

AFRICA RISK CONSULTING

Madagascar Monthly Briefing July 2018

Madagascar Summary 25 July 2018

Prime minister Christian Ntsay announces that the first round of presidential elections will take place on 7 November and the second on 19 December. The energy ministry plans to reduce the cost of electricity from \$0.26 per kilowatt hour (kWh) for power sourced by oil and diesel, to just \$0.14 per kWh for solar power. Partially state-owned airline Air Madagascar and its strategic partner, Reunion-based Air Austral, sign a memorandum of understanding with Kenya-based partially state-owned airline Kenya Airways to add Nairobi's Jomo Kenyatta International Airport as its third strategic hub. Unidentified assailants kidnap five state-owned mining company Kraoma employees from their residence in Tsaratanana, roughly 240 kilometres north of Antananarivo.

Prime minister Christian Ntsay schedules first round of elections for 7 November

The prime minister, **Christian Ntsay**, announced on 28 June that the first round of presidential elections will take place on 7 November and the second on 19 December.¹ Ntsay made the announcement in an address to the national assembly. He stated that,

*"A transparent and free election is our main priority."*²

Madagascar has experienced several weeks of protests over the upcoming elections and the government's inability to pass the necessary electoral laws. This led the **Haute Cour Constitutionnelle (HCC)** (high constitutional court) to order President **Hery Rajaonarimampianina** (2014-present) to dissolve the cabinet of former prime minister **Olivier Mahafaly Solonandrasana** and appoint a new prime minister, which he did on 4 June (see *ARC Briefing Madagascar June 2018*).

The announcement of the election dates should help to reduce political tension ahead of the elections and after the previous turmoil. The presidential election is likely to be a three-way race. Former presidents **Andry Rajoelina** (2009-2014) and **Marc Ravalomanana** (2002-2009) have both stated they will contest the elections. Rajaonarimampianina has yet to officially declare he is contesting the elections. An **Antananarivo**-based political analyst remarked that

*"...people are getting tired of these three main runners. The race will be between them even though other candidates will show up."*³

However, there are still doubts over Ravalomanana's eligibility to run for president due to his legal issues stemming from the 2009 coup. An **Antananarivo** court convicted Ravalomanana in absentia for the killing of protestors on 7 February 2009 when presidential guards shot into a crowd.⁴ The court sentenced Ravalomanana, then in exile in **South Africa**, on 28 August 2010 to forced labour in perpetuity.⁵ Ravalomanana disputes the charges. Despite rumours that he may be arrested (see *ARC Briefing Madagascar January 2018*), there has been no action in this regard.

In addition to the three main candidates, several other candidates may enter the race, including:

¹ Ventures Africa, 29 Jun 2018.

² Ventures Africa, 29 Jun 2018.

³ Source, political analyst, Antananarivo.

⁴ RFI Africa, 10 Jan 2018.

⁵ RFI Africa, 10 Jan 2018.

- **Jean Ravelonarivo**, prime minister from 17 January 2015 to 13 April 2016. He is reportedly close to Rajaonarimampianina despite Rajaonarimampianina forcing Ravelonarivo to resign;⁶
- **Omar Beriziky**, prime minister from 2 November 2011 to 16 April 2014 under Rajoelina;⁷
- **Jose Vianney**, former permanent representative to **Paris (France)**-headquartered **United Nations Educational, Scientific and Cultural Organization (UNESCO)** and the husband of former President **Didier Ratsiraka's** (1975-1993, 1997-2002) eldest daughter, **Olga**;⁸
- **Erick Rajaonary**, owner of fertilizer company, **Guanomad**;⁹
- **Rivomanantsoa Orlando Robimanana**, former director-general of the treasury;¹⁰
- **Roland Ratsiraka**, nephew of former President Ratsiraka.

However, none of these has formally submitted his candidacy for the presidency. Even if this happens,

*"...it might be more for show than for them to actually compete against the big three."*¹¹

With regard to the three main runners, a government ministry source says the winner is hard to predict:

*"If Hery [Rajaonarimampianina] is elected, it would not be in a clean way. I think he and Andry [Rajoelina] may be playing a [Russian presidents] Putin-Medvedev game where they pretend to fight each other but really are working together. Ravalomanana has support but it still is not 100% certain that he will be allowed to run because of his legal issues."*¹²

Madagascar is in dire need of long-term political stability to help its economy recover. Political crises have prevented any meaningful economic reforms from being able to take place as the next government inevitably puts an end to them. Political parties also need to accept the electoral results rather than try to take power via a coup, which would hurt the economy as investment and aid retreats as in 2009. The upcoming elections are not only important for Madagascar's young democracy, but are vital if the country's economy is to continue to grow.

Madagascar plans to use solar power to reduce costs and increase access to electricity

Madagascar's energy ministry plans to reduce the cost of electricity from \$0.26 per kilowatt hour (kWh) for power sourced by oil and diesel, to just \$0.14 per kWh for solar power.¹³

Rajaonarimampianina has pushed for more solar projects, particularly independent solar grids that do not require new infrastructure, as a way to improve Madagascar's dire energy situation.

Rajaonarimampianina has made access to energy a policy priority for his government and aims for 75% of Madagascar to have access to energy by 2032 (see *ARC Briefing Madagascar January 2018*).

Madagascar has great potential for solar power. According to the **Africa-EU Renewable Energy Cooperation Programme**, the country receives more than 2,800 hours of sunlight per year.¹⁴ The government plans to use part of the \$40m credit from the **International Development Association** received in June to finance more solar power projects. State-owned utility company, **Jiro sy rano Malagasy (Jirama)**, will receive financing to upgrade its dispatch centre and automation systems to improve the quality in electricity supply, as well as allow the integration of various renewable energy projects (see *ARC Briefing Madagascar June 2018*).¹⁵

⁶ Source, political analyst, Antananarivo.

⁷ Source, political analyst, Antananarivo.

⁸ Source, political analyst, Antananarivo.

⁹ Source, political analyst, Antananarivo.

¹⁰ Source, political analyst, Antananarivo.

¹¹ Source, political analyst, Antananarivo.

¹² Source, government official, Antananarivo.

¹³ Energy Digital, 7 Jul 2018.

¹⁴ Energy Digital, 7 Jul 2018.

¹⁵ World Bank, 14 Jun 2018

Several new initiatives have helped to support Madagascar's solar revolution. First, **France**-based water, waste and energy company, **Veolia Environnement SA** announced on 11 July that it was renewing its support for Madagascar-based nano-grid developer, **Nanoé Développement**, to produce smaller solar grids which deliver power to four to six households.¹⁶ The grids use mobile prepayment so users can purchase daily access to electricity depending on their needs.¹⁷ Nanoé Développement trains rural entrepreneurs who can build and operate the grids.¹⁸ Veolia initially supported Nanoé Développement in early 2018 to connect 300 homes and have increased support to reach 1,000 grids and 100 entrepreneurs by the end of 2018.¹⁹ Second, the **Ambatolampy 20** megawatt solar park came online in June 2018 and will start selling power to Jirama.²⁰ France-based developer, **Green Yellow**, began work on the project in June 2016 and it was completed five months ahead of schedule.²¹

However, there is still a long way to go to replace thermal power stations and hydropower plants as the country's main source of electricity. The government has not put all of its energy dependency on renewables. It signed a 30-year concession on 4 July with South Africa-based energy company, **Bushveld Minerals**, for the **Imaloto power project**.²² Bushveld will supply Jirama with energy from the coal-fired power plant, starting with a 60 megawatt project.²³ However, renewable energy, such as solar and wind, will be key to expanding the electricity network into rural areas, of which only 5% have access to electricity.²⁴ In particular, smaller micro- and nano-grids can be used to supply renewable and affordable energy to households in the short term to improve the standard of living and the business environment where the feasibility of power infrastructure is still not possible.

Air Madagascar partners with Kenya Airways for hub on African mainland

Partially state-owned airline, **Air Madagascar**, and its strategic partner, **Réunion**-based **Air Austral**, signed a memorandum of understanding on 20 July with **Kenya**-based partially state-owned airline, **Kenya Airways**, to add **Nairobi's Jomo Kenyatta International Airport** as its third strategic hub.²⁵ In addition to using Nairobi as a hub, the airlines will explore the possibility of codeshare flights from the **Indian Ocean** islands and the **African** mainland.²⁶

The Nairobi hub is Air Madagascar's first new business venture since Air Austral became its strategic partner in November (see *ARC Briefing Madagascar November 2017*). In terms of the partnership agreement, Air Austral committed to investing \$40m in Air Madagascar.²⁷ Air Austral has not released its long-term strategy for Air Madagascar, though a connection to mainland Africa should help to increase visitors and flights to Madagascar. With the new partnership, Air Madagascar hopes to reach an annual 6.5% increase in production, 4.5% increase on the rate of return and a turnover of \$420m.²⁸

The MOU may, however, inhibit **Mauritius**-based airline, **Air Mauritius'** plans to form a new regional alliance with Kenya Airways, **South African Airways** and **RwandAir**. Air Mauritius was in consultations with the other airlines in mid-July, which would allow all involved airlines to take advantages of "*much needed economies of scale*"²⁹ and improved shared services and knowledge

¹⁶ Renewables Now, 12 Jul 2018.

¹⁷ Renewables Now, 12 Jul 2018.

¹⁸ Renewables Now, 12 Jul 2018.

¹⁹ Renewables Now, 12 Jul 2018.

²⁰ PV Magazine, 26 Jun 2018.

²¹ PV Magazine, 26 Jun 2018.

²² Shares, 4 Jul 2018.

²³ ESI Africa, 4 Jul 2018.

²⁴ www.energypedia.com

²⁵ Ch-aviation, 20 Jul 2018.

²⁶ Ch-aviation, 20 Jul 2018.

²⁷ Air Transport World, 10 Oct 2017.

²⁸ Journal du Cameroun, 10 Oct 2017.

²⁹ Ch-aviation, 16 Jul 2018.

transfer.³⁰ It is unclear whether the MOU will scupper these plans. If Air Mauritius is happy to include the so-called 'Vanilla Alliance', which includes Air Austral, Air Madagascar and **Comoros**-based **Int'Air Iles** as part of its plans, the regional alliance may yet go ahead.³¹

Mining firm employees kidnapped

Unidentified assailants kidnapped five employees from Madagascar-based state-owned mining company **Kraoma** on 23 July, the latest in a line of kidnappings in Madagascar.³² The employees were abducted from their residence in **Tsaratanana**, roughly 240 kilometres north of **Antananarivo**.³³ The assailants have reportedly asked for a large ransom for the return of the workers.³⁴

Madagascar has had a surge in kidnappings targeting the wealthy **French-Indian** community. Over 110 members of this community have been kidnapped since 1991.³⁵ Hostage taking has happened in waves in Madagascar, despite arrests of organised hostage rings in 2003,³⁶ and does not seem to be slowing down in the short term. Currently, there is a higher risk for individuals of French-Indo-**Pakistani** origin who are born in Madagascar (referred to as **Karana**).³⁷ Organised hostage rings have yet to target foreign employees. The risk remains low for foreign employees, but this may change as organised hostage rings gain more experience and think they can gain higher ransoms from larger international corporations.

Companies with foreign and local workers should be aware that there is a risk of kidnapping and should take necessary precautions. Workers should remain aware of their surroundings, alter their daily schedules to prevent any planned abductions, and travel in convoy when moving in unknown areas. The abductions do not appear to be opportunistic, so workers should be vigilant that they are most at risk during their daily routine, particularly as they are departing or arriving from their home or place of business.

Planner

7 Nov 2018 (**Madagascar**) Scheduled parliamentary and first round presidential elections;
19 Dec 2018 (**Madagascar**) Scheduled second round presidential elections;

Chronology

20 Jul 2018 **Antananarivo (Madagascar) Ch-Aviation**. **Air Madagascar** and strategic partner, **Air Austral**, sign MOU with **Kenya Airways** to add **Kenya** as third strategic hub;

12 Jul 2018 **Antananarivo (Madagascar) Renewables Now**. **France**-based water, waste and energy company, **Veolia Environnement SA** renews its support for Madagascar-based nano-grid developer, **Nanoé Développement**, to produce small solar grids;

4 Jul 2018 **Antananarivo (Madagascar) Shares**. **South Africa**-based mining company, **Bushveld Minerals**, signs a 30-year concession agreement for the **Imaloto** power project with state-owned utility, **Jiro sy Rano Malagasy (Jirama)**;

29 Jun 2018 **Antananarivo (Madagascar) African Ventures**. Prime minister **Christian Ntsay** announces that the first round of presidential elections will take place on 7 November and the

³⁰ Ch-aviation, 16 Jul 2018.

³¹ Ch-aviation, 16 Jul 2018.

³² The East African, 24 Jul 2018.

³³ The East African, 24 Jul 2018.

³⁴ The East African, 24 Jul 2018.

³⁵ The East African, 24 Jul 2018.

³⁶ BBC, 15 May 2003.

³⁷ www.allan-assoc.com



second round on 19 December;