



MADAGASCAR

On the road to stability and development

With its return to the international scene, 2016 stood out as a key year for Madagascar and 2017 is forecasted to be the country's year for reconstruction

There is no question that Madagascar made progress in 2016, as highlighted by the Malagasy President, Hery Rajaonarimampianina: "Looking back at 2016, we can really talk about political, social and economic achievements, as demonstrated by the strengthening of our relations with donors and the hosting of world-class summits which, in turn, helped consolidate the country's stability." At the Francophonie and COMESA summits, the country hosted more top international representatives than ever before. Furthermore, the successful 'Donors and Investors Conference for Madagascar' held in Paris resulted in record funds (10 billion USD) being promised to the country. With 6.4 billion USD of the total coming from international funding agencies, it is clear that the private sector has also pledged extensively to contribute to Madagascar's development.

2017: A year for reconstruction

Although Madagascar has the resources necessary to become a leading African nation, it has lacked the means to turn these resources into a sustainable source of income and growth. However, the country has now been given the means to rebuild itself. The Malagasy Prime Minister, Olivier Mahafaly Solonandrasa-

na, stresses, "We aim to achieve a growth rate in GDP of 4,5%, and we believe that our current policies will help us reach this goal in 2017. We are trying to attract investors by improving the business environment. We are a country blessed with resources of wealth, but we cannot claim that we can achieve our goals without external aid." The government will be investing the funding into specific sectors. Agriculture will be at the forefront, a sector which 80% of the population depends on. Others sectors that will play an important role in the country's growth include infrastructure, energy, livestock, fishing and tourism.

The Malagasy government is currently implementing initiatives to favor investment into the country – it has made significant progress with regards to public finances, including the improved collection of taxes, and in modernizing a number of the country's public companies. Eric Razafimandimby, the Malagasy Minister of Public Works says, "2017 is a year of stimulus and continuity. At the level of the Ministry, we will strengthen road quality controls, increase partnerships to raise the funding required, through agreements between the private sector and public authorities. Our priority is to encourage investors to

work with us." There are already a number of US companies working with Malagasy partners, such as Caterpillar, Ford and Symbion Power, who have all chosen to do business with local players, and Groupe Star, Coca-Cola's oldest partner in the world dating back to the 1950s, is the leading beverage manufacturer and distributor in the country.

Sara et Cie is a Malagasy company specialized in working with international donors. As a leader in construction, the company is a prime example of a Malagasy business that managed to survive the 2009-2013 crisis period, during which it lost 80% of its turnover and was close to bankruptcy. Sara et Cie's strategic turnaround was triggered by foreign direct investment which had a tremendous impact on the company, and has since led it to become a reference in the eyes of international institutions investing in Madagascar. The company particularly seeks to build partnerships with US counterparts, in order to buy technologies that will help Madagascar develop its infrastructure. Sara et



Hery Rajaonarimampianina
President of the Republic
of Madagascar

Cie's Managing Director, David Ranaivo, believes foreign investors would benefit from working with local partners: "If foreign investors choose to do business in Madagascar, they have a vested interest partnering with Malagasy local companies which, whatever the situation, will always be present in the country. Sara et Cie has existed for more than 50 years in Madagascar, and foreign companies regularly request partnering with us." He says that this shift should happen as soon as possible: "What we need is an acceleration of the process, so that the donors concretize new projects with



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the Malagasy State, and that private foreign investors return as quickly as possible to Madagascar.”

The Société du Port à gestion Autonome de Toamasina (SPAT) has also made successful PPP agreements with international partners. The government authority is responsible for three quarters of the maritime trade on the island and in charge of managing and modernizing the Toamasina port, Madagascar’s most important gateway to the Indian Ocean. The Japan International Cooperation Agency (JICA) has been the principal investor in the development of this port and this year it will be launching a plan for its extension, which will enable port traffic to increase five-fold upon completion. The port has become the largest provider of jobs in Toamasina, Madagascar’s second largest city, accounting for more than a third of the total employment. Christian Eddy Avellin, Managing Director of SPAT emphasizes, “The Indian Ocean is becoming a major hub, so we need to take advantage of this strategic opportunity... It is the PPP that brought us where we are today. PPPs create win-win situations: the private sector gets the required return on investment, and at the same time the infrastructure development benefits the country and the population.”

Other key PPPs in Madagascar include projects with the Swiss group SGS, which provides world leading inspection, verification, testing and certification services, and with one of its subsidiaries, Gasynet, which played an important role in the modernization and digitalization of trade in the country.

To help concretize the initiatives presented during the Paris Conference and to support foreign investors with the launch of new projects in the country, BMOI, a subsidiary of the French bank BPCE, stands as a partner of choice for top companies, institutions and high-end clients wanting to settle in Madagascar.

The bank provides value-added services such as mobile and online banking, and is the first bank in Madagascar to be ISO 9001:2015 certified on all of its banking operations. BMOI’s Managing Director, Alain Merlot, is truly optimistic about the country’s potential and says that the Malagasy economy is on the verge of accelerating drastically: “The potential of Madagascar has existed for a long time, and everyone is convinced: the question that arises is not why Madagascar has not developed, but when the country is really going to take off, because this is inevitable.” With regards to the Paris Conference he says, “The promises have started to be realized in 2017, primarily those involving the budget releasing. Despite the crisis, the Malagasy economy was able to resist mainly due to a resilient private sector. The injection of these funds from donors will have a very important multiplier effect.”

Developing the mining sector

With gold, nickel, cobalt, chrome, sapphires and rubies, and new projects foreseen in uranium, Madagascar has extensive mining potential. The government has made notable progress in enhancing the ease of doing business in this sector and according to the Malagasy Minister of Mines and Oil, Ying Vah Zafilahy, “We are in the process of finalizing a new mining code and we will establish a mining observatory to ensure better traceability. All relevant ministries and governmental bodies at a provincial and regional level should be involved so that we can guarantee that the extracted resources benefit the population of Madagascar.” The government’s overall objective is to ensure a sustainable exploration, which will benefit future Malagasy generations, whilst ensuring that the environment is protected. Zafilahy says, “Madagascar is a blessed country in terms of biodiversity, and we all know that open pit mining

has a great environmental impact. However, the mining code that we are going to ratify in the near future attaches great importance to the protection of environmental and social resources.”

BCMM has managed mining permits, administration fees and the distribution of taxes for decentralized territorial authorities in Madagascar for 16 years. The state-owned company is a central platform for the Malagasy mining business. With its overall goal to turn Madagascar into a destination for mining projects and investments, the company works to improve the synergies between public authorities and mining companies across the country, promote the interests of the mining sector and enhance mining investments.

In 2016 it issued almost 10,000 licenses. BCMM’s General Manager David Ratsimbazafy says, “2017 is a pivotal year as several companies will move from the research stage to the exploration stage, particularly in the field of graphite and rare earths”. He adds, “We believe that in the longer term, the exploration of five major mines in the

country will strengthen the contribution of the mining sector to the economy, which to date amounts to 2% of GDP. By 2018, the share of the mining sector is expected to reach 12-15% of GDP.”

In 2017, BCMM will achieve a major milestone with the opening of its new Mining Business Center, set up to facilitate investments, communication and interaction between mining stakeholders. All of the Malagasy mining administration structures related to mining operators will now be gathered on one site and the Mining Business Center is expected to become the gateway to mining investments in Madagascar, as well as a platform for trade and exchange with domestic and foreign companies in the sector. This is bound to increase the potential for the forging of partnerships with companies and international operators. Ratsimbazafy says, “Thanks to this new business center, BCMM is able to accompany investors in all back office procedures, throughout the whole value chain (research, exploitation, exportation, etc.), and even help them set up a company under Malagasy law.”



BCMM: A platform for trade and exchange

The Mining Business Centre is a public mining entity managing extraction licenses. We are a platform for trade and exchange for mining operators, serving as a central meeting point for investors and for forging local and international partnerships.



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An improved climate for oil investments in Madagascar

Madagascar is exploring and exploiting oil blocks to boost economic development and strive towards energy independence, spearheaded by OMNIS

In the words of the President of the Democratic Republic of Madagascar, Hery Rajaonarimampianina, “Madagascar is a country under construction, if not reconstruction. So, there are infinite economic and social opportunities.” Oil exploration in the country is currently a booming sector. Madagascar was ranked 2nd place in Africa’s top destinations for oil and gas investments at the inaugural Africa Oil and Power conference in 2016, the purpose of which is to facilitate investment and turn the spotlight to Africa, arguably the world’s most overlooked oil and gas region. Madagascar’s reputation for its petroleum and mineral resource potential is certainly grow-

ing steadily, and it is achieving the increased interest from foreign investors that it desires.

Mining in the hands of OMNIS

The Malagasy state agency, OMNIS (The Office of National Mining and Strategic Resources), was created in 1976 to promote and exploit strategic natural resources and extractive industries across Madagascar. Oil exploration has a long history in the country, dating back to 1900 with the dripping of shallow wells at Tsimioro and Bemolanga. OMNIS has been managing, developing and promoting Madagascar’s petroleum and mineral resources for the past 40 years, and is responsible for

Point of View



Bonaventure Rasoanaivo
Managing Director
OMNIS

FP 1976-2016: How has OMNIS developed?

BR For 40 years, OMNIS has worked towards developing strategic natural resources in Madagascar. Since its foundation in 1976, it has undertaken several studies on the country’s strategic mineral soils and analyzed the potential of resources such as uranium and crude oil.

FP What are OMNIS’ key priorities?

BR OMNIS intends to carry out new studies of Madagascar’s basins and resources. We hope that these studies will increase Madagascar’s potential. In addition, several seismic studies have already been carried out, and we actively encourage potential investors to use the data made available.

FP With 20 out of 200 potential oil blocks having been explored, how will new investors be attracted to increase exploration further?

BR OMNIS, in consultation with all concerned entities, is currently working on the reform of the petroleum code. Once this code is adopted, OMNIS will start promoting and issuing calls for tenders for the unexplored oil blocks. OMNIS will focus on providing incentives to attract investors, and on providing technical and administrative assistance. As soon as the revised oil code gets the official go-ahead, we intend to launch a bidding campaign for 40 additional offshore blocks.

FP Do you see Madagascar becoming an oil-producing economy in the future?

BR The various exploration works that have taken place in Madagascar since 1900 attest to Madagascar’s oil potential. The continued arrival of new companies also supports this potential. There is therefore no reason why Madagascar should not become an oil-producing country in the years to come; perhaps not as big a producer as the OPEC member countries, but with considerable potential nevertheless.



100,000 to 150,000 barrels per day is anticipated (Block 3104 Tsimioro)

upstream oil sector and strategic mining products. OMNIS’ overall mission is to enact Madagascar’s petroleum and mining policy and in turn contribute to the development of a prosperous nation.

Four years after the foundation of OMNIS, the first oil code was adopted in 1980. Over the years, the company has acquired seismic data and drilled wells, often in collaboration with partner companies. Its first discovery of gas was in 1987 in West Manambolo in the Morondava basin. In 1996 a revision of Madagascar’s oil code led to the signing of a number of new oil contracts. Since then there have been various international companies succeeding one and another in the field of oil exploration in the country. With the aim of increasing investment into Malagasy oil sector, a revised oil code is on process.

The great Malagasy subsoil

The potential for further oil exploration in Madagascar is vast. The Great Red Island has five sedimentary basins, covering an

area of 820,000km², with a strong hydrocarbon potential. Yet, the oil system is under-explored, and today there is only one oil well for an area of 10,000km². The basins are very similar to those recently uncovered in East Africa, where oil and gas were discovered in Mozambique and Tanzania. Geophysical prospecting companies are currently leading speculative surveys to demonstrate exploration possibilities, and the data will

be sold to companies interested in investment.

OMNIS celebrated its 40th anniversary in 2016, and its successes to date are widespread, with heavy oil and dry gas among them. At the start of 2017, 13 international oil companies were working on 20 offshore and onshore oil blocks. The exploration work has reached an advanced stage and, as a result, many have been granted a license extension.

Heavy oil represents one of the biggest successes in the country’s oil exploration history. Following the discovery of an oil deposit, a commercial authorization was granted in 2014 for Block 3104 Tsimioro, which has a certified reserve capacity of around 1.7 billion barrels. Production is expected at 6,000 to 10,000 barrels per day, which will be dedicated to local consumption. In the long term, a production of 100,000 to 150,000 barrels per day is anticipated for exportation. As a result of this success, a 25-year exploitation license has been granted, which has

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2016 Africa Oil and Power conference

area of 820,000km², with a strong hydrocarbon potential. Yet, the oil system is under-explored, and today there is only one oil well for an area of 10,000km². The basins are very similar to those recently uncovered in East Africa, where oil and gas were discovered in Mozambique and Tanzania. Geophysical prospecting companies are currently leading speculative surveys to demonstrate exploration possibilities, and the data will

led Madagascar to enter the exclusive list of oil-producing countries. The future output of heavy oil will contribute to the development of the Malagasy economy, allowing the country to reduce imports and save on foreign exchange.

Developments in dry gas are also underway. In 2012, high-quality dry gas was discovered 2900m deep in the South West region. A deposit of around 20bn m³ was also discovered in the south, for which



Seismic operations

a feasibility study for the electrification of the region is currently in progress. Once an advanced stage of this development is reached, it is expected that the gas produced will provide sufficient energy for all of Madagascar.

Fostering partnerships

Today, Madagascar Oil is OMNIS' most advanced exploration partner. Created under Malagasy law in 2004, the company operates on major oil blocks such as the Tsimiroro Block 3104, which is currently in its heavy oil pilot production and sale phase and has approximately 160,000 barrels in stock.

OMNIS highly values the formation of partnerships with international oil and mining companies. For more than 40 years, the company has sought to diversify

(ONHYM) visited Madagascar for the Malagasy hosted 2016 Francophonie Summit. Moroccan experience in the field of mining and oil is evident, and ONHYM identified OMNIS as a partner of choice, which led to the signing of an agreement between the two counterparts.

This is one example of many to come: several US companies have also already expressed their preference for some of the future oil blocks.

Sustainable development

OMNIS' future prospects include the assessment of the oil potential of sedimentary basins. The company and its partners continue to study and evaluate oil blocks by reprocessing past data to highlight the current configuration of the

“OMNIS, in consultation with all concerned entities, worked on the reform of the petroleum code. We are now promoting and issuing calls for tenders for the unexplored oil blocks.”

Bonaventure Rasoanaivo, Managing Director, OMNIS

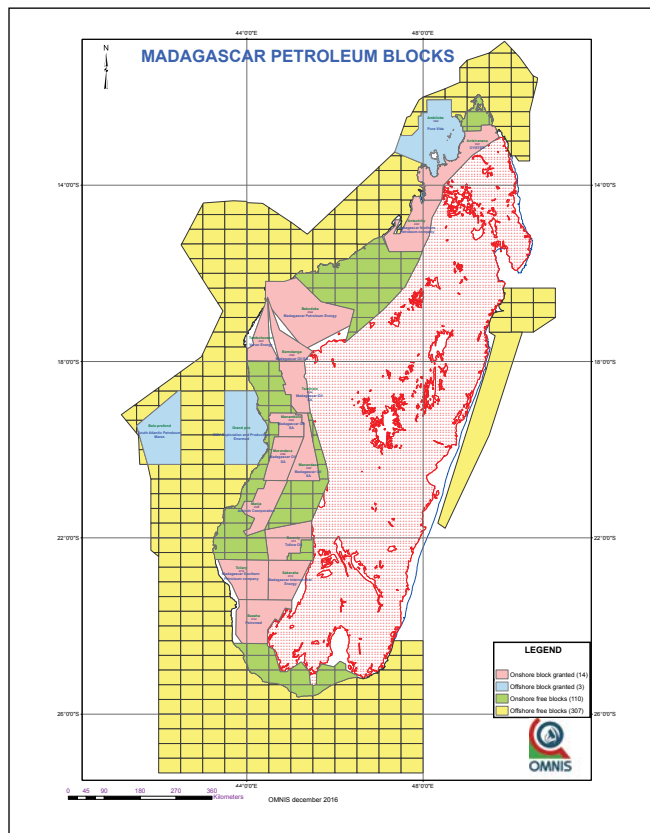
its partnerships with entities from all over the world. According to the President of the Democratic Republic of Madagascar, “Looking back at 2016, we can really talk about political, social and economic achievements, as demonstrated by the strengthening of our relations with donors and the hosting of world-class summits, which in turn, helped consolidate the country’s stability.”

Last year, the Moroccan National Office of Hydrocarbons and Mines

subsoil. Efforts are focused on offshore basins that are known to present high potential and have already been subjected to exploration analyses. Geophysical service companies will be contracted for seismic data acquisitions. Looking ahead, the overall objective is to establish good governance and transparency and ensure for the sustainable development of Madagascar, whilst safeguarding the interests of the Malagasy people.

Opening the doors for increased investment

The Malagasy mining hydrocarbons code is being revised to facilitate foreign investment into the sector



The Malagasy government set out clear objectives for 2017: The Malagasy Prime Minister Olivier Mahafaly Solonandrasana said “We aim to achieve a growth rate in GDP of 4.5%, and we believe that our current policies will help us reach this goal.” The revised version of the mining and hydrocarbons code aims to improve the conditions for exploration and exploitation of hydrocarbons to facilitate FDI and offer incentives to potential investors. The Prime Minister adds: “We are convinced that foreign investment is key to ensuring the growth of Madagascar.”

Director Bonaventure Rasoanaivo emphasizes that “the objective of the revised oil code is first and foremost to implement an incentivizing law that encourages investors to come to Madagascar.”

According to Ying Vah Zafilahy, the Minister of Mines and Oil, “Our objective is to ensure a rational and sustainable exploitation for future generations... The code attaches great importance to the protection of environmental and social resources.” The Minister adds: “We encourage foreign companies to participate in the tender offer we will be launching.”

OMNIS is continually carrying out studies of Madagascar’s basins and potential resources in the aim of attracting increased foreign investment. Managing

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