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Madagascar presidency minister of mines and petroleum confirms that parliament will pass the revised mining and petroleum codes this year. The passage of the codes will allow foreign investors to bid on new offshore oil blocks and help attract more foreign investors to Madagascar's mining sector. Turkish president Recep Tayyip Erdoğan (2014-present) visits Madagascar for one day. Erdogan brought business leaders to increase trade ties and also pushed for political support against accused terrorist leader, Fethullah Gülen. World Bank vice-president for Africa Makhtar Diop visits Madagascar to push for further reforms of state-owned electrical utility, Jiro sy rano Malagasy (Jirama). One day after Diop's visit, Jirama replaces its board of directors amid announcements of the end of planned electricity cuts. Madagascar experiences two-week internet disruptions due to 8km of damaged cables.

Mines minister confirms revised mining and petroleum codes to be passed this year

Madagascar's presidency minister of mines and petroleum **Ying Vah Zafilahy** confirmed in a meeting with **Africa Risk Consulting (ARC)** analysts that parliament will pass the mining and petroleum bill in May or June 2017. Changes in government have delayed the passing of both revisions several times over the past several years, which has led to greater insecurity over the future of the sectors. In several meetings, which took place on the side-lines of the **Mining Indaba in Cape Town (South Africa)**, ARC analysts met with Madagascar government officials, including minister Zafilahy; director general of the ministry under the presidency in charge of mines and petroleum **Pamphile Julien Rakotoarimanana, Bureau du Cadastre Minier de Madagascar (BCMM)** general manager **David Ratsimbazafy**, and other government officials.

Zafilahy confirmed that stakeholder meetings will take place in the next few weeks, which will involve the **Association Professionnelle du secteur Pétrolier Amont de Madagascar (APPAM)** and other entities involved in the petroleum sector.¹ These will run parallel to the workshops for the mining sector and should be completed before the end of March. The presidency ministry has already held several workshops regarding the revised mining code, though

"... the workshops on the mining code were internal to the ministry of mines. They will organise a later workshop [which will be] opened to civil society."²

The code will then be prepared and sent to parliament for the first sitting in May. The presidency ministry expects Parliament to pass the bill by the end of June. The presidency ministry wishes to advance the passage of these codes in preparation for the international petroleum road show scheduled for November as well as to begin the reform of the mining sector.³ Zafilahy hopes that the new mining code will increase the number of large scale mining companies in the country and satisfy the large mining companies already in Madagascar. **United Kingdom (UK)**-based **Rio Tinto** has threatened to leave the country previously (see below) and **Sherritt International Corp**, which owns the **Ambatovy** nickel mine, is considering a full exit to reduce its debt burden.⁴

¹ Source, Africa Risk Consulting analyst, Cape Town

² Source, mining executive, Antananarivo

³ Source, Africa Risk Consulting analyst, Cape Town

⁴ Globe and Mail, 16 Feb 2017.

Ratsimbazafy, the BCMM general manager, also confirmed that the BCMM will complete construction of the **Mining Business Centre (MBC)** this year, which is expected to become a one-stop shop for mining permits, mining company headquarters and the BCMM. The BCMM announced plans to launch its **Antananarivo**-based MBC during the Mining Indaba. Located close to **Ivato International Airport**,⁵ the MBC will provide a dedicated hall offering exhibition space and plans to showcase the full depth of Madagascar's mineral wealth.⁶ The MBC building will also house banks, a map library, two restaurants, four VIP lounges for business meetings and a large amphitheatre.⁷ The goal for the MBC is to offer a space for investors, operators and service providers to connect and do business together.⁸ The MBC expects to be operational by June 2017, after which the MBC will host an international fair in November.⁹ Ratsimbazafy also stated that, in the future, there are plans to change the MBC into a commodities exchange comprising the different minerals mined in the country.¹⁰

The passage of these revised codes could be very positive for Madagascar, especially in the mining sector. While the oil sector has only uncovered one discovery in close to 60 years of exploration, mining has been a bright spot for the Malagasy economy, contributing 80% of Madagascar's foreign direct investment in 2008. Political turmoil in 2009 saw this number drop dramatically, but the presidency minister seems confident that the revised mining code will attract large-scale mining operators. However, recent demonstrations against foreign-owned mining companies (see previous ARC Briefing reports) may deter the larger companies from investing in the country if they feel they will be subject to civil discontent. The CEO of Rio Tinto's Malagasy subsidiary, **QIT Madagascar Minerals**, which owns one of Madagascar's largest mines, **Port Dauphin**, was trapped by 200 armed protestors in 2013 over land disputes, resulting in Rio Tinto threatening to leave Madagascar. The codes that are to be passed must be balanced: the revised mining code will have to reassure investors that Madagascar will give favourable concessions to large mining companies, as well as satisfy the local population that they will not be exploited by foreign companies.

Turkish president Recep Tayyip Erdoğan, visits Madagascar

Turkey's president **Recep Tayyip Erdoğan** (2014-present) arrived in Madagascar on 24 January for a 24-hour visit.¹¹ Erdoğan's visit is both economic and political as Turkey attempts to increase its economic ties and reaffirm its political interests in **Africa**. Turkey has 39 embassies in Africa and trade has increased from \$5m in 2003 to \$18 billion in 2016.¹² Of this, Turkey's trade with Madagascar is just \$60m, with \$54m of that made up of Turkish exports to Madagascar.¹³ Turkey's ambassador to Madagascar, **Volkan Türk Vural**, admitted that "we cannot say that Turkish entrepreneurs are aware of the market in Madagascar";¹⁴ hence

*"... this visit to Africa is in the interest of Turkish business, which has increased relationships in Africa since 1998. [Additionally], for some time Turkey has had an enormous interest in Madagascar, not only in the diplomatic but also in the social and economic fields. So we want to get closer to Madagascar."*¹⁵

Turkey and Madagascar have pledged to initiate a business forum between the two countries with a focus on energy, transport, construction and health and to increase trade to around \$300m within five

⁵ International Mining, 6 Feb 2017.

⁶ Mining Review Africa, 3 Feb 2017.

⁷ International Mining, 6 Feb 2017.

⁸ Mining Review Africa, 3 Feb 2017.

⁹ Mining Review Africa, 3 Feb 2017.

¹⁰ Source, Africa Risk Consulting analyst, Cape Town

¹¹ Anadolu Agency, 24 Jan 2017.

¹² RFI Africa, 24 Jan 2017.

¹³ Anadolu Agency, 24 Jan 2017.

¹⁴ Anadolu Agency, 24 Jan 2017.

¹⁵ RFI Africa, 24 Jan 2017.

years.¹⁶ To achieve this, Erdoğan brought with him five ministers and close to 150 Turkish business leaders on this visit.¹⁷ Vural stated that,

"... it is the largest delegation ever to accompany the [Turkish] president. We believe that Madagascar has great potential to be exploited and our level of trade does not reflect the true potential of the country."¹⁸

While in Madagascar, Erdoğan spoke with Malagasy president **Hery Rajaonarimampianina** (2014-present) about the activities of **Fethullah Gülen**, who is accused of masterminding the failed Turkish coup in July 2016. Gülen operates several schools and institutes in Madagascar.¹⁹ Erdoğan stated before his visit that,

"... we are going to put on the table the activities of the Fethullah terrorist organisation [Fethullahçı Terör Örgütü (FETO)] in African countries like Tanzania, Mozambique, and others. We will discuss with our counterparts our expectations regarding the fight against Feto."²⁰

Madagascar is hoping that Erdoğan's visit will spur tourism and investment from Turkey. Democratic elections in 2013 have boosted the tourism sector, a major source of foreign exchange for Madagascar, with a 20% rise year-on-year in 2016.²¹ The **Turkey-Madagascar Business Council** president **Yalçın Kiroğlu**, stated that,

"The accumulation of Turkish investors in the tourism sector here offers profitable investment opportunities for hotels and other tourism facilities."²²

Erdoğan also visited Tanzania and Mozambique during his five-day visit to the continent.²³ During the visits, Erdoğan repeated many of the same sentiments as in Madagascar, particularly regarding Gülen. Turkey's ambitions to be a larger player in international relations may open up opportunities for Malagasy businesses, especially in tourism and minerals, which are two areas that are underexploited by Madagascar's government and business sector in regards to Turkey.

World Bank visits Madagascar to push for further Jirama reform

The **World Bank's** vice president for Africa, **Makhtar Diop**, visited Madagascar on 18 January and reaffirmed a \$1.3 billion pledge to the country.²⁴ The World Bank pledged the funds during the December donor conference in **Paris (France)**. Diop met Rajaonarimampianina to discuss the investments and reforms needed in the country, particularly focusing on energy and nutrition.²⁵ A famine due to drought is occurring in southern Madagascar and Madagascar's state utility company **Jiro sy rano Malagasy (Jirama)** has battled to stop electricity cuts in the largest cities.²⁶ Jirama had announced the end of planned electricity cuts (load shedding) as of 12 January, though occasional electricity faults occur, particularly in rural areas.²⁷ The end of load shedding would help the economy considering the impact it has had on businesses, though there is a possibility for further load shedding in the future. Jirama deputy director general **Hery Bruno Nomemjanahary** held meetings from 9 January to 12 January with government authorities, oil groups and Jirama executives to reach an

¹⁶ RFI Africa, 24 Jan 2017.

¹⁷ RFI Africa, 24 Jan 2017.

¹⁸ RFI Africa, 24 Jan 2017.

¹⁹ RFI Africa, 24 Jan 2017.

²⁰ L'Express Mada, 25 Jan 2017.

²¹ Reuters, 21 Jan 2017.

²² Daily Sabah, 22 Jan 2017.

²³ RFI Africa, 24 Jan 2017.

²⁴ World Bank, 19 Jan 2017.

²⁵ World Bank, 19 Jan 2017.

²⁶ RFI Africa, 19 Jan 2017.

²⁷ NewsMada, 15 Feb 2017.

agreement to end load shedding.²⁸ To help achieve this goal, Jirama will receive 70 billion ariary (\$21m) immediately to be used to purchase fuel.²⁹ However, despite the announcement, there was still load shedding on 12 January for an hour.³⁰

This announcement came at the same time Jirama, which also oversees Madagascar's water supply, announced rationing of drinking water³¹ and shortly before Jirama announced the cancellation of invitations to tender for the supply of over 161,000 cubic metres of fuel oil for generators.³² The government cancelled the tender, launched 22 December 2016, as it did not follow government procedure for tenders.³³ **United States**-based **Madagascar Oil** claims to be able to provide Jirama with enough heavy oil for its generators.³⁴

Similar to many international donors, the World Bank has suggested reforms to Jirama to attempt to solve these issues. Thus, the World Bank has set aside funding to deal with the electricity crisis and the reform of Jirama. Diop stated that,

*"...the idea of the [funding] programme is to help Jirama increase efficiency which will allow it to be the right partner that will allow investors to come in large numbers."*³⁵

The government appears to be listening to international donors, which has positive implications. The day after Diop's visit, as part of these reforms, Jirama dismissed the director general, **Nestor Razafindroriaka**, the chairman of the board, **Mohamed Rachidy** and several directors on 19 January.³⁶ The government appointed former finance minister **Lantoniaina Rasoloelison** as Jirama's new managing director.³⁷ Despite these changes, it is unclear whether the government will attempt real reform – such as partial privatisation – or whether these are changes to placate the donor community. Rajaonarimampiana's government should be more disposed to the former, as the Malagasy population has begun protests over the poor supply of electricity, such as those on 4 February in **Itaosy**, which adjoins Antananarivo. The protest was due to poor service delivery from Jirama and protestors, who burned tires and stopped traffic, told the police, *"it's Jirama we want, not the police."*³⁸

Madagascar suffers two-week internet disruption

Madagascar lost internet services for two weeks from 25 January after a breakdown of the **Eastern Africa Submarine System (EASSy)** cable, which required repairs that were only able to be completed by 11 February. Though only 4% of the population has direct access to the internet, the two-week disruption paralysed many businesses government offices and individuals which are reliant on the internet. The EASSy cable runs from South Africa to Sudan and connects Madagascar, as well as other East African countries, to fibre optic networks eliminating the need for costly satellite internet connections.³⁹ The cable broke 38km away from **Toliara**, in the south west of Madagascar.⁴⁰ Leading internet provider **Telma's** CEO **Patrick Pisal Hamida** stated that the cause of the break may be related to the magnitude 5.9 earthquake of 12 January.

²⁸ Madagascar Tribune, 13 Jan 2017.

²⁹ L'Express Mada, 18 Jan 2017.

³⁰ Madagascar Tribune, 13 Jan 2017.

³¹ Madagascar Tribune, 17 Jan 2017.

³² Madagascar Tribune, 16 Jan 2017.

³³ L'Express Mada, 18 Jan 2017.

³⁴ Madagascar Tribune, 16 Jan 2017.

³⁵ RFI Africa, 19 Jan 2017.

³⁶ Madagascar Tribune, 20 Jan 2017.

³⁷ Madagascar Tribune, 20 Jan 2017.

³⁸ RFI Africa, 10 Feb 2017.

³⁹ Africa Review, 31 Jan 2017.

⁴⁰ Africa Review, 31 Jan 2017.

“Is the breaking of our cable at 2,800 metres of depth related to the earthquake that we saw in Madagascar a few weeks ago? Perhaps.”⁴¹

The disruption mainly affected Telma, causing a rush to other internet access providers such as **Orange** who were not affected. Telma was able to offer limited internet to its subscribers by switching to the **Orange Lion** underwater optical cable and two international satellite outlets.⁴²

Telma expected offshore repair work to start around 10 February and full internet connectivity back to normal by 15 February,⁴³ but they were able to repair the cables by 10 February, allowing for full internet connectivity by 11 February.⁴⁴ Hamida had not made any guarantees as to the completion date due to the complexity of fixing the cable. The cable-carrying ship, **CS Leon Thevelin**, had to depart Cape Town, on 26 January and had to travel 3,000 kilometres to reach the cable break by 3 February, after which they had

“... to go get the cable, which is 2,800 metres below the sea, and analyse the causes of the break before [they] can repair it.”⁴⁵

Once the cable was brought on board, it was found that close to 8km of cable was damaged.⁴⁶ Telma engineers and experts had to remove the damaged portion and connect new fibre to the cable before testing could begin.⁴⁷

Telma has claimed that this is a ‘*force majeure*’ situation and internet consumers who were without internet for a fortnight should not expect compensation.⁴⁸ However, Telma has promised all customers “*beautiful surprises*” during the month of March and Telma will also not pass on any costs to the consumer for the repairs.

“Telma will assume all costs in view of the exceptional nature of the situation. Despite the devaluation of the ariary, there will not be the slightest impact of the cost of work to our customers, nor price adjustment.”⁴⁹

Not all companies were left in the dark. Many larger companies were able to anticipate this situation and had a backstop in place. **Igor Gonedec**, director of the **Odity** call centre in Antananarivo, stated that they,

“... have three competing operators. In this case, other working operators were able to activate more bandwidth. We are fortunate to have the financial means to address this kind of failure.”⁵⁰

Telma prioritised business operations in its rollout of limited internet. Hamida stated that,

“Priority [was] given to companies during work hours to support the best possible production. Specific capacities over extended schedules are also dedicated to call centres and business process outsourcing companies whose activities depend exclusively on the Internet. Consumer access and cybercafés take priority outside working hours.”⁵¹

The EASSy cable also connects South Africa, Mozambique, Tanzania, **Kenya, Somalia, Djibouti and Sudan**, which then connects several inland countries, including **Botswana, Ethiopia, Uganda and Zambia**. No other countries appear to be affected by the cable break. The breakdown was the first

⁴¹ RFI Africa, 9 Feb 2017.

⁴² L’Express Mada, 31 Jan 2017.

⁴³ RFI, 28 Jan 2017.

⁴⁴ L’Express Mada, 11 Feb 2017.

⁴⁵ RFI, 28 Jan 2017.

⁴⁶ RFI Africa, 7 Feb 2017.

⁴⁷ RFI Africa, 7 Feb 2017.

⁴⁸ RFI Africa, 9 Feb 2017.

⁴⁹ NewsMada, 14 Feb 2017.

⁵⁰ RFI, 28 Jan 2017.

⁵¹ L’Express Mada, 31 Jan 2017.

since the cable was launched in 2006 with \$20m funding support from the World Bank via the **Connect Africa Project** which the **New Partnership for Africa's Development (NEPAD)** initiated.⁵²

About Africa Risk Consulting:

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⁵² Africa Review, 31 Jan 2017.