

AFRICA RISK CONSULTING

Madagascar Monthly Briefing March 2022

Madagascar Summary 16 March 2022

President Andry Rajoelina (2019-present) makes several changes to his cabinet, presidency staff, and regional governors throughout February and March in an effort to solidify his support within the government ahead of the upcoming presidential election. The International Monetary Fund (IMF) approves an additional disbursement of \$32.6 million to Madagascar under its Extended Credit Facility (ECF) on 2 March. The IMF calls on the government to intensify its governance and economic reforms. The council of ministers approves a new draft of the investment legislation on 8 March in an effort to improve the country's investment environment. This new draft seeks to bolster both domestic and international investment. Cyclone Freddy makes landfall in Madagascar on 21 February and again on 4 March. Despite early prevention steps, the cyclone kills 17 people and affects approximately 300,000 people in 14 regions across eastern, central, and southwestern Madagascar.

Rajoelina solidifies his support in government

President **Andry Rajoelina** (2019-present) reshuffled his cabinet on 20 February, another step he has taken in the past month to consolidate his support and control within **Madagascar's** executive.¹ Rajoelina made the following eight changes to the council of ministers:

- National defence minister - Major General **Josoa Rakotoarijaona**;
- Foreign affairs minister – **Yvette Sylla**,
- Justice minister - **Landy Mbolatiana Randriamanantenasoa**
- Labour minister - **Richard Jean Bosco Rivotiana**;
- Public works minister - Colonel **Ndriamihaja Livah Andrianatrehina**;
- Transport and meteorology minister - **Valery Ramonjavelo**;
- Energy and hydrocarbons minister - **Soloniaina Rasamoelina Andriamanampisoa**;
- Youth and sports minister - **Haja Andre Resampa**

These new ministers are all notable for their close ties and loyalty to Rajoelina. Both Andrianatrehina and Resampa are former secretaries-general in the presidency and have a closely established working relationship with Rajoelina. The other standout appointment in the cabinet reshuffle was Rakotoarijaona as the new national defence minister. Rakotoarijaona is considered to have played a major role in the 2009 military putsch which removed former president **Marc Ravalomanana** (2002-2009) from office and installed Rajoelina for his initial term as president (2009-2014).²

This reshuffle appears to have been ordered with limited consultation with Prime Minister **Christian Ntsay**, even though Ntsay is ostensibly the head of government and is constitutionally tasked with appointing the council of ministers. This has furthered fuelled rumours that Rajoelina is looking to remove Ntsay as prime minister following the 9 November presidential election.

Ntsay is among the longest-serving prime ministers in recent history, having been appointed in June 2018 by Rajoelina's predecessor, **Hery Rajaonarimampianina** (2014-2018). Rajoelina retained Ntsay as prime minister after the December 2018 election as he is respected and trusted by Madagascar's donors and development partners. The two men have worked well together over the past four years, but Rajoelina would prefer a less independent more pliant head of government.

¹ Midi Madagasikara, 21 Feb 2023

² Africa Intelligence, 8 Mar 2023

However, removing Ntsay now would likely present unnecessary political difficulties ahead of the election campaign period.

Two days after Rajoelina reshuffled the cabinet, the council of ministers announced on 23 February that it had elected to dismiss the governors of the **Amoron'i Mania**, **Ihorombe**, and **Diana** regions.³ These three governors had been in their positions for just over two years. The new appointees - **Haingo Elisette Fomendraza** in the Amoron'i Mania region, **Clarisse Eugénie Ramananjaraso** in the Ihorombe region, and **Taciano Rakotomanga** in the Diana region – are all stalwart supporters of Rajoelina. Rakotomanga is a particularly significant appointment as he is a long-standing member of Rajoelina's **Tanora malaGasy Vonona (TGV)** party and has been a regional party leader since 2009.⁴ Diana region is expected to be one of the more closely fought battlegrounds in the upcoming presidential election and a staunch ally as governor of this region will be of great use to Rajoelina in the build-up to the campaign.

In his final move taken in the past month to entrench his circle of allies, Rajoelina appointed three former ministers as special advisors in the presidency on 8 March.⁵ This included appointing former foreign affairs minister **Patrick Rajoelina** (no relation) as the special advisor to the president on international relations; appointing former environment minister **Vahinala Baomivotse Raharinirina** as the special adviser in charge of economic affairs, and appointing former interior minister **Tianarivelo Razafimahefa** as the special advisor on governance and local development.

Rajoelina is yet to formally declare his candidacy for re-election, but a declaration is viewed as a formality. The president is clearly preparing to contest the 9 November election and has taken steps to prepare for his campaign by ensuring he is surrounded by close allies and steadfast loyalists. The presence of allies and loyalists in key cabinet roles is particularly important as under Malagasy law, Rajoelina will need to resign as president before the official campaign period to run for re-election. This resignation will need to occur in August or September. The presence of strong allies in the cabinet and regional governors' offices will enable Rajoelina to maintain his influence throughout the campaign period despite this resignation.

IMF approves disbursement

The **International Monetary Fund's (IMF)** executive board announced on 2 March that it had approved an additional disbursement of \$32.6m under its **Extended Credit Facility (ECF)** arrangement with Madagascar.⁶ This brings the total funds disbursed to Madagascar under the current ECF arrangement to \$195.5m. The \$32.6m will primarily go towards budget support and funding the government's reform and development agenda.

The IMF board noted that Madagascar has implemented several key policy recommendations but that the more ambitious reforms have been hampered by continued weak governance and limited capacity. The IMF did, however, acknowledge that Madagascar has faced significant challenges caused by the **Covid-19** pandemic and multiple climate shocks, including tropical storms and drought. The IMF further advised that there are reasons for optimism, especially if Madagascar implements the full reform agenda envisaged in the **Plan Emergence de Madagascar (PEM)**. The PEM is the government's marquee development plan aimed at driving infrastructure development and economic growth. If implemented effectively, the IMF believes that this could fuel future economic growth in excess of the 4.2% GDP growth forecast for this year.

Although the IMF was generally satisfied with Madagascar's progress in the most recent review period, the institution did call on the government to work on additional key economic and governance reforms, including:

- Conclude the revision of the mining code and mining taxation reforms;

³ Midi Madagasikara, 23 Feb 2023

⁴ L'Express, 28 Feb 2023.

⁵ 2424, 9 Mar 2023

⁶ IMF, 2 Mar 2023

- Rapidly implement the December 2022 agreement with oil distributors and implement an automatic fuel pricing mechanism;
- Reform governance of state-owned enterprises;
- Complete the modernisation framework for monetary operations to enable a successful transition to interest rate targeting by the central bank;
- Adopt a financial stability law to strengthen the central bank's oversight capacity;
- Enhance the legal framework of government public procurement; and,
- Build resilience to climate shocks by drawing on recommendations from the IMF's **Climate Macroeconomic Assessment Program (CMAP)**.⁷

Access to the ECF is essential for Madagascar to maintain budget stability, and the government will need to prove that it has made further progress on these reforms by the end of the year. However, such progress is in danger of being hampered by the upcoming presidential election. Rajoelina has already indicated that he may slow the implementation of the PEM to bolster social spending (*see ARC Briefing Madagascar Jan 2023*). The IMF is likely to give some leeway given the context of the election, but this tolerance will only extend so far; the government will need to show some reform progress over the course of the year to receive further ECF disbursements.

New investment law proposed

The council of ministers approved a draft for a new investment law on 8 March which was crafted following extensive consultations with the **World Bank**, the **European Union (EU)**, and local private-sector stakeholders.⁸ The announcement that the cabinet has agreed on a new law is a promising development given that the previous legislative framework – adopted in 2007 – is widely viewed as outdated. A modernised and more relevant investment regulation framework should help stimulate increased investment in the country.

The most notable addition to the proposed new draft is the clear effort to drive domestic investment as well as attract foreign investors. Proponents of the bill tout the fact that the proposed law seeks to establish parity between domestic and international investors; essentially extending similar incentives and benefits to Malagasy investors. The draft also seeks to bring Madagascar's investment legislation in line with global best practices, especially regarding transparency and establishing clear environmental and sustainability guidelines.

The draft will now be submitted to the legislature to be debated but given the government's majority in both legislative houses, the bill should easily pass. However, the build-up to the 9 November presidential election has increased the unpredictability of Malagasy politics and the passage of the law may still be derailed which would deny Rajoelina a much-needed and easy political win.

Tropical Storm Freddy displaces thousands

Cyclone Freddy killed at least 17 people were killed displaced over 24,000 others while making passage through Madagascar.⁹ The cyclone initially made landfall in the **Vatovavy** region as a Category 2 tropical storm on 21 February before traversing the island and entering the **Mozambican Channel** on 23 February. However, after crossing the channel and impacting **Mozambique** and **Zimbabwe**, Cyclone Freddy reversed direction and returned across the Mozambican Channel and again impacted Madagascar between 4 and 6 March.¹⁰ In total, the storm affected approximately 300,000 people in 14 regions across eastern, central, and southwestern Madagascar.

The impact of the storm was mitigated by effective preparations, including the pre-emptive evacuation of around 7,000 people. In addition, the storm weakened in intensity just prior to making landfall on 21 February.

⁷ IMF, 2 Mar 2023

⁸ L'Express, 10 Mar 2023

⁹ UNOCHA, 14 Mar 2023

¹⁰ France24, 6 Mar 2023

However, Cyclone Freddy is a warning of the increasing intensity of the **South-West Indian Ocean** tropical storm season which typically occurs between November and May. Freddy is the longest-lasting tropical storm on record lasting at least 39 days; substantially beating the previous record of 30 days.¹¹ The storm was initially identified as a tropical storm on 6 February off the coast of **Malaysia** before it moved eastwards traversing the breadth of the Indian Ocean and impacting **Mauritius**, Madagascar, Mozambique, **Malawi**, and Zimbabwe. The passing of such intense and prolonged storms will likely become more commonplace as the vicissitudes of climate change take hold in the region. Madagascar is poorly prepared to manage such an increase in extreme weather and as such will experience increased rates of storm-related flooding, structural damage, and deaths in the coming years.

Planner

9 Nov 2023 (**Madagascar**) Presidential election (First round);
20 Dec 2023 (**Madagascar**) Presidential election (Second round);

Chronology

15 Mar 2023 **Antananarivo (Madagascar)** *Midi Madagasikara*. Head of the **Commission électorale nationale indépendante pour la transition (CENI)** (election office), **Andrianarisedo Dama**, reveals that the **International Organization of La Francophonie (OIF)** is assisting CENI with its audit of the electoral lists;

15 Mar 2023 **Antananarivo (Madagascar)** *L'Express*. A team from the **Southern African Development Community (SADC)** arrives in Madagascar to conduct a peer review assessment;

15 Mar 2023 **Antananarivo (Madagascar)** *2424*. **Commission électorale nationale indépendante pour la transition (CENI)** (election office) invites all interested parties to attend a conference on the upcoming November presidential election on 24 March;

15 Mar 2023 **Colombo (Sri Lanka)** *Colombo Gazette*. Two wanted organised criminals are deported from Madagascar to **Sri Lanka** after being arrested on 1 March at **Antananarivo International Airport**;

14 Mar 2023 **Toliara (Madagascar)** *Midi Madagasikara*. **Asa Vita no Ifampitsarana (AVI)** holds a rally in **Toliara, Atsimo-Andrefana** region, during which party leader **Norbert Lala Ratsirahonana** complains that only wealthy presidential candidates can properly compete;

13 Mar 2023 **Antananarivo (Madagascar)** *Madagascar Tribune*. Finance minister **Rindra Hasimbelo Rabarininarison** reveals that oil sector operators owe the government MGA 1.4 billion (\$325,462) in tax arrears;

13 Mar 2023 **Antananarivo (Madagascar)**. *Agence Ecofin*. A team from the **African Development Bank (AfDB)** arrives in Madagascar for a three-day working visit;

11 Mar 2023 **Antananarivo (Madagascar)** *Madagascar Tribune*. The high constitutional court dismisses the application by the high council for the defence of democracy and the rule of law challenging the national assembly's decision to abort the confidence debate into national assembly president **Christine Razanamahaso**;

11 Mar 2023 **Antananarivo (Madagascar)** *Arab News*. An unlicensed vessel carrying migrants between Madagascar and the French-owned island of **Mayotte** sinks off Madagascar's northern coast, killing an estimated 34 people;

¹¹ France24, 13 Mar 2023

11 Mar 2023 **Toliara (Madagascar)** *L'Express*. President **Andry Rajoelina** visits cyclone victims in **Toliara** in a visit which took on the tone of a campaign event;

11 Mar 2023 **Fenoarivo Atsinanana (Madagascar)** *L'Express*. Aspiring presidential candidate **Siteny Randrianasoloniako** begins campaigning in the **Analanjirofo** region;

7 Mar 2023 **Antananarivo (Madagascar)** 2424. Police and students clash after a student demonstration blockades roads outside the **Polytechnic School of Antananarivo**;

24 Feb 2023 **Antananarivo (Madagascar)** *Midi Madagasikara*. Authorities ban the opposition **Tiako I Madagasikara (TIM)** party from staging a rally in **Antananarivo**, leading TIM leader, former president **Marc Ravalomanana**, to accuse the government of oppression;

14 Feb 2023 **Antananarivo (Madagascar)** *L'Express*. Former first lady **Voahangy Rajaonarimampianina** receives a suspended sentence after being convicted of encouraging perjury;

13 Feb 2023 **Antananarivo (Madagascar)** *Midi Madagasikara*. The central bank, the **Banky Foiben'i Madagasikara (BFM)**, notes that liquidity in the economy has increased by 11.2% year-on-year between 2021 and 2022. The BFM has warned that this could portend rising inflation;

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