

## AFRICA RISK CONSULTING

### Madagascar Monthly Briefing September 2019

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#### Madagascar Summary 25 September 2019

*Former president Marc Ravalomanana (2002-2009) decides not to run for Antananarivo mayor after his party, Rodoben'ny Mpanohitra ho an'ny demokrasia eto Madagasikara (RMDM), presented him as its candidate. Madagascar becomes the 22<sup>nd</sup> member of the Africa Finance Corporation (AFC), an infrastructure solutions provider partnered with the African Development Bank. AFC membership will help open up funding opportunities for infrastructure in Madagascar. Italy-based energy solutions company Tozzi Green and Madagascar's state-owned utility company, Jiro sy rano Malagasy (Jirama), plan to build a 35-megawatt hydroelectric plant to supply Antananarivo and surrounding areas with power and decrease power outages in the capital.*

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#### Ravalomanana won't run for Antananarivo mayor

Former president **Marc Ravalomanana** (2002-2009) announced on 13 September that he had decided not to run for **Antananarivo** mayor, after his party, opposition coalition **Rodoben'ny Mpanohitra ho an'ny demokrasia eto Madagasikara (RMDM)**, presented him as its candidate on 11 September.<sup>1</sup> Ravalomanana's political future is now up in the air. As he is not an elected member of parliament, he is not allowed to fulfil the role of head of the opposition in parliament (see *ARC Briefing Madagascar August 2019*). This is detrimental to Madagascar's political environment, as there are no other political heavyweights to challenge, and check the ruling party.

The mayoral election is scheduled for 27 November and results will be announced before 14 January 2020.<sup>2</sup> RMDM vice-president **Alain Andriamisez**a said that Ravalomanana was needed as Antananarivo mayor for

*"...national recovery, to keep democracy, and especially to establish a real opposition [in Madagascar]."*<sup>3</sup>

However, Andriamisez acknowledged that Ravalomanana was not completely on board with the idea, considering he *"had already been president for two terms and was the presidential candidate in the last election."*<sup>4</sup> As noted in *ARC Briefing Madagascar August 2019*, Ravalomanana likely saw running for Antananarivo mayor as a demotion and potentially losing the election would have ended his political career. Ravalomanana was Antananarivo mayor from 1999 until 2002 when he won the presidency.<sup>5</sup>

Instead, the **Tiako I Madagasikara (TIM)** political party, which Ravalomanana founded and chairs, named **Ny Rina Randriamasinoro** as its candidate for the mayoral election.<sup>6</sup> Randriamasinoro will face four other contenders, including foreign affairs minister **Naina Andriantsitohaina**, the candidate for President **Andry Rajoelina's** (2009-2014, 2019-present) **Isika Rehetra Miaraka amin-i Andry**

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<sup>1</sup> PressAfrik, 11 Sep 2019

<sup>2</sup> Jeune Afrique, 13 Sep 2019

<sup>3</sup> RFI Afrique, 11 Sep 2019

<sup>4</sup> RFI Afrique, 11 Sep 2019

<sup>5</sup> Jeune Afrique, 13 Sep 2019

<sup>6</sup> RFI Afrique, 13 Sep 2019

**Rajoelina (IRD) coalition.**<sup>7</sup> The other candidates are **Alban Rakotoarisoa, Feno Andrianjoelina, and Eliace Ralairimanana.**<sup>8</sup>

Randriamasinoro and Andriantsohaina will be the top two contenders in the election. In the May legislative elections, TIM and IRD each won six of the 12 available seats in Antananarivo.<sup>9</sup> However, Randriamasinoro is generally unknown in Malagasy politics and the IRD is likely to continue its domination over Madagascar politics and win the mayoral race. The current mayor, Marc Ravalomanana's wife **Lalao**, has been in office since 2015 but is not seeking re-election. Lalao may plan to use her mayoral tenure as a springboard to higher politics, as both her husband and Rajoelina did – Rajoelina was Antananarivo mayor from 2007 until 2009 when he successfully removed Ravalomanana as president. However, an Antananarivo-based government official said

*"Lalao does not have presidential ambitions. Marc is the political heavyweight in the family and it is likely to stay that way."*<sup>10</sup>

Ravalomanana's political future is uncertain. While he wishes to be the official head of the opposition, this is not possible as he is not an elected member of parliament. Becoming Antananarivo mayor would have given Ravalomanana an official title and a position in government, but would also have been a backslide for a former president. However, Ravalomanana is still the only real opponent to Rajoelina in Malagasy politics, but another electoral loss might force Ravalomanana to face that it is time to find a successor who can challenge Rajoelina and the IRD.

### Madagascar becomes a member of the Africa Finance Corporation

Madagascar became the 22<sup>nd</sup> member of the **Africa Finance Corporation (AFC)**, an infrastructure solutions provider partnered with the **African Development Bank**, on 27 August.<sup>11</sup> AFC membership will help open up funding opportunities for infrastructure in Madagascar, something that is sorely lacking on the island and which is key to developing the economy. The AFC is a multilateral financial institution that invests in infrastructure assets in the power, natural resources, transport and telecommunications sectors.<sup>12</sup> The AFC was founded in 2007 with private sector banks and investors providing a majority of the initial capital, although the **Central Bank of Nigeria** is a 42.2% shareholder.<sup>13</sup> The government of **Ghana** is a recent shareholder, though a majority of AFC shareholders are still in the private sector.<sup>14</sup>

For Madagascar, AFC membership is a positive development for the economy. The AFC will now look for infrastructure projects in Madagascar to finance, with emphasis on projects with a high developmental impact and which will increase economic growth. There are many projects the AFC could choose in Madagascar given the country's present poor infrastructure. The **World Economic Forum's Global Competitiveness Report** ranked Madagascar's infrastructure 132<sup>nd</sup> out of 148 countries.<sup>15</sup> The government spends only 8% of its budget on infrastructure,<sup>16</sup> which makes it difficult, if not impossible, to improve this area. A lack of roads, in particular, stifles trade opportunities as it decreases the market size. Roughly 10% of Madagascar's roads are in good condition and are accessible throughout the year, while most roads have deteriorated beyond repair, isolating many areas around the island.<sup>17</sup> The AFC may also look to improve Madagascar's 17 ports, of

<sup>7</sup> RFI Afrique, 13 Sep 2019

<sup>8</sup> RFI Afrique, 13 Sep 2019

<sup>9</sup> Jeune Afrique, 13 Sep 2019

<sup>10</sup> Source, government official, Antananarivo

<sup>11</sup> [www.africafc.org](http://www.africafc.org)

<sup>12</sup> [www.africafc.org](http://www.africafc.org)

<sup>13</sup> [www.afdb.org](http://www.afdb.org)

<sup>14</sup> [www.afdb.org](http://www.afdb.org)

<sup>15</sup> [www.intracen.org](http://www.intracen.org)

<sup>16</sup> Borgen Magazine, 26 Jan 2018

<sup>17</sup> Borgen Magazine, 26 Jan 2018

which only five are maintained enough for commercial operations. **Toamasina Port**, through which 75% of freight goes, may also require upgrades.<sup>18</sup>

The AFC's projected borrowing is expected to be over \$4 billion by 2021. With such deep pockets, it should be able to help Madagascar to improve its infrastructure and help its economy grow.

### Jirama to build a new power plant in Antananarivo and focus on renewables

Italy-based energy solutions company **Tozzi Green** and Madagascar's state-owned utility company, **Jiro sy rano Malagasy (Jirama)**, plan to build a 35 megawatt hydroelectric plant to supply Antananarivo and surrounding areas with power and decrease power outages in the capital.<sup>19</sup> The increased capacity will have a positive impact on Madagascar's economy, if Jirama can improve its governance and operations.

The hydroelectric power plant is expected to be operational by 2020 and will feature two solar installations.<sup>20</sup> The government has been pushing the use of renewable energy in order to increase access around the island. At present, only 20% of the population has access to electricity, though this is mostly in urban areas. In rural areas as little as 5% of the population has access to electricity.<sup>21</sup> The government plans to increase this figure to 70% by 2030<sup>22</sup> and will rely to a large extent on renewable energy, particularly off-grid solar power plants, in order to do this. With 2,800 hours of sunshine per year, Madagascar's climate is particularly well suited to solar-generated power, which could produce 2,000 kilowatt-hours per square metre per year.

However, all of these projects are dependent on Jirama being a functional entity that is able to transmit the generated power. Many politicians and Malagasy complain that Jirama has long been poorly governed. Recent attempts to reform Jirama have seen the council of ministers dismiss Jirama director-general **Olivier Jaomiary** and some board members as part of corporate restructuring (see *ARC Briefing Madagascar August 2019*).

A study released on 24 September, which was requested by the **World Bank** and conducted by **United States**-based consulting firm **Castalia Advisors** and **South Africa**-based law firm **Mazars**, reported that Jirama is struggling to remain financially viable.<sup>23</sup> The report states that Jirama buys electricity for \$0.26 per kilowatt hour, but sells it for just \$0.13, while some larger industrial customers pay just \$0.04 per kilowatt hour.<sup>24</sup> Jirama presented a loss of 290 billion ariary (\$76.8m) in 2018 and continues to require government bailouts to remain functional.<sup>25</sup> According to the report, the government has spent 1.3 trillion ariary (\$344m) between 2015 and 2018 in subsidies for Jirama.<sup>26</sup> Tariffs will need to be increased, but this is still no guarantee that Jirama will be able to run effectively, something that is necessary if Madagascar is to take advantage of its solar potential and provide access to electricity for the majority of its population.

<sup>18</sup> Borgen Magazine, 26 Jan 2018

<sup>19</sup> Afrique Panorama, 28 Aug 2019

<sup>20</sup> Afrique Panorama, 28 Aug 2019

<sup>21</sup> Construction Review Online, 2 Sep 2019

<sup>22</sup> Afrik21, 29 Aug 2019

<sup>23</sup> RFI Afrique, 25 Sep 2019

<sup>24</sup> RFI Afrique, 25 Sep 2019

<sup>25</sup> Madagascar Tribune, 25 Sep 2019

<sup>26</sup> Madagascar Tribune, 25 Sep 2019

## Planner

4-7 Nov 2019 **Moshi (Tanzania)** Vanilla 2019;  
 4-8 Nov 2019 **Cape Town (South Africa)** Africa Oil Week;  
 27 Nov 2019 **(Madagascar)** Municipal elections scheduled;  
 26 Jun 2020 **(Madagascar)** Independence Day  
 2023 **(Madagascar)** Potential presidential elections

## Chronology

19 Sep 2019 **Antananarivo (Madagascar)** *Afrik21*. The **Japanese** government pledges \$4.4m over three years to help **Madagascar** combat illegal fishing and conserve coral reef ecosystems;

16 Sep 2019 **Antananarivo (Madagascar)** *Argus Media*. **Canada**-based mining company **Sherritt International** says it will shut down the **Ambatovy** cobalt and nickel mine for two weeks in November for planned maintenance;

13 Sep 2019 **Antananarivo (Madagascar)** *Jeune Afrique*. Current foreign minister **Naina Andriantsitohaina** submits a nomination for the **Antananarivo** mayoral race but former president **Marc Ravalomanana** does not, despite expectations that he would do so;

10 Sep 2019 **Antananarivo (Madagascar)** *RFI Afrique*. Former President **Marc Ravalomanana** announces he will run for **Antananarivo** mayor on 27 November;

4 Sep 2019 **Maputo (Mozambique)** *Lowvelder*. **Catholic Church** head **Pope Francis** arrives in **Mozambique** as part of an official visit that includes **Madagascar** and **Mauritius**;

3 Sep 2019 **Antananarivo (Madagascar)** *Punch*. **Madagascar** joins the **Africa Finance Corporation**, an infrastructure solutions provider partnered with the **African Development Bank**;

2 Sep 2019 **Antananarivo (Madagascar)** *Construction Review*. The government announces it will build a 35-megawatt hydroelectric power plant in **Antananarivo** with **Italy**-based services company, **Tozzi Green**;

26 Aug 2019 **Antananarivo (Madagascar)** *RFI Afrique*. The anti-corruption commission sentences businessperson **Jocelyne Razafindrabakoarisoa** to five years of forced labour for embezzlement of public funds in a case that may implicate other senior officials in former President **Hery Rajoanarimampianina**'s government.

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