

## AFRICA RISK CONSULTING

### Madagascar Monthly Briefing November 2018

#### Madagascar Summary 14 November 2018

*The Commission nationale électorale indépendante (CENI) (independent national electoral commission) releases preliminary results from Madagascar's 7 November presidential election showing former presidents Andry Rajoelina (2009-2014) and Marc Ravalomanana (2002-2009) neck-and-neck with 39.49% and 36.64% of the vote respectively. The state-run oil regulator, Office des Mines Nationales et des Industries Stratégiques (OMNIS) (national office of mines and strategic industries), opens its licensing round for 44 offshore oil blocks on 7 November in Cape Town (South Africa). Criticism rises over a 10-year, \$2.7 billion fishing deal signed in September that may overexploit the fishing stock and impact small-scale fishermen.*

#### Rajoelina and Ravalomanana lead preliminary election results, second round likely

Madagascar's Commission nationale électorale indépendante (CENI) (independent national electoral commission) released preliminary results from the 7 November presidential election showing two former presidents, **Andry Rajoelina** (2009-2014) and **Marc Ravalomanana** (2002-2009), neck-and-neck with 39.49% and 36.64% respectively.<sup>1</sup> These elections are crucial for Madagascar amid the high risk of post-election violence as seen in previous elections. Investors, particularly those in mining and oil, should pause any future plans until the results of the second round are announced and determine whether the new president will be able to bring together the very divided political environment.

**Hery Rajaonarimampianina**, who stepped down as president in September, came in third place in the preliminary results with just 7.52% of the vote.<sup>2</sup> This was a disappointing result for Rajaonarimampianina, who expected to be a contender in this election. Rajaonarimampianina blamed the elections themselves for his poor result, stating on 8 November that there were irregularities and anomalies and

*"...all indications are that the vote of the Malagasy population has been a victim of these diversions."<sup>3</sup>*

However, **Southern African Development Community** and **European Union (EU)** election observers denied irregularities. EU mission head **Cristian Preda** stated that out of 25,000 polling stations, there were only two cases of ballot stuffing and that candidates should substantiate their claims of fraud before making allegations:

*"The irregularities were very minor and won't have any impact on the election's outcome."<sup>4</sup>*

Provisional results are expected to be released on 20 November and must be confirmed by the **Haut Cour Constitutionnelle (HCC)** (high constitutional court) by 28 November.<sup>5</sup> A run-off election is very likely to be held on 19 December, as no contender received over 50% of the vote.<sup>6</sup> The new president will begin his term in January 2019.<sup>7</sup>

<sup>1</sup> [www.presidentielle.ceni-madagascar.mg](http://www.presidentielle.ceni-madagascar.mg)

<sup>2</sup> Jeune Afrique, 8 Nov 2018

<sup>3</sup> Linfo.re, 11 Nov 2018

<sup>4</sup> Al Jazeera, 9 Nov 2018

<sup>5</sup> Al Jazeera, 9 Nov 2018

<sup>6</sup> Al Jazeera, 9 Nov 2018

<sup>7</sup> Al Jazeera, 9 Nov 2018

Questions remain on whether candidates will challenge CENI's results from the first round, and what may happen in the second round run-off vote. As stated above, Rajaonarimampianina has already criticised the electoral process. Similarly, Ravalomanana also stated on 9 November that CENI officials bribed journalists from the state-owned broadcaster, **Radio-Television Malagasy**, to leave CENI's offices during vote tallying,<sup>8</sup> ostensibly to alter the results in favour of Rajoelina. Additionally, despite the EU election observer mission stating that the elections were free and fair, an EU observer report alleges that Rajoelina paid two local chiefs \$5,000 each for their support in the election.<sup>9</sup> Rajoelina denies this allegation.<sup>10</sup> CENI president **Yves Herinirina Rakotomanana** has denied both former presidents' allegations and asked them to bring evidence of the reported fraud and bribes.<sup>11</sup> It is unlikely that evidence will be found to support Ravalomanana and Rajaonarimampianina's claims. Ravalomanana may use the allegations to fuel his campaign for the 19 December vote, but will not challenge the HCC results. Rajaonarimampianina, on the other hand, is likely to contest the results ahead of the HCC's confirmation. He stated as much the day after the first round elections, stating that

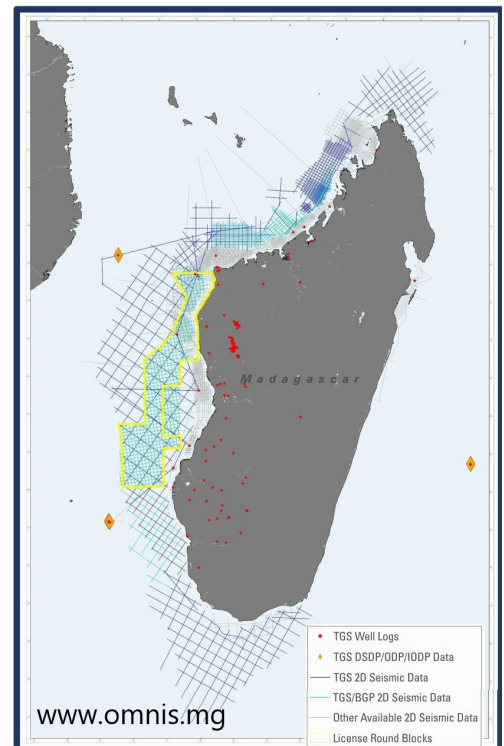
*"...we will not let the people have their vote stolen."<sup>12</sup>*

Considering how few votes Rajaonarimampianina received, the HCC is unlikely to seriously consider any delays in releasing the final vote. Given the large number of votes for Rajoelina and Ravalomanana, no other candidate will be able to shift his or her support to one of the former presidents to help them win – there will be no 'kingmaker' in these elections. Because of this, one can expect Rajoelina and Ravalomanana to increase the intensity of the campaign in the run-up to the run-off election. Ravalomanana is likely to push the electoral bribery allegations and the coup in 2009 to discredit Rajoelina as a candidate, while Rajoelina will argue that his youth and enthusiasm is what the country needs. There is no clear favourite as yet and the run-off vote is likely to be as close as the first-round election.

### Madagascar opens licensing round for 44 offshore blocks

State-run oil regulator, **Office des Mines Nationales et des Industries Stratégiques (OMNIS)** (national office of mines and strategic industries), opened its licensing round for 44 offshore oil blocks on 7 November in **Cape Town (South Africa)**.<sup>13</sup> New investment and exploration will help Madagascar's economy, though investors should first determine the stability of the political environment before investment as there may be future changes to the oil code that will affect the oil sector.

OMNIS director-general **Voahangy Nirina Radarson** made the announcement of the new oil blocks and said that new studies conducted with **United States (US)**-based geoscience data company **TGS** and **China**-based geophysical product company **BGP** (part of state-owned **China National Petroleum Corporation**) suggest there is significant potential for offshore discoveries.<sup>14</sup> Oil exploration in Madagascar began in the early 1900s, though only one discovery with production has been made at the onshore **Tsimororo** heavy-oil field. However, these new offshore blocks are in the **Morondava Basin**, which shares a



<sup>8</sup> News24, 10 Nov 2018

<sup>9</sup> Citizen, 13 Nov 2018

<sup>10</sup> EWN, 13 Nov 2018

<sup>11</sup> News24, 10 Nov 2018

<sup>12</sup> Linfo.re, 8 Nov 2018

<sup>13</sup> www.omnis.mg

<sup>14</sup> www.omnis.mg

maritime boundary with **Mozambique** in which oil and gas companies have discovered very large gas deposits.<sup>15</sup>

Each block covers around 1,940 square kilometres and total acreage offered is 63,269 square kilometres.<sup>16</sup> The oil round will include roadshows in **Houston** (US) on 19 February and **London (United Kingdom)** on 26 February and lasts until 30 May 2019, after which there will be a three-month awarding period.

Madagascar is pushing oil and gas exploration as a means to improve the economy. As of July, Madagascar has met 80% of the **Extractives Industry Transparency Initiative** requirements and could become fully compliant by 2019.<sup>17</sup> The newly elected president should help OMNIS to push the bidding round forward, though potential investors should be aware that a previous plan to reform the oil code stalled and was paused in late 2017. However, there is a risk that a new president – under pressure from the population to receive more benefits from increased drilling – will look to renew the oil code reform, which may increase royalties, taxes and obligations on international oil and gas companies.

### Criticism over Madagascar's \$2.7 billion fishing deal with China

Criticism has grown over a 10-year, \$2.7 billion fishing deal signed in September that may overexploit Madagascar's fishing stock and impact small-scale fishermen.<sup>18</sup> The sheer scale of the project has led to allegations of corruption due to a widespread lack of transparency. Although there is no publicly available draft of the agreement, leaked details led to wide-spread criticism in the lead-up to the 7 November election.<sup>19</sup> The criticism was directed largely at Rajaonarimampianina who denied knowledge of the agreement,<sup>20</sup> though media sources claimed that he was largely behind the deal.<sup>21</sup> This criticism may have been a factor in his poor performance in the first round of elections.

Despite his denials, Rajaonarimampianina was in the room on 5 September when the **Agence Malagasy de Développement économique et de Promotion d'entreprises (AMDP)** (Madagascar agency for economic development and business promotion) signed the agreement with a China-based business consortium, **Taihe Century Investments Developments Corporation**, comprising seven unidentified Chinese businesses.<sup>22</sup> The agreement reportedly outlined six projects in Madagascar in fishing, aquaculture, shipyards, leisure centres and a training centre, which would result in \$2.7 billion in Chinese investment by 2025.<sup>23</sup> The first phase is to start before the end of 2018 by creating several new companies and allowing 330 vessels to begin fishing in Madagascar.<sup>24</sup> According to AMDP chief executive officer **Hugues Ratsiferana**, the new equipment would allow Malagasy fishers to modernise and professionalise their fishing practices.<sup>25</sup>

Critics argue that there was no consultation with the fisheries ministry, the national environment office or civil society, nor was there an open bidding process prior to this large agreement.<sup>26</sup> The scale of the agreement raises questions about the lack of transparency in the process, which may be due to corruption.<sup>27</sup> AMDP meetings with civil society in late October did little to mollify criticism as the

<sup>15</sup> Achilles, 3 Oct 2018

<sup>16</sup> EP Mag, 6 Nov 2018

<sup>17</sup> Petroleum Economist, 1 Nov 2018

<sup>18</sup> Mongabay, 5 Nov 2018

<sup>19</sup> Mongabay, 5 Nov 2018

<sup>20</sup> RFI Afrique, 4 Oct 2018

<sup>21</sup> Mongabay, 5 Nov 2018

<sup>22</sup> Stop Illegal Fishing, 22 Sep 2018

<sup>23</sup> Agence Ecofin, 6 Sep 2018

<sup>24</sup> Agence Ecofin, 6 Sep 2018

<sup>25</sup> Mongabay, 5 Nov 2018

<sup>26</sup> Mongabay, 5 Nov 2018

<sup>27</sup> Mongabay, 5 Nov 2018

AMDP representatives were unable to answer how the Chinese consortium expects to recoup their investment if the first access to the catch would be for Madagascar, a low-income country.<sup>28</sup>

The AMDP is a private association that works on behalf of the government but critics are concerned that its link to government is not clear and that it has influence over the highest ranks of government.<sup>29</sup> Rajaonarimampianina launched the AMDP in September 2016,<sup>30</sup> and his son, **Lovatiana Mickaël Rakotoarimanana**, was also on the AMDP board of directors at its founding in 2016,<sup>31</sup> which appears to implicate Rajaonarimampianina further. Rakotoarimanana is no longer a member.<sup>32</sup> There is also the question of how a private organisation could sign such a large agreement without government approval and permits, which it does not appear to have.<sup>33</sup> These criticisms were well timed to appear in Malagasy press in the run-up to the election.

It is difficult to say what effect the leaked details had on Rajaonarimampianina's electoral result, but it is likely that the multitude of press coverage affected voters who were on the fence. However, Rajaonarimampianina is unlikely to have been close to winning the presidency even without this negative story.

### Planner

19 Dec 2018 (**Madagascar**) Scheduled second round presidential elections;  
 April 2019 (**Madagascar**) Legislative elections scheduled  
 August 2019 (**Madagascar**) Municipal elections scheduled

### Chronology

13 Nov 2018 **Antananarivo (Madagascar)** i. The **Commission électorale nationale indépendante** rejects claims of bribes being paid to officials and challenges accusers to show proof;

12 Nov 2018 **Antananarivo (Madagascar)** *News24*. Former President **Andry Rajoelina** rejects allegations that he bribed local officials in return for their support in the 7 November election;

9 Nov 2018 **Antananarivo (Madagascar)** *Al Jazeera*. The **Southern African Development Community** and **European Union** monitors of **Madagascar's** election rule out irregularities after former President **Hery Rajaonarimampianina** alleges fraud;

8 Nov 2018 **Antananarivo (Madagascar)** *Madagascar Tribune*. Former President **Andry Rajoelina** reportedly wins 43.5% of votes cast in the first round of presidential elections while **Marc Ravalomanana** is close with 42.44% of votes;

8 Nov 2018 **Antananarivo (Madagascar)** *Reuters*. Former President **Hery Rajaonarimampianina** claims electoral fraud as polls show he gained less than 3% of the total vote;

7 Nov 2018 **Antananarivo (Madagascar)** *L'Express Madagascar*. **Malagasy** begin to vote in the first round of presidential elections;

6 Nov 2018 **Antananarivo (Madagascar)** *EP Mag*. **Madagascar** opens a licensing round for 44 offshore blocks in the **Morondava Basin**;

<sup>28</sup> Mongabay, 5 Nov 2018

<sup>29</sup> Mongabay, 5 Nov 2018

<sup>30</sup> Mongabay, 5 Nov 2018

<sup>31</sup> Midi Madagasiraka, 19 Sep 2016

<sup>32</sup> Midi Madagasiraka, 19 Sep 2016

<sup>33</sup> Mongabay, 5 Nov 2018

4 Nov 2018 **Antananarivo (Madagascar)** *News24*. Former presidents **Marc Ravalomanana** and **Andry Rajoelina** draw tens of thousands of supporters at rallies in **Antananarivo** in run up the 7 November election;

31 Oct 2018 **Antananarivo (Madagascar)** *Global Voices*. Civil society criticises a 10-year fishing agreement with China in which civil society was not allowed to give input;

29 Oct 2018 **Antananarivo (Madagascar)** *The Edge Markets*. **Singapore**-based **ISR Capital** acquires 60% of **Tantalum Holdings (Mauritius)**, which holds a rare earth exploration mining licence, from **Singapore**-based **REO Magnetic**;

28 Oct 2018 **Antananarivo (Madagascar)** *Business Day*. **Chinese** state-owned **PowerChina** states it is close to completing the **Imalato Power Project** feasibility study, which will help to decrease the cost of electricity in **Madagascar**;

25 Oct 2018 **Antananarivo (Madagascar)** *Zambia Daily Mail*. **Zambian** President **Edgar Lungu** appoints former finance minister **Katele Kalumba** as head of the **Southern African Development Community** observer mission for the elections in **Madagascar** in November;

22 Oct 2018 **Antananarivo (Madagascar)** *Amnesty International*. **United Kingdom**-based rights group **Amnesty International** claims the government has kept thousands of people in pre-trial detention in appalling conditions;

22 Oct 2018 **Antananarivo (Madagascar)** *Urdu Point*. Foreign minister **Maxime Dovo** plans to sign tourism cooperation agreements with **Russia** and launch direct flights to **Moscow**.