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Former president Andry Nirina Rajoelina (2009 – 2013) announces his return to politics. The African Development Bank (AfDB) outlines aid commitments to Madagascar for 2015. L'Office des Mines Nationales et des Industries Strategiques (OMNIS) (office of mines and strategic minerals) approves domestic crude oil sales from Madagascar Oil's Tsimiroro concession. Anti-Chinese violence kills three in Morondava.

Rajoelina launches political comeback

Immediate past president **Andry Nirina Rajoelina** (2009 – 2013) marked the start of his political comeback with a launch event on 11 December.¹ Rajoelina backed current president **Hery Rajaonarimampianina** (2013 – present) in the 2013 presidential election. However, since assuming office Rajaonarimampianina has distanced himself from Rajoelina to garner support from the international community, which wanted a decisive split from the previous non-democratic and corrupt Rajoelina regime (see previous ARC briefings through 2014). Moreover, Rajaonarimampianina wants to develop his own independent domestic political support base in the run-up to local elections in 2015 and his eventual presidential re-election bid in 2018. Rajoelina views Rajaonarimampianina's actions as a political betrayal and feels personally offended.²

"We are shocked by the attitude of the regime and its president that does not take into account the efforts and sacrifices of those who have campaigned for them to be where they are now..."³

Rajoelina has two main objectives: firstly to reactivate his political support network, to win municipal council seats in the upcoming local elections; and secondly, to use his municipal council presence as a political base for an eventual run for president against Rajaonarimampianina. With Rajoelina's political comeback and the return of former ousted president **Marc Ravalomanana** (2002 – 2009) from exile in October (see ARC October/November 2014 briefing), two of Madagascar's political 'heavyweights' are back in the political arena, posing a direct threat to Rajaonarimampianina's political goal.

Rajaonarimampianina is focused on ensuring his political supporters win the upcoming local elections to break up Rajoelina's and Ravalomanana's local support networks and thereby establish an independent support network. The **Commission Electorale Nationale Independante de la Transition's (CENIT)** (national independent electoral commission) has not yet announced a date for the local elections. Madagascar electoral law states that elections cannot take place between November and May, so local elections will probably take place in the second half of 2015.

Rajaonarimampianina wants parliamentary approval for the new decentralisation law, which must pass prior to holding local elections. 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 local, regional and provincial elections and increase the popular political base of his **Hery Vaovao ho an'i Madagasikara (HVM)** party (see *ARC Madagascar August 2014 Briefing*). The government's current focus on the upcoming local elections has diverted

¹ Multiple sources: L'Express de Madagascar, 12 Dec 2014; Madagascar Tribune, 12 Dec 2014.

² L'Express de Madagascar, 12 Dec 2014.

³ Madagascar Tribune, 12 Dec 2014.

its attention from economic reform policies, which are necessary after five years of stagnation under Rajoelina.

*"The situation is not in progress, I mean not a real change because the vision of the new government is not clear, most of them are still waiting for a proof of commitment from Rajaonarimampianina ... Private sector [companies] are waiting for reliable political initiatives to relaunch the economy including tax incentives to promote growth, but the government is not able to decide on this."*⁴

AfDB outlines aid commitment for 2015

The **African Development Bank (AfDB)**'s resident representative in Madagascar, **Abdelkrim Bendjebbour**, has outlined the AfDB's objectives for 2015.⁵ He expects most AfDB's commitment announcements to take place in the first half of 2015.⁶ The AfDB will focus on easing Madagascar's energy crisis, road rehabilitation, good governance, mother-to-child health care, education and agricultural infrastructure.⁷ One of the key programmes the AfDB plans to launch in 2015 is financial support for the **Fonds d'entretien routier (FER)** (road maintenance fund) including funding for the second rehabilitation phase of national road No. 9 (**Morombe-Morondava**). This AfDB support will allow the government to reduce or remove the fuel levy, introduced in 2010 to finance road maintenance. This will lead to lower fuel costs, which will have a direct economic impact for the public.⁸ The average Malagasy is waiting for the direct benefits of Rajaonarimampianina's new government, which has promised to work hard to re-establish international aid support.

*"I think more bilateral donors are waiting for the **World Bank, European Union** and the AfDB [to take] action before coming; they promise to bring money, to support the state's budget and improve our balance sheet, but we are still waiting, maybe [it will happen] early in 2015."*⁹

Government approves Madagascar Oil domestic sales

L'Office des Mines Nationales et des Industries Stratégiques (OMNIS) (office of mines and strategic minerals) approved **Alternative Investment Market (AIM)**-listed **Madagascar Oil's Tsimiroro** oilfield development programme which includes permission to sell crude oil domestically (see *ARC Madagascar November 2014 Briefing*).¹⁰ As part of Tsimiroro's development, Madagascar Oil will test the sale of Tsimiroro crude oil (between 55,000 and 73,000 barrels) into the local market. The test sales are expected to start soon and will last for a period of up to six months under the terms of the production sharing agreement.¹¹ However, Madagascar Oil has said that it cannot predict how much revenue domestic sales will generate because the company is still negotiating with potential buyers and the process is taking longer than expected. This is the first time potential buyers will use crude oil from Tsimiroro so customers want to ensure that their equipment can efficiently burn the fuel.¹²

Madagascar Oil officially declared the commercial viability of its main Tsimiroro concession (block 3104) in May (see *ARC Madagascar May 2014 Briefing*). 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.¹³

⁴ Source, senior businessperson, Madagascar

⁵ Madagascar Tribune, 2 Dec 2014.

⁶ Madagascar Tribune, 2 Dec 2014.

⁷ Madagascar Tribune, 2 Dec 2014.

⁸ Multiple sources: Madagascar Tribune, 2 Dec 2014; www.laverite.com

⁹ Source, senior businessperson, Madagascar

¹⁰ Alliance News, 3 Dec 2014.

¹¹ Multiple sources: British Daily Stock Report, 9 May 2014; www.madagascaroil.com

¹² Alliance News, 3 Dec 2014.

¹³ Multiple sources: British Daily Stock Report, 9 May 2014; www.madagascaroil.com

Anti-Chinese violence kills three people

Three people died and several people were injured¹⁴ after a contract dispute between workers and managers at the **Chinese-run Sucrierie Complant de Madagascar (Sucoma)**¹⁵, a sugar production facility and refinery near Morondava in western Madagascar, turned violent on 10 December. The violence appears to have started during a dispute over contracts for seasonal workers and wages for fulltime staff. The seasonal workers wanted the company to hire them as fulltime staff, but Sucoma claimed it could not afford to do so.¹⁶ Violence escalated when police detained the senior representative of the disgruntled seasonal workers.¹⁷ A pro-Chinese media article claimed that “*drugged men with axes*” attacked the police barracks¹⁸ to try and free their detained colleagues. The protesting workers allegedly stole 5,000 tonnes of sugar and burned Sucoma vehicles.¹⁹

This is the second time a worker protest has turned violent at Sucoma. Two Chinese managers were injured and Sucoma property was damaged during a similar dispute over salary arrears in November 2013.²⁰ Local Chinese residents are reported to have fled to safety in **Antananarivo**.

The Sucoma sugar mill was originally established in 1936 as **Sucrierie Marseillaise de Madagascar**, but was nationalised in 1977. The government closed the sugar mill in 2005 and privatised through a joint venture with Chinese investors under the Sucoma name. Sucoma produces between 24,000 and 28,000 tonnes of sugar per year.²¹

Chinese companies made significant investments in Madagascar during the Rajoelina regime despite Madagascar's international isolation from 2009 to 2013. However, the media has accused Chinese companies of bribing senior Rajoelina government officials to secure access to investment opportunities, particularly in the extractive industry sector.²²

Implications

The re-emergence of Rajoelina as a political force and the presence of Ravalomanana in Madagascar are a threat to Rajaonarimampianina's goal of developing an independent political support base. This concern has diverted government attention away from important economic policy initiatives required to kick-start the economy and to attract more foreign direct investment.

Attracting more international aid commitments is an important component of Rajaonarimampianina's roadmap to reviving Madagascar's economy. Aid commitments from multilateral donors will galvanise further commitments from bilateral donors and help to meet the public's expectations for positive economic change.

The government's approval of Madagascar Oil domestic crude oil sales is a positive step for the development of Madagascar's nascent oil and gas sector, but the recent collapse of international oil prices may slow the development of the company's heavy oil sands project. Oil sands require significant processing and the output is of a lower quality, making the project less viable with crude oil prices at an historical low.

The anti-Chinese violence at Sucoma may slow Chinese investment in Madagascar just as the new Rajaonarimampianina government tries to attract more foreign investment to revive the economy after five years of economic and political stagnation.

¹⁴ China Daily, 12 Dec 2014.

¹⁵ Africa Review, 11 Dec 2014.

¹⁶ China Daily, 12 Dec 2014.

¹⁷ AFP, 11 Dec 2014.

¹⁸ China Daily, 12 Dec 2014.

¹⁹ Africa Review, 11 Dec 2014.

²⁰ Multiple sources: AFP, 11 Dec 2014; Africa Review, 11 Dec 2014.

²¹ www.internationalsteam.co.uk

²² Source, Madagascar analyst, United Kingdom