

## AFRICA RISK CONSULTING

### Madagascar Monthly Briefing February 2024

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#### Madagascar Summary 16 February 2024

*Commission Electorale Nationale Indépendante (CENI) (electoral commission) announces its proposed 2024 election schedule. President Andry Rajoelina's (2018-present) former chief of staff, Romy Andrianarisoa begins her corruption trial in London (United Kingdom) on 6 February. Banky Foiben'i Madagasikara (BFM) (central bank) on 6 February maintains interest rates at their current levels out of concern over potential external inflationary forces and a desire to lower inflation. Financial intelligence agency, Sampan-draharaha Malagasy Iadiana amin'ny Famotsiam-bola (SFMIFIN) releases its 2023 annual report on 8 February, raising concerns over the increasing volume of illicit financial transfers in Madagascar. The Atsimo-Andrefana and Analanjirofo regions are impacted by severe flooding. Eight bandits are killed in a shootout with security forces in Haute Matsiatra region on 25 January.*

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#### Officials propose 2024 election schedule

The **Commission Electorale Nationale Indépendante (CENI)** (electoral commission) on 12 February proposed that the upcoming national assembly elections take place on 29 May and the municipal elections on 6 November.<sup>1</sup> Accordingly, CENI's tentative electoral schedule calls for candidate applications to be submitted between 28 March and 6 April to be verified by CENI and the **Haut Cour Constitutionnelle (HCC)** (constitutional court). CENI then intends the electoral campaign period to take place from 8 until 28 May.

Madagascar's national assembly members are elected via a constituency system, meaning CENI will need to manage all 151 races during this period, making legislative elections more complex and expensive to organise. This complexity means that CENI will be eager for the council of ministers to approve its proposed schedule as soon as possible so that the commission can accelerate its preparations. It should be noted that some of the preparations – such as compiling the voter's roll – were concluded ahead of last year's November presidential election.

The municipal elections will be preceded by a campaign period between 16 October and 5 November with the application period for mayors and city councillors between 8 and 22 July. The local government electoral list revision is underway and will conclude on 28 February.

The council of ministers is widely expected to approve CENI's proposed election schedule as the national assembly's mandate expires on 1 July. Significantly, the official mandate for local governments ended on 10 January but has been extended to grant CENI time to organise fresh municipal elections.

President **Andry Rajoelina's** (2019-present) coalition, led by his **Tanora Malagasy Vonona (TGV)** political party is expected to once again dominate the legislative elections and extend his control over the national assembly. This will likely be bolstered by the current state of disunity within the country's political opposition.

Madagascar's main opposition leaders boycotted the November 2023 election alleging that the vote was rigged in Rajoelina's favour. This opposition **Candidates Coalition** has failed to hold in the wake of Rajoelina's victory which has raised questions about the opposition's ability to coordinate itself ahead of the legislative elections. However, the failure of the presidential election boycott does mean

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<sup>1</sup> Midi Madagasikara, 13 Feb 2024

that opposition parties are likely to contest the upcoming legislative elections. These parties will now need to convince their supporters to turn out for them, reversing their 2023 campaign message of distrusting elections.

### Rajoelina's former chief of staff goes on trial in London

Former chief of staff in the presidency, **Romy Andrianarisoa**, appeared before the **London Crown Court** in the **United Kingdom (UK)** on 6 February for the start of her corruption and extortion trial.<sup>2</sup> Andrianarisoa has been charged with attempting to extort a £225,000 (\$286,323) bribe from the UK-headquartered precious stone miner, **Gemfields**, in exchange for securing mining and exploration licences in Madagascar. She has been charged alongside **French** national and engineering consultant **Philippe Tabuteau**.

Andrianarisoa's arrest in London on 12 August 2023 caused a major scandal in Madagascar as she was viewed as a close confidant of Rajoelina – as the then-chief of staff in the presidency she was arguably the president's closest aide. This scandal intensified after it was reported that Andrianarisoa allegedly used Rajoelina's name to add weight to her alleged efforts to extort money from Gemfields. Although Andrianarisoa has pled not guilty to the charges, UK officials appear to have a strong case against her including incriminating e-mail chains, text messages, and recorded conversations.

In what will be a major relief to Rajoelina, the UK Crown Court stated at the start of the trial that there was no evidence that Rajoelina had any knowledge of Andrianarisoa's alleged illicit activities despite her misusing his name to pressure the mining firm. This ruling will help Rajoelina distance himself from the scandal and avoid further reputational damage.

The president further distanced himself from Andrianarisoa by appointing a new chief of staff on 1 February – **Elysa Rakotonitina**, the former director of communications in the foreign affairs ministry.<sup>3</sup> Rakotonitina replaces **General Jean Yves Rasolondraibe** who was shifted to become the new director of presidential security. Rakotonitina is a generally respected figure who worked for the French-owned bank **Societe Generale Madagasikara** for eight years before entering the public service. Rajoelina appears to have accounted for Rakotonitina's good reputation and lack of political history when appointing her aware that the Andrianarisoa scandal has brought additional scrutiny of the presidency in its conduct with international companies.

### Central bank maintains interest rates

The **Banky Foiben'i Madagasikara (BFM)** (central bank) on 6 February once again maintained the country's interest rates at their current levels.<sup>4</sup> Accordingly, the deposit facility rate (the interest banks receive for depositing money with the central bank) remains at 9% while the marginal lending facility rate (the interest rate banks pay when they borrow from the central bank overnight) stays at 11%.

The bank had maintained the current rates out of concern that external factors such as the effect of the **Middle East** conflict and the **Red Sea** shipping crisis could have on global supply chains and inflation. The BFM currently estimates inflation in Madagascar to be approximately 7.5% which is above the bank's target of under 6%. The BFM is expected to maintain the interest rate at its current levels unless there is a precipitous drop in inflation in the country.

### Concerns raised over illicit financial flows

Madagascar's financial intelligence agency, **Sampan-draharaha Malagasy Iadiana amin'ny Famotsiam-bola (SAMIFIN)**, released its 2023 annual report on 8 February during which it raised concerns over the increase in illicit financial flows in the country.<sup>5</sup> SAMIFIN director-general **Mamitiana Rajaonarison** highlighted that the agency detected MGA 3.34 billion (\$740m) in illicit

<sup>2</sup> Linfo, 13 Feb 2024

<sup>3</sup> Orange, 1 Feb 2024

<sup>4</sup> BFM, 6 Feb 2024

<sup>5</sup> Madagascar Tribune, 9 Feb 2024

financial flows in 2023. This marks a 27% increase compared to 2022. It should be noted that this figure is what SAMIFIN was able to detect, and the true figure is likely substantially larger.

SAMFIN's report details that the majority of money laundering cases identified in Madagascar in 2023 were linked to tax fraud and false customs declarations. The agency did record some enforcement successes convicting 58 natural persons and 22 legal persons in 2023 and recovering assets amounting to MGA 6.31m (\$1.39m). However, this is a fraction of the total in illicit flows.

The financial intelligence agency's 2023 report underscores Madagascar's persistent challenges in combatting money laundering and other financial crimes in the country and the inadequacy of Madagascar's **Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF)** regimes. This lack of effective financial law enforcement increases the reputational risk of operating in Madagascar and using the country's financial institutions. Such conditions act as a disincentive for potential investors especially those with statutory low risk thresholds or even just limited appetite for reputational risk.

Rajoelina's government is under mounting pressure to improve the country's AML/CTF legislation, regulations, and enforcement. Key among the new laws planned by the government is the establishment of a central register of beneficial owners. This will force companies to declare who are the actual natural persons who benefit from their activities.

Introducing new laws and improving the capacity of agencies such as SAMIFIN is essential to meeting the standards set by the **Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)** and the France-headquartered **Financial Action Task Force (FATF)** in order to be removed from these organisations respective 'increased monitoring' lists, also referred to as the grey list.

### Flooding in southern regions

Southern and southeastern Madagascar has once again experienced severe flooding caused by seasonal inclement weather. The worst affected regions were the **Atsimo-Andrefana** and **Analanjirofo** regions. **Bureau National de Gestion des Risques et des Catastrophes (BNGRC)** (national office for risk and disaster management) reported on 13 February that Atsimo-Andrefana's **Benenitra** district was the hardest hit area as 11 people were killed, and 52 others reported missing in this district as a result of flash flooding on 12 and 13 February.<sup>6</sup>

Such flooding occurs frequently in Madagascar as the impacts of seasonal heavy rainfall and tropical storms are compounded by the country's inadequate storm infrastructure and emergency services. Flooding typically occurs during Madagascar's rainy season between November and April which is also when the island is most prone to experiencing tropical storms.

### Security forces clash with bandits in Haute Matsiatra region

In a final security-related development, at least eight suspected bandits (known locally as dahalo) were killed in a shootout with security forces in **Ikalamavony, Haute Matsiatra** region, on 25 January.<sup>7</sup> The gunbattle occurred as the result of a security operation targeting the gang which had been targeting rural villages and farmsteads in the region. This operation eventually tracked the dahalo gang to its hideout in Ikalamavony leading to the shootout.

Dahalo gangs are the most serious security threat in rural Madagascar. These gangs tend to have dozens of members and be well-armed. At present, few dahalo gangs are willing to target foreign operations such as mines; however, the threat to these operations cannot be discounted in the face of the growing dahalo confidence. This latest security force operation is indicative of the increased efforts by the state to combat dahalo gangs in rural Madagascar and to improve the general security environment in these regions.

<sup>6</sup> 2424, 13 Feb 2024

<sup>7</sup> L'Express, 25 Jan 2024

## Planner

9 May 2024 **Madagascar** National Assembly elections (anticipated);

16 Oct 2024 **Madagascar** municipal elections (anticipated);

## Chronology

14 Feb 2024 **Dubai (United Arab Emirates)** *L'Express*. President **Andry Rajoelina** meets with **Indian** prime minister **Narendra Modi** on the sidelines of the **World Governments Summit** in **Dubai** during which the two leaders discuss potential enhanced cooperation including a \$100m line of credit from **India's Exim Bank** to finance equipment purchases for Madagascar's military;

14 Feb 2024 **Dubai (United Arab Emirates)** *L'Express*. **Sheikh Ahmed Bin Saeed Al Maktoum**, the head of the Dubai-based airline, **Emirates**, expresses his company's interest in resuming flights to Madagascar;

13 Feb 2024 **Antananarivo (Madagascar)** *Orange*. Malagasy officials sign the **Samoa Agreement** which governs relations between the **European Union (EU)** and the **Organisation of African, Caribbean and Pacific States (OACPS)**;

8 Feb 2024 **Antananarivo (Madagascar)** *2424*. Two army colonels accused of fomenting a military coup are convicted and sentenced to a year in prison each;

6 Feb 2024 **Antananarivo (Madagascar)** *L'Express*. Officials announce heightened health security measures at all ports of entry in response to the ongoing cholera outbreak in the **East Africa** and **Indian Ocean** island areas;

2 Feb 2024 **Antananarivo (Madagascar)** *AP News*. Madagascar's legislature passes a controversial new law allowing for the chemical and surgical castration of convicted rapists and paedophiles. This law is subsequently criticised by international human rights organisations for violating international principles around the treatment of prisoners and the prevention of torture;

31 Jan 2024 **Sahasinaka (Madagascar)** *2424*. A train derailment kills three people on the **Fianarantsoa East Coast Line** between **Sahasinaka** and **Fenomby** in the **Fitovinany** region;

30 Jan 2024 **Antananarivo (Madagascar)** *2424*. **Transparency International** ranks Madagascar 145<sup>th</sup> out of 180 countries on its 2023 **Corruption Perception Index**;

26 Jan 2024 **Antananarivo (Madagascar)** *2424*. Malagasy aviation authorities sign a memorandum of understanding with their **Qatari** counterparts to allow **Qatar Airways** to operate a daily flight between **Doha** and Madagascar;

23 Jan 2024 **Antananarivo (Madagascar)** *North Africa Post*. Five soldiers are arrested and charged with the 7 January murder of the mayor of **Andranomiely (Analamanga region)**. The soldiers are reportedly part of a local extortion racket;

16 Jan 2024 **Antananarivo (Madagascar)** *Foreign Brief*. Two colonels arrested for attempting to incite a coup during the December presidential election will appear in court today;

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