

Tuesday, September 1, 2015

Madagascar keeps investors’ confidence

Madagascar has not been without its challenges in recent years, but is working with investors to turn its fortunes around with a far-reaching National Development Plan

The fourth-largest island in the world, the beautiful sub-tropical island of Madagascar sits in the Indian Ocean 400 km off the southeastern coast of Africa.

With a landmass of around 5,000 sq. kilometers, precious mineral resources, including oil and gas, and cash crops in the form of sugar, oil, palm oil, biofuels, high-value fruits, rice, cocoa, vanilla, coffee and tea, the country is bursting with potential.

With Malagasy, French and English the main languages spoken, and a pro-business president at the helm, the country is looking for investment to help it harness its riches through capital-intensive energy and infrastructure projects that will bring the stunning island into the 21st-century sustainably.

With extreme poverty affecting more than half of the country's 23.2 million population and acute regional inequalities, the President of Madagascar Hery Rajaonarimampianina has an arduous task on his hands.

But with a strategic development plan and sustainable growth goals marking the broad strokes of change, the authorities are determined to conquer the beast of poverty and help Madagascar seize its potential.

With a reshuffled cabinet and a raft of new directives that includes good governance, justice reforms, disaster management — the country is prone to cyclones at certain times of the year; the preservation of macro-economic stability, inclusive growth, territorial development and widescale training for local people, Madagascar is looking to marry its potential with inward investment.

The main growth areas that have been highlighted include: infrastructure and transport,



Hery Rajaonarimampianina
President of Madagascar

mining and energy, finance, ICT, tourism, fishing and agriculture.

Relations between Japan and Madagascar are at an all-time high. The countries share many cultural similarities and there is a sense of deep respect for the Japanese work ethic and values. Madagascar is eager to learn from Japan's impressive expertise in many areas, and would like to replicate its success.

But first there's work to do, as President Rajaonarimampianina readily acknowledged:

“The level of cooperation with Japan is at an historic high-point. We have discussed investments in several different areas.”

Hery Rajaonarimampianina, President

“We have put in place urgent projects to increase education so that children who were out of school are now attending. Children in every region are being given food in the school canteens and mothers are being strongly encouraged to send their children to school.

“We have built new classrooms and hired properly trained teachers and developed mater-

nal and child health programs and basic health centers for immunizations.”

“In terms of the economy, we have already started to build roads and dams. We recently opened a large dam in the south that was funded by the African Development Bank. There are also new road infrastructures, funded by the European Union, the World Bank, as well as many other investors. The European Investment Bank is also helping us with infrastructure, road and energy projects.

“The biggest challenge today is to strengthen what we have already achieved economically and socially and to consolidate growth and stability and develop the business environment, which was once fragile, but is now improving. The important goal is to create a strong middle class, which will drive the development of this country.

“Within Malagasy culture, Japan has always been a country that fascinates us with its development. It is a small country in terms of area, but the largest in terms of development. The



General view of Antananarivo, with the Queen Palace at the top of one of the many hills surrounding the city

investments in key sectors. The economic and political relationships [between the two countries] was reaffirmed, and the results are promising — there is a real will from both sides to move forward within the framework of cooperation. For example, the composition of the Japanese delegation consisted of business people from different sectors interested in Madagascar.

“The level of cooperation with Japan is at a historic high-point. There are already talks of extending the port of Tamatave, and that is a big investment that Japan is interested in.

“Since then, we have discussed several other investment areas, such as mining, and infrastructure in the field of fisheries and agriculture. These are all indicators that show the relationship is strong and positioned for further development in the future.

“We are going to use all our



Jean Ravelonarivo
Prime Minister

efforts to secure the business environment in Madagascar and foster political and economic stability, because it is still fragile. This is something we on build day by day.”

Despite the challenges, Madagascar's economy still grew by 3 percent in 2014 and should pick up in 2015 and 2016 as gov-

ernance and business climate reforms take effect, alongside buoyant extractive industries, agriculture and tourism. GDP growth is predicted to grow at 4 percent, with a 1.2 percent growth in GDP per-capita. Next year's GDP is slated to reach 5.1 percent with a 2.3 percent

practice.

“The National Development Plan set up by the President of the republic has a clear vision: to make Madagascar a prosperous and modern nation, strong and transformed.

“To restore a country that has experienced an unprecedented

“The most significant decision I've made during my mandate is to legislate against rosewood trafficking.”

Jean Ravelonarivo, Prime Minister

growth in GDP per-capita.

Prime Minister Jean Ravelonarivo said: “The most significant decision I made in the first four months of my mandate is to legislate against rosewood trafficking. Through the efforts of experts, with support of the World Bank and my determination, we can put this law into

crisis for five years, it is not easy, but we are committed and fully ready to develop Madagascar according to international rules.

“We are ready to welcome investors and several laws and measures have already been adopted. We can finally say that Madagascar is open to all development partners, to all strategic

partners and foreign investors. We have many opportunities in the mining sector, in natural resources and of course in agriculture. Investors can be sure that we are proposing partnerships that are secure, modern and beneficial to everyone involved.”

“The CCAP (Plan-Country Action Program) was signed between the Ministry of Economy and Planning (government coordinating agency for monitoring CPAP) and UNDP. The CPAP (2015-2019) was developed through a participatory approach involving government ministries, private sector representatives and civil society organizations.

“Madagascar can improve its growth rate (5 percent forecast by the macroeconomic framework) if the start of the big mining investments, such as the extraction of limonite by the “Toliara Sands” project or the operation of the coal deposit site Sakoa is effective from this year.

To emphasize that the trend is already positive in the extractive industry, this sector is the main contributor to GDP, with 3 percent in 2014 to a projected 7.4 percent in 2019.

If there is one sector that will boost the entire economy, it is infrastructure. It was completely dilapidated after the 2009 crisis. We have established a framework of priority infrastructure projects that are expecting funding from our partners for development.

“In June, the President inaugurated the biggest irrigation dam of Madagascar, Bevoay-Ankillaoka in the southwest of the island. This work should enable irrigation to 5,000 hectares of rice fields in Lower Mangoky, with a 60,000 ton annual production objective.

“This fabulous wealth must be protected to be better valued: we have reached the target of 94 protected areas for 2015. We invite tourists to travel to Madagascar in respect of this biodiversity.”

Ambitious growth targets set for 2015

Former World Bank specialist and new Minister of Finance François Marie Maurice Gervais Rakotoarimanana talks to Global Insight

GI: You are now six months into your mandate. Prior to your role as minister of finance you were a finance management specialist with the World Bank for 11 years. Please discuss your experience and how your role with the World Bank prepared you for your current role as Madagascar's finance minister.

My job with the World Bank was to assess the financial management systems of state projects and also evaluate the financial management of the country. When we talk about financial management of a country, we talk about what happens at the level of finance to political budget material, government income and spending, both at the Treasury level and at the level of the Central Bank.

Thanks to that experience, I have a good view of what it means to run a Ministry of Finance, so the work involved in this appointment is not unfamiliar

in relation to the experience I had with the World Bank.

GI: What is your vision for Madagascar's financial sector?

In the financial sector, the problem is that the population does not really have access to financing. There is insufficient access to funding and so what we must do is to improve access to financial services products. This is extremely important because it would allow small businesses to develop; SMEs, not only in the tertiary or industrial sectors, but especially in agriculture.

At the moment, people who want to create something are handicapped by the fact that they cannot access funding to carry out their projects. This is crucial because with almost 75 percent of the Malagasy population working in agriculture we must give them access to funding so they can develop businesses. The second point of my vision is

to evaluate and strengthen the regulations and supervision of the financial services sector to avoid potential problems.

GI: The president has highlighted the importance of SMEs to boost Madagascar's growth by creating a middle class. What are you currently doing to help increase access to financing for SMEs?

SMEs also create more jobs, so obviously we will have to try to find ways to develop them. The first problem is funding. There are people who want to undertake enterprises; they have the know-how, but the problem is with the financing.

Trying to make the financing more accessible is the key feature we have to improve. That's really important. We must help to develop the SMEs by also strengthening their management capacity so that they can improve productivity.



François Marie Maurice
Gervais Rakotoarimanana
Minister of Finance

This would be the best way to improve business management because not all potential leaders have the proper business training. We also need to provide the opportunity for SMEs to export because Madagascar actually exports some products that truly represent Madagascar.

We have products of incredible quality specific to Madagascar that would be of interest to foreign countries. We must therefore try to overcome the problems of financing and busi-

ness training, which would allow SMEs to grow and expand.

GI: What progress has been made in relation to the National Development Program?

In this context, it would be better to focus on the microfinance sector. The goal here is to try and have a penetration rate superior to 25 percent. Microfinance companies already exist both in our capital of Antananarivo and in some other regions of the country, but not enough. We will have to further intensify their efforts to try to multiply these microfinance companies to really help people who are outside of Antananarivo, to find ways of funding to meet their needs in terms of investment needed to develop their small businesses.

Another important point in the short term, is to strengthen the foreign currency assets in the financial sector, promote security based lending and also see how the Central Bank will really be able to play its part and so we can have more confidence in its role.

GI: What do you anticipate as the biggest challenges and obstacles you will have to face?

Madagascar is a vast country, and so there is a problem of communication and difficulty in reaching the more isolated areas of the country. Secondly, it is a challenge to secure the finance sector and provide access to financing in rural zones that is necessary to extend the financial sector to isolated regions. These are two challenges that we will have to overcome.

GI: In our report on Madagascar last year, we spoke about the enormous potential of all of Madagascar's sectors. For this year's edition, the president has identified priority sectors for Japanese investors and partners. Why should they invest in Madagascar?

There is great potential in Madagascar; in the mining sector, the energy sector, in agriculture — specifically in agribusiness — while there is a full range of opportunities in tourism. These are all priority sectors that can attract investors

to come to Madagascar, not least the different natural resources we have in mining and marine resources. There is a lot of potential, but it remains unexploited.

So what is missing here? It lacks the funds to exploit these areas, and for this, we must find investors.

In order to attract investors, they must be confident that

Investors need to have a good view of the situation here in Madagascar.

So within this context, we try to collaborate with the International Monetary Fund to actually improve the Malagasy economic framework.

We need to enhance the Malagasy economy while working to maintain stability in

“Investors need to be confident that the investment climate is secure and stable: we are working with the IMF to improve the framework.”

François Marie Maurice Gervais Rakotoarimanana
Minister of Finance

the investment climate of the country is secure and stable.

Madagascar is a peaceful country. The problem is that there are some politicians who are afraid of reform and that do not support true democracy and who seek to achieve their personal interest in detriment of the general interest.

Secondly, we must maintain macroeconomic stability.

the future so that investors can have good long-term visibility. Another important point is the establishment of a healthy business climate, it has to attract investors.

Once we have attracted investments, we must have also an agreement within this framework for all investors who come to Madagascar so that they feel secure in the long term.

Investors eye Madagascar’s natural resources

Foreign investors ready to proceed with key projects in the country’s vast natural resource development program, which will benefit the nation

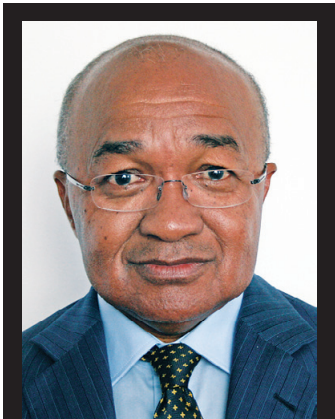
A new phase in energy has also begun with the appointment of Horace Gatien as the new minister of energy and hydrocarbons this year. With only 15 percent of the population having access to electricity, and businesses suffering from power cuts, President Hery Rajaonarimampianina is facing up to the problem and tackling it head on. To get around the immediate lack of infrastructure, the multinational mining companies have built their own power stations, while a growing number of small businesses are investing in generators simply to meet their own energy needs.

The need for a more dependable energy supply could not be more pressing if the mineral rich country wants to meet its growth and development targets.

There is however light at the end of the tunnel. Madagascar boasts a huge potential for hydropower which has yet to be harnessed and could go a long way to solve the problem of bringing power to the rural population, which is a staggering 80 percent of Malagasy people, and where only 4.7 percent currently have access.

At present, there are around 19 MW worth of small-scale hydropower projects being carried out by corporations such as Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), which supports the Rural Electrification Agency (ADER) in planning small-scale hydropower projects and implementing these in cooperation with private operators and investors.

GIZ has been working on behalf of the German Federal



Joëli Valérien Lalaharisaina
Minister of Mining and Petroleum



Horace Gatien
Minister of Energy and Hydrocarbons

Ministry for economic cooperation and development in Madagascar since 1982. A total of 35 Malagasy and 11 German or international experts are currently working there.

GIZ is mainly concerned with environmental policy, and the protection and sustainable management of natural resources.

Six large hydropower plants (the biggest with an installed capacity of two-times 30 MW) provide the largest portion of the electricity production. Hydropower in general provides approximately 68 percent of the country’s electricity; the rest is produced by close to 100 diesel power plants.

No less than 300 sites have been identified to exploit the fast flowing water Madagascar has and harness this exciting potential.

Silver linings

With almost every part of Madagascar enjoying around 2,800 hours of sunshine a year,

there is also enormous potential for solar energy in the country. French-owned Tenesol has been installing solar-powered pumps for cleaner water and assisting the country with various electrification projects since 1997, but there are many opportunities for Japanese investors.

Madagascar also has the one of the highest potentials for wind power among African countries as well as some potential for biomass.

With the government having set targets of 75 percent of electricity generation and 54 percent of final energy from renewables by 2020, Horace Gatien, minister of energy and hydrocarbons explained the new developments and possible openings for capital-rich investors.

“There are big efforts underway to extend electricity to the rural population, which is of course essential if we want to develop rural regions economically,” he says. “At the moment, only 4.7 percent have access to

electricity, but we will reach 6 percent by the end of the year.

“Access to electricity is especially urgent when we speak of the rural population. It will transform their daily lives, and if we want to stimulate development in rural regions, we must bring electricity to them.

“We are poised to raise the access and penetration of electricity from 14 percent to 50 percent by 2030, and are very optimistic about achieving this target, especially since there has been reignited interest from technical partners, because of course progress cannot be achieved in darkness without electricity. Secondly, availability of a regular supply of electricity in sufficient quantities is a prerequisite for industrial development and therefore for the economic growth of the country.

“The biggest obstacle is the issue with our national company (Jirama) struggling to pay oil suppliers on time because investors will hesitate to come if there is no guarantee of payments or energy. We must assail Jirama’s finances so that investors know their payments are guaranteed as well.

“Investors can also work with us in areas of the country that Jirama does not cover. The law authorizes private investors to produce, transport and supply electricity. Madagascar’s potential is enormous and waiting to be exploited. Besides that, the laws are favorable to private investment. Since 1999, the law has allowed private companies to produce and distribute electricity. Private investors can obtain an authorization to carry out these operations.”



Sapphire mining in Ilakaka

In January this year, the Malagasy people took to the streets to protest against the increased blackouts that in the end caused the government to resign. “We have a blockage situation because of the unavailability of energy,” Gatien acknowledged. “Soon we will provide sufficient quantities of energy at competitive prices, and then we

mining and petroleum, things are definitely moving in the right direction.

As he told *Global Insight*: “The impacts of the long crisis that the country has just gone through were acutely felt in the sectors of mining and hydrocarbons. Activities were affected by the blockage of procedures for granting permits and licenses, as well

unnoticed by the state, which currently aims to make these sectors the main drivers of its economic program.

“As minister to the presidency of mines and petroleum, I have a responsibility to implement a revitalization policy of mining and oil activities around a vision founded on twin principles. These are the valuation of natural resources to meet the needs of the present population without compromising the interests of future generations, and the equitable redistribution of wealth for all communities across the country.

“Our recovery program requires an active partnership with the domestic private sector, foreign investors and professionals, international technical and financial institutions, local artisans, Malagasy technicians and local communities in the regions.

“My ministry staff and myself are committed to our role as facilitators and regulators with

transparency, objectivity and professionalism, all for the sole interest of the country.”

Lalaharisaina has in-depth knowledge of the geographical distribution of oil and natural gas reserves in Madagascar and years of experience working in the government on leading and administrating oil and gas development. He is excited to be working with Japan.

“The Japanese have come to see for themselves the situation in Madagascar, to meet the Malagasy leaders and to get information. As we do with all potential investors who come to visit us, we showed them our willingness to provide the information they need.”

Experts estimate that out of the 600,000 square miles that make up Madagascar, half of the island is covered by the heavy oil-rich sedimentary basins of Morondava, Majunga and Ambilobe.

“We offer foreign investors everything they need: good fiscal conditions, security for their investments, and the quality and quantity of natural resources.”

Joëli Valérien Lalaharisaina, Minister of Mining and Petroleum will be able to see rapid industrial and mining development. Madagascar has huge mining potential, but extraction also requires a lot of energy.” For Joëli Valérien Lalaharisaina, minister of

Modernizing infrastructure for better connections

With financial support from investors and international institutions, Madagascar’s transport links are ready for an upgrade

Developing Madagascar’s infrastructure and transport network remains one of the most important and pressing priorities for the current administration.

Madagascar’s economic future will essentially depend on the transport sector. The president of Madagascar has emphasized on several occasions that a better transport system will contribute to the development of the country. To this effect, the government has established the following objectives:

- The decentralization of construction and maintenance work, and
- The maintenance of a 15,000-kilometer priority network linking the major economic regions.

It is obvious that rapid development cannot be achieved if certain regions of the island remain isolated.

Although it is improving by the day, the lack of reliable road and rail networks negatively impact the movement of goods and people.

Agricultural products contribute 70 percent of total exports in Madagascar and the sector employs over 80 percent of the country’s population, so if road and rail networks are properly rehabilitated and developed now, other sectors will be boosted as a result.

With a better road system, for example, the cost of rice and other food products would go down with the knock-on allowing Madagascar’s rural population that spends a disproportionate amount of its income on



Jacques Ulrich Andriantiana
Minister of Tourism, Transport and Meteorology



Iarovana Roland Ratsiraka
Minister of Public Works

rice to instead spend money on education or other products.

Infrastructure and transport development have the biggest potential to really change Madagascar’s situation by facilitating the development of other key sectors.

Air transport

Air transport remains one of the main ways of moving about the island, even though it is quite expensive and sometimes unreliable. There are estimated to be 134 airports — 29 with paved runways and 104 with unpaved runways. Around half of these airports are open to public transport, 12 of which are administered by ADEMA, Airports de Madagascar and 45 of which are run by civil aviation and other operators.

Currently, the flights in and out of Madagascar are dominated by Air France since Air Madagascar has an Annex B rating, preventing it from flying into European

air space, which has caused Air Madagascar strikes recently.

ADEMA has a vision of creating an Airport City, the goal for 2035 is to have 4 million passengers and to make sure the eight principal airports are up to international safety standards by 2019.

Rail transport

A concession contract was finalized in 2003 and MADARAIL was created as a local company, to exploit the northern network for 25 years with an investment program (road and material) estimated at \$35 million, to which the European Investment Bank will take a significant share.

Although the terrain makes railway building difficult and expensive, there are four main railroads, all publicly operated, covering 893 km (555 mi). These run from Toamasina to Antananarivo, with a branch from Moramanga to Lake Alaotra; from Antananarivo



to Antsirabe; and from Fianarantsoa to Manakara on the east coast.

Road transport

Madagascar’s road system is 25,500 kilometers long and consists of 5,500 kilometers of asphalted roads and 20,000 kilometers of secondary roads. One of the present government’s main priorities is road construction.

Madagascar’s road network is not very dense. Though extensive, it remains in a precarious state and is highly vulnerable to natural disasters, especially cyclones.

Since the national road network is extensive, but not interconnected; any disruption within the network automatically cuts off access to whole regions of the country.

Road transport is very fluid on the main axes. There exists an important fleet of private merchandise haulers and passenger

transporters.

Ports

Madagascar has five principal ports at: Antsiranana, Mahajanga, Toamasina, Toliara and Port d’Ehola (Tôlanaro). The country’s principal cargo port is Toamasina Autonomous Port. There are at least 13 other ports, engaged mainly in coastal trade.

As the Minister of Tourism, Transport and Meteorology Jacques Ulrich Andriantiana told *Global Insight*:

“Tourism, transport and meteorology are important sectors for the economic and social development of Madagascar because of their cross-cutting role in creating income-generating related activities and participation in the strengthening and stabilization of economic aggregates such as employment and the balance of payments.

“To this end, it is important to undertake reforms in order to consolidate and improve the

interventions of all stakeholders in the said sectors.”

The Department of Public Works, headed by Iarovana Roland Ratsiraka, minister of public works launched a tender for the N4 linking Talatamaty Mahajanga with a budget of \$7 million.

- The tender will also be launched shortly for NR1.
- The N7 undergoing maintenance and to soon reach completion, which is the country’s primary highway from Antananarivo to Tulear in the southwest coast of the country crossing seven regions.
- To ensure sustainability of the work, Ratsiraka, announced increasing fines for drivers who violate the tonnage allowance of 13 tons per axle.

“We have sensitized the truckers that their vehicles should not exceed 25 tons and tonnage accepted is 13 tons per axle. If these parameters are not met, they must pay a fine that will

be increased from next year. Fines collected through three-axle weighs recently acquired will be used to finance road construction.

- Rebuilding of the R9 (southern Madagascar).
- Building a new bridge to replace the 100 year old Kamory Bridge on the N4.

Japanese connections

The Japanese development agency JICA this year approved the following infrastructure developments in the country.

- The Project for Construction of Bypass of National Route N7
- Project for Construction of Access Roads in the South Area of the Capital.
- Feasibility Study on Toamasina Port Development.

In response to the latter, JICA has published the following:

“Madagascar established the Madagascar Action Plan (MAP) in 2006, and the government agencies realize its environmental conservation effort through the General Policy of Government (PGE).

“Now the government conducts the Environmental Program (PE) together with the World Bank and other donors, and is practicing phase three (PE3) of the program. In addition, the president has decided to establish 5 million hectares of new protected areas, in which 1 million hectares is expected to be marine protected areas. Toamasina has been Madagascar’s most important seaport since the 1930s. A lot of employees are working for the port and some of them come fishing to Point Hastie Reef to make up for their daily livelihood, as they suffer from low wages. They catch fish by setting nets, or by line and pole at low

tide.

“They could come fishing to the reef after completion of the reclamation because more than half of it will be left untouched as it is although approximately 15.5 hectare will be reclaimed.

“Since the local fisherman catch fish by setting a net or by hand around the west side of Grand Reef, there should be little impact on fishing even if the breakwater is extended up to the Grand Reef and the water channel between the port and the reef is closed.”

The Japanese have been fishing in Malagasy waters since the 1950s, attracted by sumptuous lobster, crab and shrimp. All are popular worldwide for their flavor and many international companies have established farms of this kind on the west coast of the country.

The main challenges are over fishing, illegal methods and the disappearance of mangroves, home to an important number of species, but the government is addressing this. A spokesman in the fishing ministry said: “The Japanese, supported by the Japanese government, bring a lot of support for accompanying measures in traditional fishing. They set up expensive infrastructures, such as refrigeration machines and freezers: all of which will help us with exports.

“Today, in this country, in terms of fisheries resources, there are big opportunities in breeding such as the establishment of farms.

“All species can exist here and this is the advantage of Madagascar is that we have mangroves, with a high rate of salinity, we have a climate that is pretty near the average temperature on the coast.”



ICT is one of the most promising areas for private sector growth



The island of Nosy Be, home to a pilot technology program

Enterprise on the lips of every official

Dynamic and eager for more private sector-led growth, Madagascar has the drive and business to attract investors and stand on its own two feet

GI: You are now more than six months into your mandate. What are your main short and long-term goals?

The Ministry has a mission to establish a New General State Policy for the development of industry and the private sector. The main objective is to make the private sector and the industrial sector the main motors behind economic growth, so that by 2019, it will contribute 25 percent of GDP. The short-term goals are to instil investor and donor confidence for both national and international investors and improve the business climate so that Madagascar is ranked in the top 80 Countries for Doing Business Index by 2020.

To do this, the United Nations Conference on Commerce and Development is working with Economic Development Board of Madagascar in order to review our investment policy to permit local businesses to invest and reinvest, to establish codes for industry and a national entrepreneurship strategy.



Narsion Rafidimanana
Minister of Industry and Private Sector Development

We will also put in place a Technical Committee for the Orientation of the Entrepreneur Program, as well as a National Council for Industrial Development. We will promote young entrepreneurship in schools and universities as well. Another short-term goal is to revitalize societies such as SIRAMA in Brickaville and Nosy Be that make up 2,000 jobs with help from the state.

In the long run, we will transform the structure of the economy so that industry is a significant contributor to Madagascar's GDP. We will transition from being an economy that is weak in terms of value-added products, to an industrial sector based on hi-tech. Also, we will incentivize the private sector to invest in new zones of the country and in new products with the goal of reducing regional inequality.

GI: What do you believe are the greatest obstacles?

The biggest obstacles we face are weak infrastructure such as poor roads and lack of electricity. Also, with the present conditions, we have difficulties in being up to international standards in terms of know-how, sanitation and phytosanitation.

Another weakness is the level of education, which is a major factor currently blocking entrepreneurial growth. Of course, lack of investment and financial support is also an obstacle to the goals mentioned above.

GI: Despite these obstacles, Madagascar does have enormous potential, which continues to attract the attention of Japanese investors and international investors. Why should they invest in Madagascar?

Madagascar is the last frontier for investors looking for new investment opportunities. It is the world's fourth-largest island, and strategically located in the Indian Ocean so that it can serve Asian, African, European and even American markets. We have a young labor force, and the government's new pro-business mentality guarantees that the environment will be progressively more business friendly with a goal of accelerating economic growth. Madagascar presents opportunities for export industries, such as in mining, but also for internal consumption with a local market of 22 million people

GI: What are the best opportunities for investment and public-private partnerships that you

want to communicate?

Madagascar is a land of wealth with a lot of potential, notably in the sectors of Tourism, Agribusiness, ICT, Mining, light industry and infrastructure.

Last year, thanks to the islands endemic diversity, the Great Island was named as the second out of 10 best countries to visit. Many types of tourism exist for visitors, and many remain to be developed; ecological tourism, beach, sports and adventures, as well as world-class sites that have already been identified and now only wait to be developed.

Madagascar's vast size means that it possess a varied topography that is favorable for different types of climates, notably tropical and temperate. Vast terrains are available for significant agribusiness projects. The Exclusive Economic Zone of Madagascar also allows for the development of fisheries.

In the ICT sector, since 2009, Madagascar has connected to the rest of the world via a fiber optic cable. The development of call centers and BPOs are also experience an increase which means that we can expect to see growth in this sector in the coming years. Madagascar is among

the countries where the connection speed is among the fastest in Africa at a competitive cost. Many multinationals are now exploring the mining and petroleum resources. Madagascar's land contains many other natural resources and materials for which the demand continues to grow steadily on local, regional and international levels.

The light industry sector is dominated by textiles thanks to

must be rebuilt. The ports, airports, roads, everything needs investment. The Great Island equally possesses unexploited opportunities in energy; hydro, wind, solar, geothermal, biomass etc and the energy demand is far from satisfied.

A law will be put into place concerning PPPs that would favor the development of investment projects in infrastructure, and in general sectors as well. The pro-

Compared to the same period one year ago, we have seen an increase in the number of societies created in the industrial sector. We have done this by facilitating authorization and permits for enterprises.

In order to boost the private sector and allow for successful future developments, we are prioritizing putting in place a Private-Public Dialogue, establishing a green line, facilitat-

“We will transform the structure of the economy so that industry is a significant contributor to GDP and incentivize the private sector to invest in new zones and new products to reduce regional inequality.”

Narsion Rafidimanana, Minister of Industry and Private Sector Development

the recovery of activities following Madagascar's reentry into AGOA. Malagasy workers are known for their dexterity, which leads to the production of high quality materials and articles. Agroindustry is equally ready for development considering the enormous potential in agriculture; in farming, fishing and aquaculture.

In terms of infrastructure, Madagascar is a country that

motion of public-private partnerships as part of the revitalization of companies with help from the state like the stimulus projects of SIRAMA and ADEMA which are currently being finalized.

GI: The President has stressed the importance of developing the private sector to create a solid foundation for the country's growth. What progress has been made since last year?

ing procedures for setting up businesses, “de-materializing” procedures and formalities, establishing a National Council for Industrial Development, elaborating an Innovation Strategy and establishing a guarantor fund.

In the future, we are also looking to put in place a National Entrepreneur Strategy, as well as entrepreneurial support across various regions.

Entering the digital age, one tablet at a time

Tablets and TVs in schools are just one part of Madagascar's far-reaching plan to bring technology to the people

For progress to occur, the very least a country needs is good communication, not just in structural terms, but also in what will help businesses connect with their clients within the country and with those outside.

It is also imperative for children's access to learning, especially in today's digital climate.

For a country that is geographically remote, both internally and externally, Information and Communications Technology is of prime importance for development purposes.

Often hailed as the final frontier, due to its untapped wealth of lucrative resources, Madagascar needs technology to develop its industries and its people.

According to the latest data from the International Telecommunications Union on Madagascar, which was published in 2013, the country is currently massively underserved in all areas of telephony and Internet.

Just 3.6 percent of the population has Internet access at home, and only 3.7 percent of the population has a computer at home.

Mobile penetration shows more positive results, with 36.1 out of every 100 inhabitants having a mobile subscription. But, as with everything on the



André Neypatraiky Rakotomamonjy
Minister of Posts, Telecommunications and New Technologies

ground in Madagascar now, there is a plan in place to bring the country up to world-class standards.

The government has prioritized ICT in schools and is also working hard to create the investment climate needed for ICT companies to set up shop in Madagascar.

Minister of Posts, Telecommunications and New Technologies, André Neypatraiky Rakotomamonjy spoke to the *Global Insight* team in Madagascar to explain his vision for the sector and the exciting opportunities that will make a real difference to the country and its people.

GI: What are the latest

advances in Madagascar's ICT sector and what progress has been made since 2014? What are the most important projects that you would like to highlight?

Since 2014, the ministry has been able to roll out all the regulations and decrees that will regulate the telecommunications sector in Madagascar.

In March this year, the Regulatory Authority for Communications Technology (ARTEC) was set up. It is worth noting that this board of seven people includes four from the private sector and three from the administration. The chairman of the board is also from the private sector.

It is the consequence of the will of the government to provide a secure environment

“The telecom sector has always advanced here, which proves operators are confident about us.”

André Neypatraiky Rakotomamonjy
Minister of Posts, Telecommunications and New Technologies

for the sector and it is with this in mind, we have focused on upgrading the regulatory aspect.

With regards to upcoming projects, the slogan within our ministry is “Digital for All.”

There is still a large digital gap in Madagascar, due to the differences in purchasing power.

Students, pupils and even administrative staff do not have access to ICT. Since last year, however, we have acquired 5,000 tablets to make them available to the Ministry of National Education.

This is being done at school level, and so far, 80 schools have benefited from these digital tablets. It is a three-year partnership with the Ministry of Education and the tablets are from Samsung. This year we will continue this partnership and next year, too.

We also have a partnership with the Ministry of Technical Education and Vocational Training. Last year they were provided with 1,000 Huawei tablets and we will continue this over the next two years. The ultimate goal is to give schools universal access to ICT.

with digital TV with integrated USB drives.

Major moves are also under way in terms of operators and connectivity to Africa and the BRICS.

If we talk about the telecoms industry in general, the lungs are of course the operators. We are finalizing the tender specifications for Orange and Airtel because their licenses expire this year — the regulatory authority is dealing with this as we speak.

We also have the compliance of all the other operators who are already licensed and that are not expiring any time soon, such as Telma and BlueLine. As technology rapidly advances, the state is working out the necessary regulations.

We are now benefiting from a fair environment for everyone, because the legalities are clear and the regulatory authority is already in place. The peculiarity of our framework is technological neutrality, meaning we are legislating for 2G, 3G and 4G.

GI: What steps has your ministry taken to improve the telecommunications network? Last year, we continued to open up regulated areas and now we could open thirty new sites. At the same time we are negotiating for fibre-optic connections with Maillots and Comoros. This is a project with the World Bank, a partnership between



Ministries are working together to bring technology to the classrooms

the Comorian State, Orange and Telma. We are also negotiating for a submarine cable between Madagascar and Mauritius. These are the projects for 2015 and 2016.

We have two cables at the moment (operated by Telma and Orange) and our goal is to become the hub of the Indian Ocean.

We are well positioned geographically between Africa and other Asian islands. And we can't forget about the cable project BRICS that will pass south of Madagascar. We are continuing to increase the telecommunications network hand in hand with the operators. A major project that we started this year is happening in the island of Nosy Be. This island was declared a “Pilot

Digital Island.”

The island has a special status, and as we speak, it is setting up a fiber-optic network. Digital TV was launched on Nosy Be in June and in July we launched the implementation of the Data Center. By next year the island will be digitized.

With our vision Digital for All, we will cover all Madagascar in the next five years.

GI: What are the investment opportunities in the sector, in particular for Japanese investors?

We have very good engineering schools in Madagascar. The Ministry itself supports three departments in universities in three cities: two for telecommunications and another for

computer engineers.

In terms of human resources, one can say that Madagascar is ahead of all the islands and is among the best in Africa. With regards to investment, Madagascar is a large island that also has competent human capital and it provides a perfect opportunity to outsource many companies installed currently in Mauritius or Reunion.

Since the release of these regulations we talked about, investments are secure. All investors can now have a visibility in the short, medium and long term in relation to their investments.

The telecom sector has always been advancing, which is proof that these operators were confident about the telecom sector in Madagascar.

The new frontier for international investments

Foreign investors can visit Madagascar in September to see for themselves how new mining and petroleum codes will tighten up procedures and bring the ultimate incentives

Since the first deposits of bituminous sandstone was discovered in Bemolanga in 1909, Madagascar has been a magnet for oil and mining companies.

And those that make the decision to invest in the world's fourth-largest island will deal with OMNIS—Office des Mines Nationales et des Industries Stratégiques — the public company in charge of the mining and oil sector that holds the key for international investors looking to develop their activities within Madagascar.

With 38 years of experience in the oil-field business, OMNIS representatives tap into their own significant resources to regulate and manage international investment, and organize bids and strategy. The institution represents the state in negotiations with the oil companies, as well as assure the monitoring and control of their endeavors.

To date, 16 oil companies have signed 23 production-sharing contracts with OMNIS, including 12 onshore and four offshore, and some of the world's biggest names in oil production, including Exxon-Mobil and TOTAL are present in Madagascar, reflecting the growing interest of major oil companies to the island.

In fact, since it was established in 1976, OMNIS has created partnerships with a stream of major international oil companies, including Mobil, Oxy, Amoco, Agip, Shell, Maxus, BHP, Hunt Oil, Triton, Gulfstream, Vanco, Norks Hydro, Sterling Energy, Vuna Energy and ExxonMobil .



Bonaventure Rasoanaivo
General Manager, OMNIS

With new Petroleum and Mining Codes now close to being unveiled, the advantages of which are detailed in the article, below, Madagascar plans to issue three onshore and up to 50 offshore exploration blocks this year.

The positive move as part of President Hery Rajaonarimampianina's plan to woo foreign investors and alleviate poverty which deepened after the 2009 coup when the economy slumped. The World Bank and other donors have since re-established ties and resumed aid flows.

International forum

In another positive move, the Energy Exchange will host its first ever International Forum on Madagascar Mining & Petroleum.

Partly sponsored by OMNIS, the forum will give interested parties the chance to understand the Ministry of Mines and

Petroleum's plans to develop the nation's extractive industries. The minister will open the forum with an address on the country development plan preparing Madagascar for international investment and updates on the petroleum and mining codes.

According to the forum's publicity, Madagascar invites investors to:

“Submit a strategy to enter Africa's final frontier by understanding how to do business in Madagascar, and take this opportunity to establish connections with the nation's ministry, map Madagascar's vast potential, appraise Madagascar's rich geology, and find out if you can partner with existing companies in Madagascar to exploit it;

“Overcome the challenges to successful E&P in Madagascar;

“Review the latest technologies to commercialize heavy oil, operate in difficult terrain and work within Madagascar's stringent environmental guidelines in our exhibition showcasing the latest solutions for mining and oil projects;

“Understand Madagascar's ratified petroleum codes;

“The ministry near the presidency in charge of mining and petroleum is currently revising the nation's petroleum codes to make extraction in Madagascar more attractive to international operators;

“Take the necessary steps to start production in Madagascar;

“Maximize commercial return on heavy crudes;

“Assess all the latest technolo-

gies for extracting, recovering, producing and selling heavy oil in our on-floor technical seminars. Use these seminars to educate your local workforce and within often changing economic guidelines.”

Robert Estill, CEO of Madagascar Oil, the first company to start production drilling in the nation, will analyze the commercial development of the first field of magnitude of Madagascar.

The view from OMNIS

Meanwhile, the general manager of OMNIS, Bonaventure Rasoanaivo, sat down with *Global Insight* to discuss the recent changes.

GI: What does a country need to attract international investors and strengthen their role in the region ?

Bonaventure Rasoanaivo (BR): The first thing is political stability, which we have. We are dedicated to good governance, transparency, accountability and integrity building in order to control corruption.

Secondly, investors need competitive legal, regulatory fiscal terms and conditions and a sense of national security.

There needs to be freely available data for all upstream activities, which we have in Madagascar, and an environmental protection policy in place.

Investors also need local and experienced geoscientists, engineers and technicians' support with skills and capacity; and a



Mining and petroleum contracts will see the economy soar

good management program for petroleum exploration and production activities. Madagascar offers excellent hydrocarbons potentiality of sedimentary basins which are unexplored.

GI: What makes Madagascar interesting for in international investors ?

BR: We work in cooperation with international consultants in order to attract foreign investments by means of promotion activities, to develop hydrocarbon resources potential exploration and production comprising the following tasks but not limited to :

- Use of hardware and software materials support for modern and innovative petroleum promotion;
- Data input and publication;
- Capacity in marketing and seeking for investors;

- Put information for interested parties online, including license round, general fiscal terms, notice on invitation of tender, information on block to be auctioned, format of bid submission etc;
- Investor contacts for presentation and/or reception for data room visit ;

and in what fields/sectors can Japan be involved?

BR: The Malagasy government is striving to put in place favourable conditions to make easier economical exchanges, partnership and accelerate investments toward Madagascar.

We would therefore like to strengthen the cooperation

“The partnership with Japan will help the country establish its capacity in oil and gas resource management in a responsible manner.”

Bonaventure Rasoanaivo, GM, OMNIS

- Presentations of road shows and organizations of private meetings;
- Tabulate all pertinent feed-backs during the event

GI: What kind of partnerships

between Madagascar and Japan that has been existed for many years.

For the hydrocarbons sector, and in particular upstream activities, the partnership will focus on helping the country to

establish its capacity in oil and gas resource management in a responsible manner.

The program tries to insure bilateral cooperation in energy matters comprising, but not limited to the following:

Technical: comprehension of resources on behalf of appropriate technologies and training;

Financial: responsible management of the revenue of hydrocarbons sectors;

Legal: integration of good international practices in hydrocarbons sector, in legislation and regulation;

Program management: insure the good governance and transparency for the benefit of national economy development;

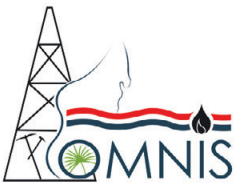
Environment: environmental nature and personnel (HSE) protection face to oil and gas exploration and production activity impact.

Trusted partner of the world's leading oil companies

With a revised Petroleum Code for 2015 based on Good Governance and Transparency, and with 260 offshore and 40 onshore blocks shortly to be opened up to bidding from interested international oil companies (IOCs), Madagascar's Oil and Gas industry is set to be a driving force of the country's economic growth.

OMNIS (Office des Mines Nationales et des Industries Stratégiques) is charged with promoting partnerships between the government and IOCs.

As the reference point for Oil and Gas companies wanting to take part in the development of the sector, OMNIS will continue, as it has for the last 40 years, to ensure the creation of incentives and competitive environments for investments, and access to up-to-date exploration data to allow for easy and reliable prospect appraisal.



OMNIS BP 1 BIS – Rue RazanaKombana
Ambohitovato, Antananarivo 101, Madagascar
Tel: +261 20 22 354 91 / 242 83
secdg@omnis.mg
www.omnis.mg



Under closer inspection

Madagascan officials are offering unprecedented information about the changes

With the new petroleum and mining codes about to be unveiled, we reveal the advantages for investors, based on an extract comments from the Commercial Law Department Program (CLDP), the U.S. Commercial Department and local petroleum upstream activities association, APPAM issued by CLDP/Energy Law on June 22, 2015.

Below is the incentive criteria basis to attract FDI .

Petroleum sector:

- Fiscal charge relief
 - Making less strict requirements with regards to national market supply
 - Flexible terms and conditions of local content
 - Creating good governance and transparency
 - Clear description of complete cycle of the concatenation of different contracts, necessary mining title for hydrocarbons exploration and production in Madagascar
 - New provisions for exploration and production of non-conventional gas and other solid minerals apart hydrocarbons that can be discovered in the same petroleum block
 - More realistic and consequent stress on local content, corporate social responsibility that have been attributed to petroleum contracts
 - Taxation based on oil sold per barrel instead of oil produced per barrel
 - No additional tax on benefit
 - No environmental tax.
- Items currently in discussion with different stakeholders include:
- Estimates of IRR before start-

ing negotiation according to the requests of international oil companies association operating in Madagascar

- Complex multiple approvals of contracts to be adopted and mining titles to be granted, such as:

- i) Hydrocarbons investigation contract;
- ii) Hydrocarbons exploration and production contract;
- iii) Contracts for construction and exploitation of pipeline system for hydrocarbons transportation;

Invest Madagascar will present to the public of Madagascar the social and economic benefits of the oil and mining industries.

iv: Mining title for each of the following steps:

- Hydrocarbons reconnaissance
- Hydrocarbons exploration
- Hydrocarbons exploitation
- Hydrocarbons transportation;
- Contracts and mining titles shall be approved by decrees.

Mining sector:

Overview of the actual situation and predictions:

- Improvement of mining activities management in small and large-scale mining
- Participation of the state in mining exploitation projects
- Generate public perception that the state exerts control on national mineral resources
- Regrouping all mining industries within the realms of the Extractive Industries Transparency Initiative (EITI)

•The International Forum on Madagascar Mining and Petroleum: 23-25 September

2015. Main activities during the event (with the participation of OMNIS) will include eight topics that will be discussed, the details of which are listed below:

1) Madagascar as the new frontier for investment:

- Country development plan preparing Madagascar for international investment
- Investing in Madagascar's economic development for long-term rewards

2) How best to build strategic partnerships:

- Necessary partnerships to optimize operations in the extractive industry in Madagascar

3) How to map Madagascar's petroleum resources:

- Assessing the latest exploration data to find potential drilling sites
- Demonstrating Madagascar's vast oil potential from the latest seismic data

4) Heavy oil extraction

5) How to best do business in Madagascar:

- Conducting reconnaissance, exploration and mining within Madagascar's constitutional law
- Aiding the contribution of the extractive industries to economic prosperity and political stability

6) Creating an ideal landscape for oil and mining exploration:

- Setting up operations in a new country with an immature oil and gas market
- What the drivers and inhibitors of financing petroleum and mining projects in Madagascar are

7) Identifying potential drilling prospects:

- Learning from the successful development of Madagascar Oil's Tsimiroro Development Plan
- Overcoming the challenges to developing existing oil blocks
- Managing and mitigating risk before commencing drilling procedures

8) Workshop:

- Understanding and operating within Madagascar's tax regimes

Meanwhile, Invest Madagascar will be on the seminar stage with the aim of attracting the general public and students of the oil and mining industries, as well as engineers and technicians.

The agency will present to the public of Madagascar the social and economic benefits of the oil and mining industries, as well as showcasing the latest in extraction technologies through the following series of short presentations:

- Oil 101
- Mining 101
- Local content strategies and training and skills development programs
- Preserving the environment and its biodiversity
- Social investment and social responsibility

This report was produced by Global Insight and can also be read online at: www.japantimes.co.jp/international-reports