

## AFRICA RISK CONSULTING

### Madagascar Monthly Briefing December 2018

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#### Madagascar Summary 20 December 2018

*Madagascar citizens vote in the second-round presidential election between former presidents Marc Ravalomanana (2002-2009) and Andry Rajoelina (2009-2014) with preliminary results expected on 1 January. Australia-based mining company Bass Metals announces that it beat monthly sales volumes in November, selling 693 tonnes of graphite concentrate. Partially state-owned airline Air Madagascar and its strategic partner, Reunion-based Air Austral, sign a memorandum of understanding (MOU) with Kenya majority state-owned airline Kenya Airways, which names Nairobi (Kenya) as a new complementary hub of Antananarivo (Madagascar) and Saint-Denis (Reunion).*

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#### Rajoelina and Ravalomanana head to second-round vote

Madagascar citizens headed to the polls again on 19 December to vote in the second-round presidential election between former presidents, **Marc Ravalomanana** (2002-2009) and **Andry Rajoelina** (2009-2014).<sup>1</sup> Madagascar is trying to shed its image of an unstable country, particularly around elections, and a peaceful transition of power will signal to investors that Madagascar is open for business, particularly for mining and oil companies that are looking to exploit the island's natural resources.

With a low number of votes counted by 20 December, both Ravalomanana and Rajoelina had already claimed victory in the second round vote.<sup>2</sup> Rajoelina reportedly took an early lead with 6.79% of voting centres counted, claiming 57.07% to Ravalomanana's 42.93%.<sup>3</sup> These results would be in line with the final results for first-round elections. The **Haut Constitutionnelle Cour (HCC)** (high constitutional court) accepted the results of the first round on 28 November, giving Rajoelina a slight lead in votes with 39.2% compared to Ravalomanana's 35.3%.<sup>4</sup> Former President **Hery Rajaonarimampianina** (2014-2018) has the opportunity to play kingmaker by pushing his supporters towards one of the candidates (see *ARC Briefing Madagascar October 2018*), but Rajaonarimampianina said on 30 November that he would endorse neither candidate.<sup>5</sup> However, this does not mean that members of his party, **Hery Vaovao ho an'i Madagasikara (HVM)**, will not vote in the second round. Ravalomanana asserts that he has the support of "80% of HVM voters",<sup>6</sup> though this will not be confirmed until the final votes are counted. This figure is also questionable, considering many of HVM's supporters were formerly members of Rajoelina's **Miaraka Amin i Prezida Andry Rajoelina (MAPAR)** party and have since gone back to support Rajoelina.<sup>7</sup>

It is vitally important for Madagascar's political and economy stability that all parties accept the results of the second-round election. Ravalomanana, when asked whether he would accept a Rajoelina win, stated that he would accept the results "within limits".<sup>8</sup> The question is what these limits are. Ravalomanana raised legal challenges after the first-round elections, and also made claims on 19 December of fraud in the second-round run-off vote. Ravalomanana said some men gave him 500

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<sup>1</sup> News24, 18 Dec 2018

<sup>2</sup> EWN, 19 Dec 2018

<sup>3</sup> <https://presidentielle.ceni-madagascar.mg/bvrnat/bvrnate>

<sup>4</sup> Washington Post, 18 Dec 2018

<sup>5</sup> Jeune Afrique, 1 Dec 2018

<sup>6</sup> Jeune Afrique, 17 Dec 2018

<sup>7</sup> Jeune Afrique, 17 Dec 2018

<sup>8</sup> News24, 18 Dec 2018

ballot papers on 18 December, claiming they had been given registration cards and told to use them at as many polling stations as possible.<sup>9</sup>

Provisional results are expected by 1 January with final results by 9 January.<sup>10</sup>

### Bass Metals beats its monthly graphite concentrate sales target

**Australia**-based mining company **Bass Metals** announced on 4 December that it had beat its monthly sales volume target in November, selling 693 tonnes of graphite concentrate.<sup>11</sup> The positive mining news from the **Graphmada Large Flake** mine in north-eastern Madagascar could help to spur further investment from other graphite mining companies. The announcement caused Bass Metals' share price on the **Australian Securities Exchange (ASX)** to rise 13%.<sup>12</sup> The sales figures comprise actual sales of graphite concentrate and sales agreements in November that will be delivered to markets, including the **United States**, from December 2018 to February 2019.<sup>13</sup> The strong sales figures mean that Bass has sold the majority of its production from its July-August ramp-up phase, in which Bass Metals increased production to 6,000 tonnes per annum.<sup>14</sup> Bass Metals executive director **Peter Wright** said,

*"We are delighted to have completed our production ramp-up phase. We have now sold the vast majority of product produced during ramp-up on good terms. We are excited to see that demand for our much higher priced large and jumbo flake product is very strong, as this positions the company well to continue to experience strong growth in 2019."*<sup>15</sup>

Bass Metals is seeking to expand to 20,000 tonnes per annum for its phase II ramp-up.<sup>16</sup> Wright predicts the price of graphite will hover between \$1,150 and \$1,950 per tonne on the back of strong demand, which is within and even above Bass Metals' sales forecasts.<sup>17</sup> To finance the operations for phase II, Bass Metals raised \$3.3m in commitments from a share placement on 14 December, allowing Bass Metals to fund drilling and equipment costs at the Graphmada mine.<sup>18</sup> Bass Metals' CEO, **Tim McManus**, hopes to complete the phase II upgrade and expansion by early 2020.<sup>19</sup>

### Air Madagascar and Air Austral sign MOU with Kenya Airways

Partially state-owned airline **Air Madagascar** and its strategic partner, **Reunion**-based **Air Austral**, signed a memorandum of understanding (MOU) with **Kenya** majority state-owned airline, **Kenya Airways**, on 17 December that names **Nairobi** (Kenya) as a new complementary hub of **Antananarivo** (Madagascar) and **Saint-Denis** (Reunion).<sup>20</sup> The new partnership signals that Air Madagascar has begun to climb out of its financial hole, particularly with the news that all debts will be paid by March 2019.<sup>21</sup> Air Madagascar CEO **Rolland Besoa Razafimahara**, Kenya Airways CEO **Sebastian Mikosz**, and Air Austral CEO **Marie-Joseph Male** signed a 'privileged partnership agreement' that will develop code-share agreements and increase connectivity options among the three hubs.<sup>22</sup> The agreement includes the subsidiaries of the three main airlines in later phases of implementation: **Tsaradia** (Air Madagascar), **Jambojet** (Kenya Airways) and **Ewa Air** (Air Austral).<sup>23</sup>

<sup>9</sup> EWN, 20 Dec 2018

<sup>10</sup> Jeune Afrique, 19 Dec 2018

<sup>11</sup> Mining Weekly, 4 Dec 2018

<sup>12</sup> Mining Weekly, 4 Dec 2018

<sup>13</sup> Proactive Investor, 4 Dec 2018

<sup>14</sup> Mining Weekly, 4 Apr 2018

<sup>15</sup> Mining Weekly, 4 Dec 2018

<sup>16</sup> Mining Weekly, 4 Apr 2018

<sup>17</sup> Proactive Investor, 4 Dec 2018

<sup>18</sup> Proactive Investor, 14 Dec 2018

<sup>19</sup> Proactive Investor, 14 Dec 2018

<sup>20</sup> L'Express Madagascar, 18 Dec 2018

<sup>21</sup> L'Express Madagascar, 28 Nov 2018

<sup>22</sup> Logistics Update Africa, 19 Dec 2018

<sup>23</sup> Logistics Update Africa, 19 Dec 2018

Air Madagascar and Air Austral signed a cooperation MOU in July which gave Air Austral a 49% stake in Air Madagascar (see *ARC Briefing Madagascar* November 2017).

The code-sharing agreement between Antananarivo and Nairobi begins 21 January, while the Nairobi-**La Reunion** code-share route will be implemented at a later stage.<sup>24</sup> Mikosz noted that passenger traffic between **Africa** and the **Indian Ocean** islands has grown 10% in 2018 and this partnership opens more options for customers.<sup>25</sup>

Air Madagascar is also interested in partnering with **Ethiopia** state-owned airline, **Ethiopian Airlines**, though no final agreement has been signed.<sup>26</sup> Ethiopian Airlines has partnered with several other airlines across Africa and has positioned itself as the top airline on the continent. A partnership with Ethiopian Airlines would be a step in the right direction for Air Madagascar, which appears to have righted itself after years of mismanagement.

### Planner

1 Jan 2019 **(Madagascar)** Preliminary electoral results released  
 9 Jan 2019 **(Madagascar)** Final electoral results released  
 April 2019 **(Madagascar)** Legislative elections scheduled  
 August 2019 **(Madagascar)** Municipal elections scheduled

### Chronology

19 Dec 2018 **Antananarivo (Madagascar)** *EWN*. Presidential candidate **Marc Ravalomanana** claims there is fraud during the run-off presidential vote after men gave him 500 ballot papers the night before elections;

18 Dec 2018 **Antananarivo (Madagascar)** *L'Express Madagascar*. Voting begins in the second round of the presidential election;

10 Dec 2018 **Antananarivo (Madagascar)** *Log Update Africa*. **Reunion**-based airline **Air Austral** launches a new code share to **Fort Dauphin** in **Madagascar**;

9 Dec 2018 **Antananarivo (Madagascar)** *Arab Times*. The **Kuwait Fund for Arab Economic Development** loans \$10m to **Madagascar** to fund a river bridge project;

9 Dec 2018 **Antananarivo (Madagascar)** *Jeune Afrique*. Presidential candidates for the second round of elections, **Marc Ravalomanana** and **Andry Rajoelina**, engage in a televised debate;

8 Dec 2018 **Antananarivo (Madagascar)** *Sputnik News*. **Madagascar** withdraws its recognition of **Kosovo's** independence from **Serbia**;

4 Dec 2018 **Antananarivo (Madagascar)** *Mining Weekly*. **Australia**-based mining company **Bass Metals** exceeds its forecast sales of graphite from its **Graphmada** operation;

1 Dec 2018 **Antananarivo (Madagascar)** *EWN*. Former President **Hery Rajaonarimampianina** concedes defeat in the first round of presidential elections;

28 Nov 2018 **Antananarivo (Madagascar)** *Al Jazeera*. The **Haut Cour Constitutionnelle** confirms former presidents **Marc Ravalomanana** and **Andry Rajoelina** will compete in the second round election on 19 December;

21 Nov 2018 **Antananarivo (Madagascar)** *RFI*. Presidential candidate **Marc Ravalomanana**

<sup>24</sup> Logistics Update Africa, 19 Dec 2018

<sup>25</sup> Logistics Update Africa, 19 Dec 2018

<sup>26</sup> L'Express Madagascar, 28 Nov 2018

withdraws his complaints of electoral irregularities from the **Haut Cour Constitutionnelle**;

20 Nov 2018 **Antananarivo (Madagascar)** *AFP*. Presidential candidate **Marc Ravalomanana** lodges over 50 complaints at the **Haut Cour Constitutionnelle** over irregularities in the first round presidential elections;

19 Nov 2018 **Antananarivo (Madagascar)** *News24*. Former President **Andry Rajoelina** accuses election officials of manipulation which prevented him from receiving an absolute majority of votes in the first round of the presidential election;

19 Nov 2018 **Antananarivo (Madagascar)** *L'Express Madagascar*. Some presidential candidates reportedly file appeals to the **Haut Cour Constitutionnelle** to annul the first round election results;

17 Nov 2018 **Antananarivo (Madagascar)** *L'Express Madagascar*. The **Commission électorale nationale indépendante** releases final election results showing former presidents **Andry Rajoelina** and **Marc Ravalomanana** receiving the most votes but neither candidate received over 50%;

15 Nov 2018 **Antananarivo (Madagascar)** *News24*. The **Commission électorale nationale indépendante** releases preliminary results which confirm that former presidents **Marc Ravalomanana** and **Andry Rajoelina** will head to a second round vote on 19 December;

13 Nov 2018 **Antananarivo (Madagascar)** *RFI*. 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.