³ L'Express, 13 Dec 2024

Malagasy voters have preferred to opt out of the system leading to falling rates of voter turnout. Indicative of this, only around 30% of voters participated in the Antananarivo election despite the high-profile nature of this election and the substantial resources deployed by the major coalitions.⁴

The rise in voter apathy is partly due to the conformity of Malagasy politics. The country's political scene has been dominated by the rivalry between Rajoelina and Ravalomanana since 2009 when Ravalomanana was ousted by a military putsch that installed Rajoelina as president. As such, the opposition is unlikely to experience improved electoral success until new leaders begin to emerge to challenge Rajoelina and the IRD.

Legislature passes 2025 budget

On 2 December, Madagascar's **Senate** officially adopted the **2025 Finance Bill** two days after it was passed by the **National Assembly**.⁵ The finance bill is an essential piece of legislation as it includes the country's annual budget. The legislature needs to pass this bill and have it signed into law by 31 December, or the government will cease to be funded. There was little doubt that the bill would pass given that the IRD controls both legislative houses; as such, Rajoelina is expected to sign the bill into law before the end of the month.

The bill indicates that the finance ministry intends to raise 21.39% more revenue from taxes in 2025 compared to 2024, through the implementation of new taxes as well as enhanced revenue collection enforcement. The most significant new tax included in the proposed budget is a 0.5% levy to be placed on all mobile transactions larger than MGA 150,000 (\$31.63). This levy comes after the ministry held discussions with the mobile money operators in Madagascar.

Mobile money has emerged as a major means of conducting trade and personal finance in Madagascar. This is in line with similar trends across the continent as it is easier to access a mobile network than secure a formal bank account. As such, mobile money platforms are the primary form of financial services for many Madagascans. This shift has meant that a large section of financial activity took place outside of the revenue collector's purview and this new tax aims to rectify this.

The imposition of this 0.5% tax on mobile money transactions exceeding the threshold should generate significant income for the government. Furthermore, the prevalent use of mobile money platforms in the informal economy means that this large unregulated segment of Madagascar's economy will now be subject to at least some tax that can be secured via large mobile network operators.

However, these networks have criticised the new levy claiming that it places an unfair burden on low-income communities and jeopardises financial inclusion but given the centrality of these platforms, this is unlikely to occur.⁶ It is more likely that these platforms do not wish to carry the burden of ensuring that the taxes on these transactions are collected. It should be noted that imposing these taxes was among the recommended reforms given to Madagascar by the **International Monetary Fund (IMF)** to enhance domestic revenue mobilisation.

IMF and World Bank delay funding disbursements

Madagascar's government is currently under pressure to appease the IMF after the **Bretton Woods** institution decided to postpone its board review of Madagascar's **Extended Credit Facility (ECF)** and **Resilience and Sustainability (RSF)** arrangements until early 2025.⁷ As a result, Madagascar will not receive anticipated funding disbursements under these programmes until January 2025 at the earliest. Madagascar had hoped to receive approval for approximately \$48m under the ECF and at least \$26m under the RSF. Given that the IMF team concluded its in-country review in October, the board was expected to conduct its review in late November.

⁴ News Mada, 12 Dec 2024

⁵ Orange, 2 Dec 2024

⁶ L'Express, 21 Nov 2024

⁷ 2424, 3 Dec 2024

However, the IMF opted to delay its review in order to allow Madagascar more time to reach the programme benchmarks. Key among these is the IMF's recommendation that Madagascar improve its public financial management, enhance domestic mobilisation, and adopt a firmer stance towards the troubled state-owned power and water utility, **Jirama**.

The IMF board is believed to have decided to delay reviewing Madagascar's ECF and RSF arrangements until after the 2025 budget had been passed. This is likely to place pressure on the legislature to pass unpopular aspects of the finance bill such as the tax on mobile money transactions and improved monitoring of public expenditure.

It should be noted that the IMF's decisions on whether or not to disburse funding are used as a guide by other major international financial institutions. Indicative of this, the **World Bank** has delayed approving approximately \$100m in financial support until Madagascar indicates that it is committed to the necessary reforms.⁸

Any such delay in funding will alarm the Malagasy government as it is heavily dependent on support from both the IMF and World Bank to finance its annual budget. As such, the state will be actively working to placate the IMF and ensure that the ECF and RSF disbursements are approved as soon as possible in 2025.

A look at 2025

Political developments in Madagascar will continue to be dominated by Rajoelina in 2025. The president and his IRD coalition are expected to control the executive, both legislative houses, and most municipalities. The opposition will focus its energy on the upcoming Senate elections which are expected to take place in December 2025. These elections could provide some indication of whether there are any potential future presidential contenders.

Madagascar's economic developments will primarily focus on the country's ongoing reform agenda; especially given that the IMF and World Bank are placing increased pressure on Rajoelina's government to implement these reforms. A special focus is expected to be placed on Jirama as addressing the utility's poor financial management and service delivery performance is imperative to addressing Madagascar's wider developmental challenges. The country's inland security challenges are expected to worsen throughout 2025 as Malagasy security forces continue to struggle to combat banditry and kidnapping in rural Madagascar.

Planner

23 Dec 2024 **Madagascar** Provision results for the local government elections; (estimated)
Dec 2025 **Madagascar** Senate elections

Chronology

12 Dec 2024 **Diana Region (Madagascar)** *Tropical Storm Risks*. **Tropical Storm Chido** does not make landfall in **Diana Region** despite initial expectations;
12 Dec 2024 **Antananarivo (Madagascar)** *2424*. The government concludes the sale of 300,000 carbon credits from the country's **Makira National Park** to **Australia**-headquartered mining company **Rio Tinto**;
11 Dec 2024 **Abidjan (Cote d'Ivoire)** *AfDB*. The **African Development Bank (AfDB)** approves a \$165m loan to finance the development of trade corridors and transport infrastructure in southern Madagascar;
11 Dec 2024 **Antananarivo (Madagascar)** *L'Express*. Security forces kill two suspected kidnappers in clashes in **Tsaratana (Betsiboka Region)**;

⁸ L'Express, 3 Dec 2024

10 Dec 2024 **Antananarivo (Madagascar)** *Chemanalyst News*. **United States-** headquartered **Energy Fuels Inc** signs a memorandum of understanding (MoU) with government for the **Toliara** critical minerals project with an expected investment of \$2 billion;

5 Dec 2024 **Antananarivo (Madagascar)** 2424. Malagasy elections and anti-corruption watchdog the **Safidy Observatory** announces that it will deploy 1,737 election observers during the 11 December local government elections;

4 Dec 2024 **Nosy Be (Madagascar)** 2424. **Israeli** airline **Arkia** begins operating flights from Israeli capital **Tel Aviv** to Madagascar's tourist hub Nosy Be;

4 Dec 2024 **Antananarivo (Madagascar)** *Madagascar Tribune*. The **United States (US) Agency for International Development (USAID)** announces \$22m in funding to support 88,000 marginalised households in southern Madagascar;

2 Dec 2024 **Antananarivo (Madagascar)** *L'Express*. Security is elevated in **Antsirabe (Vakinankaratra Region)** as the trial of the 56 people accused of attacking a police barracks in the town of **Ankazomiriotra** in February begins;

28 Nov 2024 **Antananarivo (Madagascar)** *Mining Week*. Government lifts the suspension on the **Toliara** critical minerals project, imposed in 2019 after **United States-**based **Energy Fuels** acquired **Australia's Base Resources**;

27 Nov 2024 **Rabat (Morocco)** *Morocco World News*. **Madagascar** formally opens a new embassy in Morocco's capital, Rabat;

25 Nov 2024 **Nosy Be (Madagascar)** *L'Express*. At least 48 **Somali** nationals are found adrift off the coast of Madagascar after their boat engines failed in early November, a further 25 reportedly died while the vessels were adrift in the ocean;

24 Nov 2024 **Antananarivo (Madagascar)** *L'Express*. Kidnappers release four hostages in the **Anjozorobe** district (**Analamanga Region**) after families pay ransoms.

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