

## AFRICA RISK CONSULTING

### Monthly briefing - Madagascar

21 August 2014

#### Summary

*Local elections face a delay as parliament debates the draft decentralisation law which will create the legal framework governing the election process. The opposition claims President Hery Rajaonarimampianina (2013 – present) wants to use the local elections to create an independent support base to secure his political future. The government extends the deadline for Madagascar Oil to submit an oilfield development plan for the Tsimiroro block. Kenya-based Diamond Trust Bank (DTB) launches a feasibility study for possible entry into Madagascar. The Extractive Industries Transparency Initiative (EITI) expects to publish its next Madagascar report in November 2014. Cattle rustlers launch raids and destabilise south-eastern Madagascar.*

#### 1.1 Local elections to face delay

Beatrice Atallah, president of the **Commission Electorale Nationale Indépendante de la Transition (CENIT)** (national independent electoral commission), publicly cast doubt on Madagascar's ability to meet the new government's deadline to hold local elections this year. This will delay Madagascar's full transition to democracy after successful presidential elections in December 2013.<sup>1</sup> CENIT has not yet determined the date for local elections because parliament is debating a new decentralisation bill which will form the legal framework that will govern the process. Atallah said local elections could still take place in November 2014, at the earliest, if parliament passes the decentralisation bill before the end of August.<sup>2</sup> President **Hery Rajaonarimampianina** (2013 - present) wants to hold local elections before the end of 2014.<sup>3</sup> However, the new decentralisation law, an important aspect of Rajaonarimampianina's political reform efforts, is in political limbo (see below).<sup>4</sup> Interior and decentralisation minister **Olivier Solonandrasana Mahafaly** says a

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<sup>1</sup> Multiple sources: Madagascar Tribune, 30 Jul 2014; Madagascar Tribune, 21 Jul 2014.

<sup>2</sup> Madagascar Tribune, 30 Jul 2014.

<sup>3</sup> Madagascar Tribune, 21 Jul 2014.

<sup>4</sup> Madagascar Tribune, 11 Aug 2014.



decentralisation law is one of the “flagship”<sup>5</sup> projects of the new government and will form the basis of Madagascar’s future development<sup>6</sup> after five years of political and economic stagnation.

Opposition politicians claim the government’s decentralisation policy is politically motivated. Rajaonarimampianina has a small political base and wants to restructure local government to influence regional and provincial elections and increase the popular political base of his **Hery Vaovao ho an'i Madagasikara (HVM)** party.

*“The main problem is political ... because the president does not have enough support, he is only really now setting up his party ... fortunately he is already elected.”<sup>7</sup>*

Rajaonarimampianina wants to develop a strong political base to fully dissociate himself from the previous **Andry Nirina Rajoelina** (2009-2013) government. Rajaonarimampianina relied on the sympathies and the political capital of Rajoelina’s electoral base and now wants to build a “serious”<sup>8</sup> electoral base through the local election process.<sup>9</sup>

There are two articles in the draft decentralisation law which, if passed, will increase the opportunity for HVM to increase its popular political support base and at the same time reduce the political power of Madagascar’s established political parties. The first article calls for the redistribution of municipalities across Madagascar and allow the new municipalities to have greater control over revenue and local development.<sup>10</sup> The most divisive aspect of this article is the proposal to split **Antananarivo** into six municipalities, each with their own elected mayor.<sup>11</sup> Mahafaly said

*“We have not changed anything. We just want to build communities in Antananarivo’s boroughs. The mayor of Antananarivo is currently overwhelmed with responsibilities. This reform will bring policymakers closer to the people who can elect their representative directly. On the financial side, it will optimise the input taxes and avoid tax evasion and fraud.”<sup>12</sup>*

The opposition claims the government wants to break up Antananarivo to undermine the urban support-based political parties linked to opposition figures such as Rajoelina, former ousted president **Marc Ravalomanana** (2002 - 2009) and former presidential candidate **Hajo Andrianaivelo**.

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<sup>5</sup> [www.expressmada.com](http://www.expressmada.com)

<sup>6</sup> [www.expressmada.com](http://www.expressmada.com)

<sup>7</sup> Source, senior businessperson, Antananarivo

<sup>8</sup> La Gazette, 19 Aug 2014.

<sup>9</sup> La Gazette, 19 Aug 2014.

<sup>10</sup> Madagascar Tribune, 11 Aug 2014.

<sup>11</sup> La Gazette, 18 Aug 2014.

<sup>12</sup> [www.expressmada.com](http://www.expressmada.com)

The second politically contentious article in the draft decentralisation law calls for the mayors and councillors to directly elect regional and provincial government heads, instead of direct universal election of these officials.

*"The electoral configuration of indirect suffrage is indeed consistent with the constitution of the Fourth Republic. In Articles 154 and 158, it is stated that the regional chiefs and provincial chiefs are elected by universal suffrage but is not clear whether it is direct or indirect. The Rajaonarimampianina regime has made its choice for the indirect."*<sup>13</sup>

If the current version of the draft decentralisation law is passed, the 1,557 mayors and thousands of councillors across Madagascar will elect regional and provincial government heads. If Rajaonarimampianina can garner enough political support and directly win a majority of the local councils, HVM will have a popular base to influence the outcome of regional and provincial elections<sup>14</sup> and finally establish an independent political base. However, parliament is still debating the law and it remains uncertain if the president's backers in parliament will support it. Moreover, even if the law is passed in its current state, it is unclear if Rajaonarimampianina will achieve significant political electoral inroads at the local level.

## 1.2 Government extends deadline for Tsimiroro field development plan

**L'Office des Mines Nationales et des Industries Strategiques (OMNIS)** (office of mines and strategic minerals) has granted **Alternative Investment Market (AIM)**-listed **Madagascar Oil** an amendment to its production sharing contract (PSC) for **Tsimiroro** concession (block 3104) which allows the company more time to submit its field development plan. The Tsimiroro development is significant as it will diversify Madagascar's large-scale extractive industry sector. Madagascar Oil declared the commercial viability of its Tsimiroro concession in May 2014. A declaration of commercial viability triggers a period of 180 days in which the company must submit a full field development programme for government approval.<sup>15</sup> The original deadline was the end of August; the PSC amendment now gives Madagascar Oil until 4 November to submit its plan.<sup>16</sup>

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<sup>13</sup> Source, senior businessperson, Antananarivo

<sup>14</sup> [www.expressmada.com](http://www.expressmada.com)

<sup>15</sup> Multiple sources: British Daily Stock Report, 9 May 2014; [www.madagascaroil.com](http://www.madagascaroil.com)

<sup>16</sup> [www.expressmada.com](http://www.expressmada.com)

Tsimiroro is an onshore heavy oil concession located 125km from the west coast of Madagascar. The 2011 contingent best estimate is 1.7 billion barrels and the prospective best estimate exceeds 2.1 billion barrels. Madagascar Oil is currently exploring various financing options to secure the funds required to develop Tsimiroro.<sup>17</sup>

### 1.3 Diamond Trust Bank considers expansion into Madagascar

Kenya-based **Diamond Trust Bank Kenya Ltd (DTB)** announced in August that it has started a feasibility study to assess the possibility of expansion into Madagascar.<sup>18</sup> Since Rajaonarimampianina took office in January, the international donor community has reestablished official links but foreign investment has lagged behind the new international aid commitments;

*“We have seen a small uptick in foreign investment interest but that is not translating into action just yet.”<sup>19</sup>*

DTB has not indicated when the company expects to make a final decision. The company was established in 1946 as a non-bank financial institution. In 1997, the bank changed its name to **Diamond Trust Bank Kenya Ltd** and started full commercial banking services. DTB is an affiliate of the **Aga Khan Fund for Economic Development (AKFED)**, the economic development arm of the **Aga Khan Development Network (AKDN)**. DTB has 68 branches across **East Africa**, in Kenya, **Tanzania, Uganda, and Burundi.**<sup>20</sup>

### 1.4 EITI to publish report in November 2014

The Madagascar chapter of the **Extractive Industries Transparency Initiative (EITI)** expects to publish its next report in November 2014 ahead of the EITI executive secretariat’s December 2014 deadline. The EITI report will cover 97% of payments the government received from extractive industry companies in Madagascar between 2012 and 2013.

The EITI report will also cover issues related to government involvement in the extractive sector, the management and distribution of revenue received from the extractive industries, government procedures for granting mining and petroleum licences, and sustainable extractive industry policies. To ensure the report is accurate, the current government needs to ensure full participation from local

<sup>17</sup> Multiple sources: British Daily Stock Report, 9 May 2014; [www.madagascaroil.com](http://www.madagascaroil.com)

<sup>18</sup> Tendersinfo, 16 Aug 2014.

<sup>19</sup> Source, political analyst, Madagascar

<sup>20</sup> [www.bgaforwomen.org](http://www.bgaforwomen.org)

extractive industry companies. Hence, the strategic resource ministry in the office of the presidency is expected to issue a ministerial order making to mandatory for all companies involved in extractive industries to submit information to EITI.<sup>21</sup> The 2014 EITI report is the first since EITI suspended Madagascar under the previous Rajoelina government in 2011. EITI will produce the report in partnership with **Ernst & Young**.<sup>22</sup>

The EITI is an international voluntary organisation made up of governments, companies and civil society organisations (CSOs) which work together to improve management, transparency and public disclosure natural resources revenue.<sup>23</sup>

## 1.5 Cattle rustlers destabilise south-eastern Madagascar

Clashes between security forces and cattle rustlers, known as **Dahalos**, killed 15 people on 17 August. Cattle rustling is a Malagasy tradition that has fueled violence mainly in south-eastern Madagascar. In the tradition which shows male virility and valour, Madagascar males steal prized cattle, known locally as *zebu* (a symbol of wealth).<sup>24</sup> The first incident took place on 17 August when 80 armed Dahalos stole 150 *zebu* from the village of **Tranomaro (Amboasary Sud District)**. A second attack took place on the same day in the village of **Mahaly (Amboasary Sud District)**, in which Dahalos stole 300 *zebu*.<sup>25</sup>

Violence related to cattle theft is not new; it also plagued the previous Rajoelina government. In June 2012, a group of Dahalos ambushed a military patrol and killed 11 soldiers and police officers.<sup>26</sup> After the attack the government

*"... classified 'zone Rouge' [high risk]. After the June 2012 attack, at least ten more police or gendarmes have been killed and thousands of cattle stolen. In early September 2012, Rajoelina sent Malagasy special forces to attempt to capture or kill the Dahalo leaders. Since that time the gendarmes have managed to capture the supposed sorceress godmother of the Dahalo and a dozen or so individuals (half of whom were women) stated to be rustlers. In its campaign the army has burned a dozen or more villages thought to be the hideouts of the Dahalo and over 10,000 rural refugees have fled to the Southern cities and towns."*<sup>27</sup>

<sup>21</sup> Multiple sources: La Gazette, 8 Aug 2014; www.expressmada.com

<sup>22</sup> Multiple sources: La Gazette, 8 Aug 2014; www.expressmada.com

<sup>23</sup> www.eiti.org

<sup>24</sup> Multiple sources: AFP, 17 Aug 2014; Global Voices, 19 Aug 2014.

<sup>25</sup> Multiple sources: AFP, 17 Aug 2014; Global Voices, 19 Aug 2014.

<sup>26</sup> Source, political analyst, Madagascar

<sup>27</sup> Source, political analyst, Madagascar

Malagasy security forces remain stretched and under-funded. Madagascar only has one police officer for every 3,000 people or one police officer for every 60 square kilometres.<sup>28</sup> The new budget has allocated money for the recruitment and training of 1,200 new police officers,<sup>29</sup> but this is unlikely to have a short-term impact on the security situation in south-eastern Madagascar.

*“There is lots of talk of more potential disturbances ... security especially in the rural areas is bad and getting worse.”<sup>30</sup>*

## 2 Implications

Local elections are the next important step in Madagascar’s democratic transition after the successful presidential and parliamentary elections held in December 2013. However, the heightened politicisation of the draft decentralisation law will likely lead to a delay in holding the elections. The commercial development of Tsimiroro is significant as it will diversify Madagascar’s large-scale extractive industry sector, which currently only has two significant players – **Rio Tinto** (ilmenite) and **Sherritt International** (nickel). Interest from non-extractive industry investors such as DTB is a positive sign, but government must continue to show signs that its economic and political reform programmes are starting to show results on the ground before large scale non-extractive sector investors will return to Madagascar. The November EITI report will play an important role in helping the new Rajaonarimampianina government to further strengthen governance and transparency in the extractive sector and attract more foreign direct investment which stagnated under the previous Rajoelina government. Inter-communal violence related to cattle theft will remain a problem in the south-east, as the Malagasy security forces remain stretched and under funded.

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<sup>28</sup> La Gazette, 2 Aug 2014.

<sup>29</sup> La Gazette, 2 Aug 2014.

<sup>30</sup> Source, political analyst, Madagascar