

AFRICA RISK CONSULTING

Madagascar Monthly Briefing October 2018

Madagascar Summary 26 October 2018

Presidential election campaigns officially begin in Madagascar ahead of the 7 November first round of voting. State-owned oil company Office des Mines Nationales et des Industries Stratégiques (OMNIS) (Office of national mines and strategic industries) launches its first oil licence round since 2006. The prime minister, Christian Ntsay, signs an intergovernmental agreement on military cooperation with Russia's deputy chief of the general staff of the Russian Armed Forces, Lieutenant-general Yevgeny Burdinsky. Australia-based mining company BlackEarth Minerals has positive results at its Maniry Graphite projects in Madagascar.

Looming presidential elections may impact licensing round

Presidential election campaigns officially began on 7 October in **Madagascar** ahead of the 7 November first round of voting. The election is a three-horse race between former presidents **Hery Rajaonarimampianina** (2014-2018), **Andry Rajoelina** (2009-2014) and **Marc Ravalomanana** (2002-2009) (see *ARC Briefing Madagascar September 2018*). The first round of elections is taking place at the same time as state-owned oil company **Office des Mines Nationales et des Industries Stratégiques (OMNIS)** launches its first oil licence round since 2006.¹ Oil companies looking to bid on one of the 44 off-shore blocks available, and those with investments in Madagascar, should pay close attention to the upcoming elections as the results will have an impact on Madagascar's business environment.

In order to confirm that its electoral list was legitimate, **Commission Électorale Nationale Indépendante (CENI)** (independent national electoral commission) requested the international organisation of French-speaking countries, **La Francophonie**, to conduct an audit of the electoral list.² La Francophonie mission head General **Siaka Sangaré** found in mid-September that, while there were some issues,

"[The electoral list] is a file which guarantees equality for all candidates and is a list on which we can hold credible elections in 2018."³

Sangaré's statement has not satisfied the majority of the 36 presidential candidates, who have complained about serious mistakes in the electoral list. CENI president **Hery Rakotomanana** acknowledged on 23 September that there were 12,000 duplicate entries in the list, but assured the media that these would be red-flagged and sent to all polling stations, to prevent anyone from voting twice.⁴ However, with the first round of elections imminent, it may be impossible to correct the entire list. As a result, 25 of the 36 candidates signed an agreement on 19 October calling for the postponement of the first round of elections until the electoral list is correct.⁵ Former president **Didier Ratsiraka** (1975-1993, 1997-2002) led the call for postponement, which he has done since stating he will stand for president (see *ARC Briefing Madagascar September 2018*).⁶ However, some candidates, including favourites Ravalomanana, Rajoelina and Rajaonarimampianina, have rejected

¹ Oil and Gas Journal, 13 Jul 2010

² RFI, 23 Sep 2018

³ RFI, 23 Sep 2018

⁴ RFI, 23 Sep 2018

⁵ L'Express Madagascar, 20 Oct 2018

⁶ The East African, 6 Sep 2018

calls for a postponement.⁷ Civil society organisations have also rejected any further delays. Lawyer **Sahondra Ravenarivo** points out that it is next to impossible to have a “perfect list”:

“[Are] the flaws in the electoral list worth the force majeure? Since 1960, has there been a flawless voters list?”⁸

Prime minister **Christian Ntsay** on 23 October flatly refused to allow any delay in the elections, saying the delay would place Madagascar in an unconstitutional framework and increase the risk of instability.⁹ According to Rakotomanana, it would take three months to correct the voters list, which would put the elections far into 2019.¹⁰ However, with no civil society or government support for a postponement, the elections will go ahead as scheduled and there will be a new government in January.

Although there is no clear favourite, most analysts agree it is a race between Ravalomanana and Rajoelina. Ravalomanana’s communications consultant, **Peter Mann**, pronounced that Ravalomanana is “widely regarded as the most successful president in Madagascar’s history”, a quote that some pro-Ravalomanana media outlets have widely reprinted.¹¹ This exposure appears to have put Ravalomanana ahead as the front runner, though a survey commissioned by **Germany**-based foundation, **Friedrich Ebert Stiftung (FES)** found otherwise. The FES telephone poll of 800 citizens gave Rajoelina 25% of the vote, ahead of Ravalomanana with 17% and Rajaonarimampianina with 4%.¹² Reportedly, 47% of respondents refused to answer and the poll is criticised as it was only conducted with those in urban areas. The government criticised and banned the poll on 26 September,¹³ though **France**-based political magazine **Jeune Afrique** published the results. The poll indicates that there is likely to be a second round vote between Rajoelina and Ravalomanana, which means that Rajaonarimampianina will play kingmaker. Considering that Rajaonarimampianina dismissed Rajoelina after Rajoelina gave him his support in the 2013 election, Rajoelina is likely to support Ravalomanana in a second round, which should be enough for Ravalomanana to become president once again.

A Ravalomanana win is a best-case scenario for business, as Ravalomanana was a pro-business president who will favour fewer restrictions for mining and oil companies who invest. Rajoelina is considered more populist and may use legislation – such as the revised oil and mining codes – as a means to win support from rural Malagasy. While this is the best case scenario for business, it is also the one with the highest risk of future political instability if Rajoelina re-enacts his political manoeuvres from 2009 to unseat Ravalomanana again. The immediate risk to business will be post-election conflict, stemming from any opposition criticism over the result. It is important for Madagascar’s political stability and economy that the electoral results are accepted and that the risks of another political crisis are avoided.

Madagascar increases bilateral cooperation with Russia

Prime minister Christian Ntsay signed an intergovernmental agreement on military cooperation with **Russia**’s deputy chief of the general staff of the **Russian Armed Forces**, Lieutenant-general **Yevgeny Burdinsky**, on 5 October.¹⁴ Further details on the type of military cooperation were not revealed, though the agreement came a few weeks before Russia docked a large anti-submarine warfare ship, **Severomorsk**, at the **Antsiranana** port.¹⁵ Madagascar military officials visited the ship during its

⁷ L’Express Madagascar, 20 Oct 2018

⁸ L’Express Madagascar, 23 Oct 2018

⁹ L’Express Madagascar, 23 Oct 2018

¹⁰ Madagascar Tribune, 20 Oct 2018

¹¹ Daily Maverick, 17 Oct 2018

¹² Jeune Afrique, 1 Oct 2018

¹³ News24, 26 Sep 2018

¹⁴ TASS, 5 Oct 2018

¹⁵ Mil.ru, 24 Oct 2018

four-day stay.¹⁶ The visit and agreement appear to show that Russia is looking to increase its influence in **Africa** and the **Indian Ocean** rather than Madagascar seeking to shift its support away from France or **China**.

In seeking to expand its influence, Russia would be following **India**, which signed an agreement in April to develop naval capabilities in partnership with **Mauritius**,¹⁷ and had planned to do the same in **Seychelles** until its cancellation in June.¹⁸

Madagascar was also looking to sign tourism agreements with Russia, according to foreign minister **Maxime Dovo**.¹⁹ Dovo was in **Moscow** for the **Russian-African Social Forum** on 22 October, aiming to establish direct flights to Moscow.²⁰ The direct flights would help to increase tourism, which is a key sector in Madagascar's economy. In addition to tourism, Russia is likely to seek to increase its investments in Madagascar's mining sector and Russia-based mining company, **Zarubezhgeologica**, signed a long-term cooperation agreement in May to explore for mineral deposits.²¹

BlackEarth Minerals finds positive results at Madagascar mine

Australia-based mining company **BlackEarth Minerals** has had positive results at its **Maniry Graphite** projects in Madagascar, which may result in an expansion of the projects. BlackEarth found high grade concentrate and large flake graphite at its **Razafy** mine, which is located inside the Maniry project.²² Razafy's mineral resource estimates now stands at 11.2 million tonnes.²³ BlackEarth will now increase the size of the exploration area due to the results, some of which produced a grade of 48% total graphitic carbon.²⁴ BlackEarth plans to deliver a resource estimate for the **Haja** deposit in November.²⁵

Australia-based **Bass Metals Ltd.** is another emerging producer of graphite in Madagascar. Bass Metals is approaching a key strategic milestone of profitable production at its flagship asset, the operating **Graphmada** large flake graphite mine in eastern Madagascar.²⁶ The company expects to reach over 20,000 tonnes per annum (tpa) in financial year 2020 following a Stage 2 expansion that will establish it as a mid-tier supplier of industrial mineral concentrates, and one of the largest producers of premium large flake graphite concentrates globally.²⁷ Bass Metals is also fast-tracking the development of the highly prospective **Millie's Reward** high-grade, hard rock, lithium project in central Madagascar.²⁸

High-grade graphite, such as that found at Maniry, is essential to lithium-ion battery production, which is used in electric vehicles.²⁹ Additionally, the graphite is used for fire-retardant building materials. China is estimated to require a total of 40 million tonnes per year of these materials, which increases the demand for this mineral.³⁰ Global production still has not been able to meet demand, which is good news for the future of Madagascar's mining sector.

¹⁶ Mil.ru, 24 Oct 2018

¹⁷ DefenceWeb, 11 Apr 2018

¹⁸ DefenceWeb, 14 Jun 2018

¹⁹ Urdu Point, 22 Oct 2018

²⁰ Urdu Point, 22 Oct 2018

²¹ Urdu Point, 22 Oct 2018

²² The West Australian, 16 Oct 2018

²³ The West Australian, 16 Oct 2018

²⁴ The West Australian, 9 Oct 2018

²⁵ The West Australian, 16 Oct 2018

²⁶ Bass Metals website

²⁷ Bass Metals website

²⁸ Bass Metals website

²⁹ Proactive Investor, 16 Oct 2018

³⁰ Proactive Investor, 16 Oct 2018

Planner

7 Nov 2018 **(Madagascar)** Scheduled first round presidential elections;
 19 Dec 2018 **(Madagascar)** Scheduled second round presidential elections;
 March 2019 **(Madagascar)** Parliamentary elections scheduled;
 August 2019 **(Madagascar)** Municipal elections scheduled;

Chronology

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*. 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**;

21 Oct 2018 **Antananarivo (Madagascar)** *africanews*. Former President **Marc Ravalomanana** launches election campaign;

16 Oct 2018 **Antananarivo (Madagascar)** *The West Australian*. **Australia**-based mining company **BlackEarth Minerals** finds large flake graphite at its **Razafy** prospect;

15 Oct 2018 **Antananarivo (Madagascar)** *Daily Maverick*. **South African** foreign minister **Lindiwe Sisulu** pledges to oversee and support **Madagascar's** presidential elections;

9 Oct 2018 **Antananarivo (Madagascar)** *Reuters*. **Pope Francis** plans to visit **Madagascar** in 2019;

8 Oct 2018 **Antananarivo (Madagascar)** *News24*. Presidential candidates, including three former presidents, begin their election campaigns;

5 Oct 2018 **Antananarivo (Madagascar)** *TASS*. Prime minister **Christian Ntsay** signs a military cooperation agreement with **Russian Armed Forces** deputy chief of staff, **Yevgeny Burdinsky**;

4 Oct 2018 **Antananarivo (Madagascar)** *africanews*. **Madagascar** defends its decision to sell its stockpile of precious rosewood trees;

3 Oct 2018 **Antananarivo (Madagascar)** *The West Australian*. **Australia**-based mining company **BlackEarth Minerals** hits graphite at its **Maniry** project and plans to deliver a resource estimate for the **Haja** deposit in November;

26 Sep 2018 **Antananarivo (Madagascar)** *News24*. The government tries to cancel the publication of a presidential election opinion poll;

25 Sep 2018 **Antananarivo (Madagascar)** *Daily Caller*. Authorities arrest a suspect in the murder of a US diplomat;

18 Sep 2018 **Antananarivo (Madagascar)** *News24*. A health official states that a plague outbreak has killed two people, marking the start of the season when the disease is deadliest.