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President Hery Rajaonarimampianina (2014-present) states that the government will resume issuing mining permits for investors who submit a convincing business plan. An International Monetary Fund team completes its third review of Madagascar's economic reform programme. Economic growth is estimated to have reached 4.2% in 2017 and is projected to increase to 5% in 2018 due to rising public investment and growth in manufacturing and mining. South Africa-based Bushveld Minerals states that its feasibility study for a planned coal-to-power plant in Madagascar is progressing, and that obtaining the concession from the government remains the top priority for 2018.

Rajaonarimampianina states the government will resume accepting mining permits

President **Hery Rajaonarimampianina** (2014-present) stated on 13 April that the government will resume issuing mining permits for investors who submit a convincing business plan.¹

Rajaonarimampianina made the statement at the opening of the **Mining, Oil and Equipment Exhibition**, the first since 2014,² at the **Mining Business Centre** in **Antananarivo**.³ The issuance of mining permits was temporarily suspended in 2011⁴ as the government planned to pass a revised mining and oil code in 2017 (see *ARC Briefing Madagascar February 2017*), but the government said that it has decided to leave the codes as they are, "in the interest of stability".⁵

However, the government will only issue mining permits under certain conditions.

Rajaonarimampianina stated that,

*"The mining permits are there and are ready to be issued. But, we invite [companies] to submit a serious business plan, realistic and respectful of legal and regulatory texts in a win-win spirit. We no longer accept the issuance of a speculative permit, but it is not in the interest of the population nor the country."*⁶

Ying Vah Zafilahy, the presidency minister in charge of mines and petroleum, noted that most of the licences that have been issued are to Malagasy nationals and not foreigners, and that allegations of preferences for issuing permits to foreigners are misguided.⁷ According to a **South Africa**-based mining expert,

*"The government is likely to increase the number of mining permits for foreign companies as many Malagasy licence holders do not have the necessary investment in mining and equipment as well as the skills needed to run a medium- to large-scale mine."*⁸

The government has issued 3,547 mining licences since 2000 and is counting on mining being a major economic sector as per its **Emergence 2030** vision,⁹ though the extractive sector provided just 4.68% of gross domestic product in 2016.¹⁰

¹ L'actualite, 13 Apr 2018.

² NewsMada, 14 Apr 2018.

³ L'actualite, 13 Apr 2018.

⁴ L'Express, 14 Apr 2018.

⁵ Source, OMNIS representative, Antananarivo.

⁶ L'actualite, 13 Apr 2018.

⁷ L'Express, 14 Apr 2018.

⁸ Source, mining expert, South Africa

It is significant that the government has stated that the mining sector is open again as the extractive sector does provide 30% of Madagascar's export earnings, as well as 40% of foreign direct investment and 14% of total tax revenue.¹¹ The passage of the revised mining code was expected to bring in more major mining companies, though the government appears to have changed paths and instead is asking for bilateral negotiations for mining permits, as it appears to have done in regards to the oil sector (see *ARC Briefing Madagascar December 2017*). Mining companies should see this as good news as it offers opportunities to mine for precious metals without the onerous legislation that other **African** countries, such as the **Democratic Republic of the Congo**, have instituted in their revised mining codes.

IMF completes review of Madagascar's economic programme

An **International Monetary Fund (IMF)** team completed its third review of Madagascar's economic reform programme on 28 March.¹² The team, led by **Marshall Mills**, visited Madagascar from 14-28 March to meet with President Rajaonarimampianina, finance minister **Vonintsalama Andriambolona** and **Banque Centrale de Madagascar** (central bank) governor, **Alain Rasolofondraibe**, to discuss the three-year extended credit facility (ECF) extended to Madagascar.¹³ The IMF approved Madagascar's \$304.7m ECF on 28 July 2016 and the IMF executive board allowed an augmentation of \$42.39m on 28 June 2017.¹⁴ The review was generally positive. The IMF team stated that

"Madagascar's economic conditions remain favourable, with sustained growth and macroeconomic stability in spite of some shocks."¹⁵

Economic growth is estimated to have reached 4.2% in 2017 and is projected to increase to 5% in 2018 due to rising public investment and growth in manufacturing and mining.¹⁶ Madagascar's economy performed better than expected in 2017 and was able to weather the shocks from several cyclones in 2017 and 2018, as well as recurring drought.¹⁷ However, these shocks have also increased the price of vanilla, a major export earner in Madagascar.¹⁸ According to a Madagascar-based economist,

"While the cyclone has been devastating in many regards, particularly on infrastructure, the decrease in supply has resulted in a price surge which actually will help to grow our export revenue in the near future."¹⁹

Inflation is expected to decline to below 8% by the end of 2018, down from close to 9% in 2017 due to the weather-related shocks.²⁰

Madagascar hit all of its ECF performance targets at the end of 2017, "for most with a large margin".²¹ The IMF team did note that despite an ambitious plan to restructure the state-owned utility company, **Jiro sy rano Malasy (Jirama)**, its large financial losses put additional pressure on public resources.²² The IMF believes that despite higher rainfall, which will help hydropower production, the higher

⁹ L'actualite, 13 Apr 2018.

¹⁰ L'actualite, 13 Apr 2018.

¹¹ L'actualite, 7 Apr 2018.

¹² www.imf.org

¹³ www.imf.org

¹⁴ Agence Ecofin, 4 Apr 2018.

¹⁵ Agence Ecofin, 4 Apr 2018.

¹⁶ www.imf.org

¹⁷ Agence Ecofin, 4 Apr 2018.

¹⁸ Agence Ecofin, 4 Apr 2018.

¹⁹ Source, economist, Madagascar

²⁰ Agence Ecofin, 4 Apr 2018.

²¹ www.imf.org

²² Agence Ecofin, 4 Apr 2018.

world fuel prices and service on debt will increase Jirama's transfer needs for the government.²³ The IMF executive board will consider the third review in June 2018 after on-going discussions are complete.²⁴

The government will be pleased with this positive review from the IMF in the run-up to the campaign season for the December elections. The positive economic forecasts, despite the major environmental shocks, will give Rajaonarimampianina some credence when presenting his economic vision for the future during the campaign.

Bushveld Minerals' power plant concession negotiations progress ...

South Africa-based **Bushveld Minerals** stated on 5 April that its feasibility study for a planned coal-to-power plant in Madagascar is progressing,²⁵ and obtaining the concession from the government remains the top priority for 2018.²⁶ Bushveld's subsidiary, **Lemur Resources**, is responsible for operations and has been negotiating with the government regarding the concession and the environmental impact of the project.²⁷ Bushveld's chief executive officer, **Fortune Mojapelo**, stated that the company was committed to the project, which will increase Madagascar's power supply by 15% through the **Imaloto** power plant.²⁸ The power plant will be located at the mine-mouth of the coal deposit and is expected to be completed by 2021.²⁹ Lemur also hopes to conclude coal offtake agreements with third parties to provide early cash flow opportunities, though the project will be sustainable by supplying coal to the power plant.³⁰ Lemur Resources signed a 30-year power purchase agreement with Jirama in November, which was a statutory precondition to receive a concession for the power project.³¹ Lemur Resources is co-developing this project, as well as a 200 kilometre transmission line with **China** state-owned hydropower and construction company, **Sinohydro**.³²

... while Bass Metals re-starts graphite production

Australia-based **Bass Metals Ltd** concluded the first stage of recommissioning of its **Graphmada** large flake graphite mine on 4 April, allowing Bass Metals to begin production once again.³³ The Graphmada mine will produce 6,000 tonnes per annum (tpa), up from a 1,500tpa of graphite prior to the refurbishment.³⁴ All of the 2018 production has been pre-sold to offtake parties,³⁵ including **Europe**-based **Possehl Erzkontor GmbH & Co**, which signed a contract for 3,000tpa of graphite until 2020.³⁶ Bass Metals will continue to work towards the second stage of its recommissioning, which will allow it to produce 20,000tpa of graphite.³⁷ Bass Metals will also develop a third stage for expandable graphite to target the flame-retardant, foil, radiation shield and electromagnetic pulse markets.³⁸ According to Bass Metals chair, **Rich Anthon**,

²³ www.imf.org

²⁴ www.imf.org

²⁵ Mining Weekly, 5 Apr 2018.

²⁶ Proactive Investors, 5 Apr 2018.

²⁷ Mining Weekly, 5 Apr 2018.

²⁸ Mining Weekly, 5 Apr 2018.

²⁹ Mining Weekly, 5 Apr 2018.

³⁰ Mining MX, 6 Apr 2018.

³¹ Mining Weekly, 5 Apr 2018.

³² Mining Weekly, 5 Apr 2018.

³³ Small Caps, 4 Apr 2018.

³⁴ Small Caps, 4 Apr 2018.

³⁵ Small Caps, 4 Apr 2018.

³⁶ Small Caps, 4 Apr 2018.

³⁷ Mining Weekly, 4 Apr 2018.

³⁸ Small Caps, 4 Apr 2018.

“The successful recommissioning is timely and enables the company to take immediate advantage of the strong market conditions of tightening large flake graphite supply and mounting demand.”³⁹

The news of the commissioning pushed Bass Metals stock, which is listed on the **Australian Securities Exchange**, up 13%.⁴⁰ According to **Baillieu Holst** analyst, **Warren Edney**, Bass Metals will generate operating cash flow of \$8.3m in 2019, increasing to \$19.7m in 2020, of which net profit will be \$14.8m.⁴¹ The Graphmada mine has four large flake deposits that have an estimated 382,000 tonnes of contained graphite.⁴²

Rajaonarimampianina may use these success stories to illustrate how bullish Madagascar’s mining sector is at the moment, particularly with his announcement that new permits will be issued (see above). The question now is whether the government has the political capital necessary to issue licences to larger foreign companies, such as Chinese companies, despite the expected pushback from opposition parties and the population who see foreign companies as exploitive (see *ARC Briefing Madagascar January 2018*).

Planner

Nov-Dec 2018 (**Madagascar**) Scheduled presidential and parliamentary elections;

Chronology

5 Apr 2018 (**Madagascar**) *Mining Weekly*. **South Africa**-based **Bushveld Minerals** states that its feasibility study for the integrated thermal coal mining and independent power project is progressing;

4 Apr 2018 (**Madagascar**) *MiningMX*. **Australia**-based **Bass Metals Ltd** concludes the recommissioning of its **Graphmada** large flake graphite mine, allowing Bass Metals to begin production once again;

28 Mar 2018 (**Madagascar**) *IMF*. An **International Monetary Fund** team completes its third review of **Madagascar**’s economic reform programme;

20 Mar 2018 (**Madagascar**) *News24*. A tropical storm kills 20 and affects 19,000 in northeastern Madagascar;

³⁹ Small Caps, 4 Apr 2018.

⁴⁰ Proactive Investors, 4 Apr 2018.

⁴¹ Proactive Investors, 4 Apr 2018.

⁴² Small Caps, 4 Apr 2018.