

AFRICA RISK CONSULTING

Madagascar Monthly Briefing May 2022

Madagascar Summary 17 May 2022

The government stresses on 9 May that it has no interest in agreeing to a transitional government despite concerns over whether there are sufficient finances to organise the elections on time. Elections are still expected to be concluded before President Andry Rajoelina's (2019-present) term expires in January 2024. The national assembly passes the proposed new mining code with minor amendments on 12 May. Should the bill come into law it will provide a more stable climate for investors entering the sector. Passing the new mining code will also help ahead of Madagascar's next review under the International Monetary Fund's (IMF) Extended Credit Facility (ECF) arrangement. Banditry remains the most serious security concern in rural Madagascar after a bandit attack in Menabe region results in a shootout in which police kill 11 bandits. In a secondary security development, police and village self-defence militia clash in Boeny region once again highlighting the insecure operating environment in rural Madagascar.

Government rejects proposal for a transitional government

President **Hery Rajoelina's** (2019-present) administration made it clear on 9 May that the government has no intention of making way for a transitional government ahead of the elections.¹ This statement was in response to calls by some opposition parties – namely former president **Hery Rajaonarimampianina's Hery Vaovao hoan'i Madagasikara (HVM)** party – for the president to step down and create either a government of national unity or a transitional government.

The HVM's proposal for a transitional government comes amid rumours that the government may seek to delay the elections until later than 9 November, a date **Commission Electorale Nationale Indépendante (CENI)** (independent national electoral commission) proposed. This is due to the fact the country has not yet secured the necessary finances to fund the upcoming election.² It is estimated that CENI needs an additional MGA 100 billion (\$22.7m) to organise the election.³ In the 2023 budget, which the legislature passed in December 2022, only MGA 40 billion (\$9m) was allocated towards the election. It appeared that the government was betting that Madagascar's aid and development partners would step in and provide the balance required, but this has not occurred. Thus, in order to hold the elections before the end of 2023, Madagascar will need to amend the 2023 finance law authorising the budget and appropriate a significant amount of capital from other areas. This will have an immediate negative impact on the state given that the government is already struggling to meet its funding obligations.

It is still possible that international support could be provided, however, this will likely come with strict conditions involving the implementation of voter education, increased transparency, and addressing the shortfalls identified in the **European Union (EU)** election observer mission's report following the 2018 election. Addressing these shortfalls is something that the Rajoelina administration has displayed resistance to doing.

Rajoelina's term officially expires on 19 January 2024 after which he will have no mandate to govern.⁴ Any effort to extend his term constitutionally would be met with strong local and external resistance and would likely lead to widespread protests. Such a move would risk destabilising Madagascar's

¹ Madagascar Tribune, 10 May 2023

² Madagascar Tribune, 9 May 2023

³ Madagascar Tribune, 2 May 2023

⁴ Midi Madagasikara, 9 May 2023

persistently insecure political environment creating a political crisis and could even result in punitive measures being taken by international partners such as the EU and the **United States**.

As such, Rajoelina is facing mounting pressure to formally proclaim the 9 November election date and open up the country's civil and political space to campaigning. Currently, the government is actively preventing opposition parties from campaigning and has controversially banned all public demonstrations and gatherings (*see ARC Briefing Madagascar Apr 2023*).

The imposition of a transitional government is a non-starter. The Malagasy constitution does not call for such a move and the main opposition party **Tiako I Madagasikara (TIM)**, led by former president **Marc Ravalomanana** (2002-2009), has also expressed its opposition to the measure.⁵ This is likely as it could give Rajoelina an opening to delay the election.

However, it should be noted that Madagascar's constitution does mandate that the president needs to resign at least two months before the election if they are intending to contest it.⁶ As such, Rajoelina is expected to resign as president by 9 September, if the 9 November election date stands. He will be replaced by senate president **Herimanana Razafimahefa** who will serve as an interim president during the election period. Prime minister **Christian Ntsay** will remain in office as will the rest of the government until a new president is sworn in after the election.

Rajoelina would be best served by adhering to CENI's proposed electoral timetable. The president remains the frontrunner ahead of the election and will still have his loyalists leading the government despite his mandated resignation. A transitional government would be more unwieldy and weaken his control of the state. As such, Madagascar is expected to hold the elections on 9 November, albeit with a reduced budget. This could have consequences for the efficacy of the election opening CENI to potential criticism and better position the election losers to challenge the result.

Legislature approves new mining regulations

The national assembly adopted the proposed new mining code on 12 May, bringing the implementation of the long-awaited new mining regulations closer to being realised.⁷ The new mining code is set to replace the 2005 legislation which currently governs Madagascar's mining and minerals sector. The old legislation has been criticised as insufficient and outdated for several years but repeated attempts to pass a new mining code of failed in the past, due to the inability of the government, legislature, and industry to reach a consensus on the new regulations.

The national assembly passed the bill with only minor amendments to the initial bill which the council of ministers approved on 12 April. The bill will now proceed to the senate for approval, after which it will be presented to Rajoelina to be signed into law. The fact that Rajoelina's ruling coalition controls both legislative houses has increased the likelihood that the code will be passed without major incident.

The new code will introduce several important changes to the country's mining regulations. Notably, the royalties placed on mining operations will be increased from 2% to 5%, of which three-fifths will go to the central government, and two-fifths to **Collectivités territoriales décentralisées (CDTs)** (decentralised territorial collectives) which represent local communities located on the impacted land.⁸ The bill also aims to reduce speculation in the sector by reducing the length of exploration permits from 40 years to 25 years with a once-off renewal of 15 years if certain conditions are met. In addition, the area under mining permits has been halved. Research permits have been reduced to 5,000 km² from 10,000 km², operating permits have been reduced to 500 km² from 1,000 km², and artisanal mining permits have been reduced to 50 km² from 100 km².⁹

⁵ Midi Madagasikara, 8 May 2023

⁶ Midi Madagasikara, 9 May 2023

⁷ Midi Madagasikara, 13 May 2023

⁸ Madagascar Tribune, 13 May 2023

⁹ L'Express, 14 Apr 2023

Mining operators are generally unhappy with the proposed new regulations as the royalty burden has increased and their ability to hold land speculatively has been diminished. However, the progress of the bill is promising as the absence of a new mining code has been a source of regulatory uncertainty in the sector for several years. Should the bill become law it will provide a more stable climate for investors entering the sector. Passing the new mining code will also help ahead of Madagascar's next review under the **International Monetary Fund's (IMF) Extended Credit Facility (ECF)** arrangement. The IMF cited passing the new reforms as among its key recommendations in its last review in March (*see ARC Briefing Madagascar Mar 2023*).¹⁰

Security forces clash with bandits in Menabe region

Forces from the national police force, **Gendarmerie Nationale**, clashed with bandits (locally referred to as dahalo) in **Menabe** region's **Belon'i Tsiribihina** commune on 27 April.¹¹ Officials confirmed that at least 11 bandits were killed in the shootout. The clashes occurred after the police responded to an alert that a gang of around 30 dahalo were attacking a local business in the area. The police's response underscores some of the progress made by security forces in responding to such attacks and the importance of the operating centres set up to address the threat of banditry in the country.

Dahalo is the most significant security threat in rural Madagascar. These gangs are typically well-armed and can number in the dozen. Historically, dahalo gangs were focused on cattle rustling and would raid isolated farmsteads to steal cattle. However, in recent years they have expanded to attacking vanilla farms, small mining operations, and vehicles travelling along Madagascar's rural roads. Most recently, on 2 May, approximately 12 dahalo attacked a vehicle convoy travelling between **Manakara (Fitovinany region)** and **Fianarantsoa (Haute Matsiatra region)**, killing one person.¹²

Although security forces have made some gains in addressing the threat of banditry in Madagascar, much of the country's rural interior remains vulnerable to these dahalo gangs. This persistent insecurity has given rise to local self-defence militias which are themselves a secondary security concern. Indicative of this was a clash between local police and members of the **Zazafotsy** self-defence militia in **Manerinerina (Boeny region)** on 9 May.¹³ These clashes occurred after two militia members refused to comply with police instructions leading to their arrest. In response, other Zazafotsy members attempted to forcibly free their fellow militia members leading to a shootout with the police, leaving at least seven people dead.¹⁴ Following this incident, tensions are heightened in the area, and there are concerns about renewed clashes between the police and militia forces.

This altercation underscores the distrust between local communities and the police and the extent to which these private militias have begun to view themselves as the real authority in the areas in which they operate. The emergence of these militias will likely exacerbate incidents of vigilantism in the country and will also contribute to the proliferation of weapons in the country.

Planner

9 Nov 2023 (**Madagascar**) Presidential election (First round);
 20 Dec 2023 (**Madagascar**) Presidential election (Second round);
 25 Aug to 30 Sep 2023 (**Madagascar**) **Indian Ocean** island games.

¹⁰ IMF, 2 Mar 2023

¹¹ L'Express, 27 Ap 2023

¹² L'Express 5 May 2023

¹³ NewsMada, 10 May 2023

¹⁴ 2424, 10 May 2023

Chronology

15 May 2023 **Antananarivo (Madagascar)** *CAPA*. **Madagascar Airlines** announces that it intends to join the **International Air Transport Association (IATA) Billing and Settlement Plan (BSP)** in June;

15 May 2023 **Antananarivo (Madagascar)** *L'Express*. Health ministry indicates that it is developing a national health insurance scheme, however, no details on how this would be funded have been released;

15 May 2023 **Antananarivo (Madagascar)** *2424*. Officials from **Banky Foiben'i Madagasikara** (central bank) meet with delegates from the **International Finance Corporation (IFC)** to discuss reforms to strengthen Madagascar's public credit registry;

13 May 2023 **Ambovombe (Madagascar)** *L'Express*. Around a dozen prisoners attempt to escape the prison in **Ambovombe, Androy** region;

12 May 2023 **Doha (Qatar)** *Midi Madagasikara*. Opposition presidential candidate **Siteny Randrianasoloniaiko** meets with **Qatari** prime minister **Sheikh Mohammed bin Abdulrahman bin Jassim Al-Tahni**. Randrianasoloniaiko is in Qatar in his capacity as the head of the **African Judo Union (AJU)**;

11 May 2023 **Antananarivo (Madagascar)** *L'Express*. **Banky Foiben'i Madagasikara** (central bank) increases the deposit interest rate to 8.5% and the marginal lending facility rate to 10.5%;

10 May 2023 **Antananarivo (Madagascar)** *Madagascar Tribune*. Transport ministry announces plans to commence a passenger train service between **Toamasina** and **Moramanga** from 1 June.

10 May 2023 **Berlin (Germany)** *L'Express*. Germany commits an estimated EUR 47m (\$51.12m) in development funding following a two-day meeting with **Malagasy** officials;

8 May 2023 **Mahazoarivo (Madagascar)** *Midi Madagasikara*. Prime minister **Christian Ntsay** meets with **International Monetary Fund (IMF)** representative **Abebe Aemro Selassie** to discuss potential development cooperation;

6 May 2023 **Antananarivo (Madagascar)** *Midi Madagasikara*. Justice ministry announces plans to recruit 16 new magistrates to staff the **Pôles Anti-Corruption (PAC)**, Madagascar's main anti-corruption agency;

5 May 2023 **Antananarivo (Madagascar)** *L'Express*. Residents block roads in the **Andranomena** area of **Antananarivo's Ampanotokana** district in protest of ongoing electricity disruptions;

4 May 2023 **Dakar (Senegal)** *AfDB*. The **Africa Road Builders Selection Committee** awards its **Babacar Ndiaye Trophy** to President **Andry Rajoelina** for his commitment to infrastructure development;

4 May 2023 **Antananarivo (Madagascar)** *Madagascar Tribune*. Council of ministers approves plans to recruit an additional 4,000 volunteers to the security forces;

3 May 2023 **Antananarivo (Madagascar)** *2424*. Madagascar falls three places from 98th to 101st in the annual **Reporters Without Borders (RSF) World Press Freedom Index** which consists of 180 nations;

2 May 2023 **Antananarivo (Madagascar)** *AfDB*. The **African Risk Capacity Group** issues Madagascar a \$1.5m insurance payout for post-cyclone recovery efforts. Madagascar was issued with a disaster insurance policy under a programme supported by the **African Development Bank (AfDB)**;

2 May 2023 **Geneva (Switzerland)** *OHCHR*. The **United Nations (UN)** subcommittee on prevention of torture expresses alarm at overcrowding and conditions in Madagascar's prisons;

30 Apr 2023 **Ambohitsapana Ankazomborona (Madagascar)** *L'Express*. A vigilante mob lynch two suspected criminals in **Ambohitsapana Ankazomborona, Boeny** region;

28 Apr 2023 **Toamasina (Madagascar)** *Midi Madagasikara*. Madagascar hosts military exercises between itself, **France**, and **Comoros** in Toamasina and **Sante Marie (Nosy Boraha)**;

28 Apr 2023 **Antananarivo (Madagascar)** *Madagascar Tribune*. The **Agence de recouvrement des Avoirs Illicites (ARAI)** (illicit assets recovery agency) announces that it has seized nearly MGA 6 billion (\$1.37m) of illicit and suspect funds since the beginning of 2023;

26 Apr 2023 **Antananarivo (Madagascar)** *RFI*. The **Malagasy Miara-Miainga (MMM)** opposition party announces it has filed a petition at the high constitutional court challenging the ongoing ban on demonstrations in public areas;

24 Apr 2023 **Antananarivo (Madagascar)** *L'Express*. The **United Nations Development Program (UNDP)** begins a four-day mission in Madagascar aimed at developing crisis prevention and peacebuilding capacity in the country;

20 Apr 2023 **Antananarivo (Madagascar)** *Midi Madagasikara*. President **Andry Rajoelina** appoints former youth and sports minister **Roberto Tinoka Michaël Raharoarilala** as Madagascar's new consul general to **Reunion**;

17 Apr 2023 **Antananarivo (Madagascar)** *AfricaNews*. **Gendarmerie Nationale** (national police) arrest two suspected traffickers concerning the 11 March incident in which 34 people were killed after their boat sank while illegally transporting them to **Mayotte**;

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.

ARC's core consulting services include integrity due diligence and corporate investigations, political advisory and country assessments, opportunity monitoring and reputation risk management. Most relevant to private equity firms is ARC's integrity due diligence and corporate investigations capability. Specifically, ARC offers pre-deal integrity checks to highlight red flags before negotiations start; full detailed multi-jurisdictional reputation due diligence; and supplier and senior hire vetting and repeat due diligence for compliance programmes. ARC is unique in that it offers a 10-day delivery for a routine integrity due diligence. ARC also offers a suite of corporate investigations services from immediate approval investigation, evidence gathering, e-discovery, forensic accounting and whistleblower support on one end to crisis media management and regular monitoring on the other.

www.africariskconsulting.com

About ARC Briefing:

ARC Briefing is ARC's essential business information service.

Companies at any stage in their Africa expansion, whether building or communicating an Africa strategy, investing directly, expanding current operations, financing other investors, doing the legal leg-work or researching the Africa growth trend, need ARC Briefing.

ARC Briefing is an information service keeping you:

- Up to date with Country Chronologies of business-critical events

- In the know via Country Briefings on political, economic, business and operating trends. Written in-country, ARC experts analyse and comment
- Ahead with Country Planner which details future elections, budgets, regulatory changes etc.

www.africariskconsulting.com

Getting in touch

Please contact us by email info@africariskconsulting.com or call + 44 (0) 20 7078 4080

Follow us on Twitter: [@ARCBriefing](https://twitter.com/ARCBriefing)