

# **REPORT OF THE INTERNATIONAL ADVISORY PANEL**

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## ***Executive Summary***

Madagascar's protracted political crisis, now 3½ years long, is inflicting staggering costs on the country. A decade of economic growth has been lost. Over the past four years: (i)-per capita income has declined to its 2003 level; (ii)-acute child malnutrition has increased in some parts of the country by over 50 percent; and (iii)-over half a million more children are not attending school. Without a rapid return to significant, sustained and inclusive economic growth, national progress on poverty reduction can be nothing more than a distant hope.

Even in this dismal situation, there are indicators of new opportunities at diverse levels. Nationally, these include increasing investments in and the longer-term potential of the natural resources extractive sector. At the Anosy regional level, positive spin-offs are resulting from the re-activation of infrastructure investments by the World Bank's *Pôles Intégrés de Croissance* (PIC) program, renewed regional planning efforts may be moving forward and QMM now envisages the possibility of major new investments at the Ste. Luce site in the relatively short term.

Given the combination of major potentials and attendant risks, this 16th Report of the International Advisory Panel (IAP) focuses principally on the proposed mineral exploitation in Ste. Luce.

**Ste. Luce:** Expansion into Ste. Luce is not a new initiative but a next step in the overall framework approved by the government in 2001. If expansion is to occur, it will involve a significant infusion of new capital. The current intention is to proceed quickly. Pre-feasibility work has already begun and the aim is to obtain the required environmental permit by the end of 2014.

A recent Household Survey conducted by Azafady, a Malagasy NGO that has been present in Ste. Luce for many years, indicates that Ste. Luce will pose major socio-economic challenges to the mining project that are distinct from those encountered in Mandena. The communities of Ste. Luce are wholly dependent on their environment, which is already beyond carrying capacity. The primary livelihood of almost 70 percent of households is sea fishing, followed by small scale agriculture. But both fisheries and agriculture are under stress, with major declines in fisheries and agricultural yields. The current trajectory of the area entails a perilous weakening of the traditional livelihoods of its population and an accelerated deterioration in its socio-economic well-being.

There is also evidence pointing to high levels of social tension and distrust both between and within communities in the area and divergences towards the proposed project. There are few, if any, organized associations or community action groups. This will pose challenges to stakeholder consultations and also to identifying representative stakeholder group or groups that can speak for the communities and to which community trust is assigned. With regard to the project, there would appear to be two main perceptions of QMM in Ste. Luce. The first is that it is mainly a cash cow and the second is a widespread concern that it will take away the

only resource most people have, the land on which they live. Thus, there is both opposition and support.

In addition, important issues and challenges on the environment are emerging from studies by other organizations, including some endangered species and basic issues of the suitability and potential livelihood value of certain areas that have been set as conservation offsets to the mining project.

These indicators underscore the fragility and high degree of vulnerability of the Ste. Luce environment and its population. They also underscore the imperative for QMM and all stakeholders to take these into careful and full account. Environmental management plans and support for communities will need to be developed with great care.

### **Recommendations: Ste. Luce**

- The predominant and guiding dimensions in all aspects of the research, pre-feasibility and planning stages should be those that relate directly to the communities, their socio-economic context, the building of trust and relationships. Communication must be understood as listening and continuous adaptation on the basis of that listening.
- Tempting as it may appear to the company during the research and early stages to show its “good faith” by responding to immediate perceived needs by providing new infrastructure, buildings, facilities and social services, it should avoid doing so. Not only would such approaches be largely ad hoc, they would not be informed by the carefully considered requirements for genuine community ownership and long-term sustainability.
- There may be a need to reconsider designated conservation zones. Other zones than those already envisaged may be needed to take account of community needs, changing and evolving use profiles and newly recorded species differences.
- Social outreach on livelihoods and their sustainability should start at once. We recommend that for the most part this be undertaken independently, not by QMM. Azafady, has a track record in the Ste Luce communities and would be well qualified to undertake that work. The Panel recommends that QMM and Azafady develop a partnership agreement that will respect Azafady’s independence as a condition of effectiveness.
- QMM’s *Programme de Développement Intégré* in Mandena has several strengths but also the limitation of reaching only a relatively small number of people and possibly exacerbating community divisions. Ste. Luce will require a different approach and mechanisms. This community cannot continue to live on its already diminishing natural resources. This means that regional management plans will need to link alternative livelihoods to the harsh reality of a rapidly declining environmental resource base.

**Regional Planning and Regional Development:** The Panel expressed concern in previous reports over the paralysis in regional development planning and recommended urgent attention to updating the Anosy regional plan. Some action has taken place over the past year, including the appointment of a President of the *Comité Régional de Développement* and a new *Structure de Coordination du Développement Régional* is in the process of being established. It is to be a multi-stakeholder body that will include the President of the CRD, the *Directeur du Développement Régional* and others. At the same time, however, the situation has been rendered more complicated by introduction of a new multi-level framework for zoning and integrated development planning. It begins with what is called the *Schéma National d'Aménagement du Territoire* (SNAT). Cascading from it to the regional level is the *Schéma Régional d'Aménagement du Territoire* (SRAT) and then to a sequel of inter-communal and communal plans.

The absence one year ago of any planning framework or planning mechanism seems to have been transformed into a complexity of multiple planning processes and multiple new planning structures. The key question is whether all of this can be made to function positively, realistically and productively. It will certainly require technical, human and financial resources that probably exceed availability. Moreover, the history of complex, multi-tiered models of national planning in developing countries provides no encouragement in this regard; to the contrary, the history of such models shows that most have resulted in “plans” that are not really plans at all, but rather general wish lists that do not furnish the required foundations for making difficult decisions and informed decision-making.

#### Recommendations: Regional Planning and Regional Development

- The respective planning roles and responsibilities in the region will need to be clarified as a prelude to resuming a much needed update of the Regional Development Plan (PDR). Regional authorities should assume responsibility for bringing about such clarification.
- Once that is done, the next imperative will be to secure the resources for updating the PDR. The World Bank should be approached and requested to assign priority to supporting the resumption of evidence-based, pragmatic planning in the region.

**Statistics for Development:** The cumulative investments of QMM together with the reactivation in the past year of the World Bank financed program *Poles Intégrés de Croissance* (PIC) have resulted in visible “evidence of progress”. Many of the interviews and conversations with the Panel referred to electrification (QMM), potable water (QMM) and more recently to road construction (PIC) as having generated a more positive and enabling climate. Employment is said to have increased as a knock-on from overall investments. However, credible and reliable socio-economic statistics are unavailable to verify these claims. The need for reliable, independent socio-economic data has been apparent from long before the construction phase of the QMM project and this was emphasized in several Panel reports.

### Recommendation: Statistics for Development

The establishment of a socio-economic tracking system for the region that is independent, methodologically sound and credible is essential, even more so with the potential expansion to Ste. Luce. Regional authorities should assign priority to this endeavor. QMM should advocate, work to help catalyze and encourage independent financial support for this but, for obvious reasons, it should not undertake it itself.

**Managing the *Ristournes*:** A Regional Development Foundation: Since 2000, the Panel has consistently urged the establishment of an independent regional development foundation and is pleased that proposals for and discussions on this have advanced considerably over the past year. Nevertheless, this report draws attention to many critical areas of ambiguity and uncertainty which require attention and resolution before establishing and launching a foundation.

### Recommendation: Managing the *Ristournes*

As much as the Panel has pressed for the creation of a development Foundation for Anosy and while we are pleased with progress made in this direction over the past year, it is imperative to pay attention to the “details” of how it should be constituted, as outlined in the main report and to take the time required to do so before proceeding further.

**Conflict Prevention Strategy:** In last year’s report, the Panel expressed encouragement for the large investment of time and energy that was then underway at QMM’s initiative but under an independent moderator to create a tripartite structure for consultation and conflict prevention.

The tripartite structures have now been put into place and they seem essentially well-designed and sound. The processes, however, may be unnecessarily complex and participation by the various key actors seems to be uneven.

### Recommendation: Conflict Prevention Strategy

The Panel still believes this structured attempt at Conflict Prevention is an innovative and important attempt at trust-building and development of genuine dialogue. It is thus worth pursuing while attempting to reduce the degree of “inputs” required for an effective process.

**Office National d’Environnement (ONE):** The Panel reports of 2010 and 2011 drew attention to difficulties in the relationship between QMM and the regional office of ONE. We

are pleased that this situation has greatly improved – with both parties having established a professional relationship and addressing a range of difficult issues.

The larger issue is that, due in significant measure to Madagascar’s protracted political crisis, the ONE confronts a severe financial crisis that risks irreparable damage to the institution and the vital national role it plays. Confronted with a similar, but less severe, financial crisis in 2010, the Panel recommended that QMM provide temporary bridge financing on an “exceptional basis” on the assumption that the country’s political crisis would soon be resolved. The Panel was gratified by the positive response of the company.

The situation today is even more serious than in 2010. The ONE has obtained and retained ISO certification – this is the international “gold standard” that attests to a strong, independent and professional institution of environmental evaluation excellence. It is in the national interest, as well as in the interest of mining companies such as QMM, the international development community and indeed of all organizations concerned with environment and development, that these gains, capacities and achievements should be preserved and advanced further. Yet, ONE’s financial situation is now perilous and this places the institution and its reputation at fundamental risk. The Panel hesitates to repeat the recommendation in made in 2010 of a further one off, extraordinary contribution to ONE. ONE should operate on the basis of full independence and temporary arrangements tend to beget temporary arrangements. What is required is a long-term, shared strategy to ensure the independence of ONE and to sustain and expand its capabilities and institutional reputation. Nevertheless, if additional extraordinary contributions become the only means to preserve a strong ONE, we would argue that these should be considered.

#### Recommendations: ONE

- Regular communication of ONE’s financial and capacity situation should be a priority. Specifically for the Anosy region, the Panel recommends that *le Groupe des Points Focaux* (GPF – *Chef de Région, Représentant de la Société Civile, Président de QMM*) should include a careful review of the ONE situation in the agenda of its monthly meetings, with the participation of ONE as appropriate.
- The Director-General of ONE should consider convening the main development actors in Madagascar and present them with: (i)- a detailed report on the current situation of ONE and (ii)-a plan and its requirements to ensure the institution’s ability to respond and serve the needs and demands of the environmental and development agency communities and the expected dramatic expansion of oil and mineral exploitation in the country. Concrete responses and even serious consideration from some international agencies may not be possible unless and until the national political crisis is resolved. But the proposed meeting could nevertheless help to prepare for that moment and to launch thinking about measures that might be taken at that time.
- A possible and immediate outcome of the suggested meeting might be examination of the matter and consideration of possible responses by the *Chambre des Mines*. Such

responses could include consideration both of possible longer term measures aimed at building and sustaining ONE as a key national institution and the potential and willingness to provide shorter-term, “emergency” collective industry financial support, rather than further “one-off” responses by individual companies.

- The Panel recommends that action be taken to clarify that the role of ONE is not as the mediator of conflicts and claims arising from the mining project. It also suggests examination of certain administrative issues between ONE and the company.

**The *Comité de Suivi Environnemental Régional (CSER)*:** The Panel was encouraged by the determination of the re-constituted CSER to fulfill its mandate, but concerned that it faces a resource and a presentational problem. The *Comité* is composed of experts of various disciplines whose work consists of validating or otherwise issues brought before the regional office of the ONE, specifically the conformance of QMM to its undertakings and obligations. The lack of resources renders the *Comité* dependent on QMM for its logistics and basic tools. This dependency is frustrating for the CSER and creates problems, especially perception problems, for both parties.

**Recommendation: CSER**

QMM, ONE, CSER and other interested parties should seek to work out appropriate arrangements to ensure effectiveness of the CSER and its clear independence.

***Sécurité foncière*:** QMM is presently engaged in the surveys that will lead to precise delineation of the land granted under its operating permit and to the signing of a long-term lease with the State.

**Recommendation: *Sécurité Foncière***

The requirements for the *Sécurité Foncière* should be completed expeditiously as this is a vital piece of unfinished business.

**Port of Ehoala - *Valorisation des terrains*:** QMM may have some outstanding obligations to prepare land in the industrial zone so that it may be made available to potential investors.

### Recommendation: Port of Ehoala

Action should be taken to clarify the validity of this claim and take appropriate corrective actions that may be required.

**Communications:** QMM's corporate communications have benefitted from advice of professional and experienced corporate communications specialists and the results are evident. In contrast with its corporate communications, the Panel has drawn consistent attention to difficulties and frustrations in communications with local communities, communes and the region's population. QMM has responded with increased attention and additional investments, but the challenges and barriers to effectiveness have always been daunting and are likely to remain so. At least part of the problem may lie in the relative emphasis by the company on communicating its messages versus developing 'community relations'.

### Recommendation: Communications

A recalibration of the components in the company's current communication strategy for the communes and people surrounding the project may prove beneficial and increase effectiveness. The concept of 'communication strategy' might itself be changed to 'community relations' or 'interactive approaches to building understanding and mutual trust'. Whatever the chosen terminology, modifications in approach and emphasis are required.

**Local procurement:** Discussion with QMM and with local entrepreneurs who are suppliers to QMM showed progress since last year, in particular more precise spelling out of the requirements of quality, security of delivery and price. There does not appear to have been sufficient attention to adapting these to the local and challenging circumstances of small suppliers and fragile start-up operations in the Fort Dauphin area. This suggests further consideration to such measures as the preferential price margin, access to capital, infant industry incentives and "business incubators", at least some of which could be integrated into an updated regional development plan.

### Recommendation: Local Procurement

The Panel recommends a careful review between QMM and its suppliers of the current situation and an exploration of policy and process options that could lead to both immediate improvements and the building of a more genuine partnership to strengthen commerce in the region.

# MAIN REPORT

## 1. INTRODUCTION

This is the 16th Report of the International Advisory Panel (IAP) since its inception in 2000. It follows upon meetings in Antananarivo and Fort Dauphin from September 12 to 22, followed by meetings in London on September 24.

The Panel was instituted to provide QMM with independent, external advice on the non-technical aspects of the mining project. It meets at least once a year. Its reports are publicly accessible on the QMM website [[www.riotintomadagascar.com](http://www.riotintomadagascar.com)]

As usual, the Panel met with QMM and with a cross section of key stakeholders in order to assess the impacts of QMM's actions on people, communities and the environment. The main focus of this year's visit was on plans for expansion of the mining project to Ste Luce which, therefore, feature prominently in our report.

The Panel also met in London with senior managers of Rio Tinto and with the 'Rio Tinto/NGO Liaison Group', a joint initiative of Rio Tinto and a group of UK-based NGO researchers and practitioners involved in development projects in Southern Madagascar.

## 2. POLITICAL, SOCIAL & ECONOMIC CONTEXT

While there has been a great deal of change and evolution in the overall situation over the past year, major uncertainties continue to hang over the future of the nation as its political crisis remains unresolved after more than 3½ years. The severity of the social and economic effects of such an extended crisis and the prospects for recovery will only become clear over time.

Before the onset of the crisis, Madagascar was among the poorest countries in the world and there is no doubt that the crisis has made matters much worse. It will leave a high cost legacy in terms of national wealth and social well-being for years to come. Not only will the country now fall short of achieving almost all of the Millennium Development Goals, without a rapid return to significant, sustained and inclusive economic growth, national progress on poverty reduction can be nothing more than a distant hope.

The base from which recovery efforts can be launched includes such harsh realities as a per capita income level that has declined over the past four years to its 2003 level. Over the same period, poverty across the country has increased sharply; acute child malnutrition has increased in some areas by over 50 percent; and over half a million more children of school age are not attending school. Unless the current impasse is resolved, these realities and their underlying trends are unlikely to change. More starkly, the development consequences for the country of a continuation of the crisis through and beyond 2013 will almost certainly result in a double tragedy of a lost decade and a lost generation.

The overall macro situation, however, should not mask the fact that one can also detect many factors and indicators of new opportunities at diverse levels. In this regard the natural resources extractive sector figures prominently. Indeed, at the national level the policy response to the suspension of nearly all capital investments by international donor agencies in response to the crisis (as opposed to social and emergency programs) has been to assign ever greater reliance to this sector for the country's economic future. At the Anosy regional level, new opportunities arise from much improved relationships between different key actors, the re-activation of investments by the World Bank *Pôles Intégrés de Croissance* (PIC) program, evidence of some encouraging progress towards regional planning efforts and a QMM plan than now envisages the possibility of major new investments at the Ste Luce site in medium term.

These opportunities at both national and regional levels, however, will not produce a sudden new era of durable economic growth. At both levels major benefits will be far from immediate, as large new capital investments will need to be paid off over time. Moreover, almost all major mining investments will be capital intensive and will generate only modest employment benefits; fiscal benefits will take several years to materialize. And the most critical factor is that the development benefits of large extractive industry investments will materialize only if accompanied by sound macroeconomic and public policies, establishment of sound institutions, good governance, transparency, and an array of human resources competencies. All of these requirements are currently either absent or in very short supply in Madagascar. All parties will need to be ready to address these in a systematic and timely manner.

### **3. THE NEXT STEP: STE LUCE**

Expansion of ilmenite mining into Ste Luce is not a new initiative but a potential next step in the overall project framework agreement set out and approved in the 1998 *Convention d'Établissement*. A significant infusion of new capital investment will eventually be required for exploitation to proceed. Rio Tinto recently allocated a budget to research and pre-feasibility work in the Ste Luce area. This is already underway, although in its early stages. Current plans call for completion of pre-feasibility by the end of 2013 to be followed by detailed technical feasibility studies, including the Social and Environmental Impact Assessment (SEIA). The current intention is to obtain the required environmental permit by the end of 2014.

The Ste Luce phase of the project will benefit from lessons learned, both positive and negative, from earlier phases. This will include the experience at the technical and engineering level and, of even more importance, lessons on community relations, building constituencies, social, cultural and human realities, a better understanding of the complexities of development challenges in a fragile and neglected setting. It will also provide a better appreciation of what a company can and cannot, should and should not, seek to do beyond its core business as a world leader in the extraction and processing of minerals.

There will also be new challenges, for the context of Ste Luce includes social, cultural and economic features that are distinct from those in Mandena. In addition to applying previous

lessons learned, QMM’s approach to the people of the area will need to be adjusted to take account of these.

**i. The socio-economic-ecological context of Ste Luce:**

Communities in Ste Luce are wholly dependent on their environment, which is already beyond carrying capacity. Local livelihoods are almost entirely based on local natural resources: fisheries are by far the most important as the primary source of livelihood, followed by small scale agriculture. Both fisheries and agriculture are under stress with major declines in fisheries and agricultural yields. The soil is of poor nutrient quality and its continuous exploitation over time has cumulated in stagnant annual yields in recent years. Significant and continuing declines in both the average size and the total yield of lobsters and fish are also reported. In sum, the current trajectory of the area entails a perilous weakening of the traditional livelihoods of its population and an accelerated deterioration in its socio-economic well-being. If the project proceeds in this area, QMM will be greatly challenged by the risks and vulnerabilities of generating inflated and unachievable local expectations and the further liability of becoming the target of all blame for livelihood deterioration and/or loss.

The Malagasy NGO, Azafady, has been present in Ste Luce for many years. In December 2011 it conducted a very professional Household Survey which provides high quality baseline information that is essential to understanding the realities and challenges of the area and to the planning of possible QMM investments. The sampling techniques of the Azafady survey aimed to ensure representativeness of the Ste Luce region. It surveyed 1856 individuals (about 16% of the region’s population) in 350 households in the hamlets of Ambandrika, Ampanasatomboky, Manafiafy. 45% of the sampled population was under 16 years of age. Among the principal demographic and socio-economic findings were the following:

- Sea fishing is the primary livelihood (i.e. main source of income) of almost 70% of households. The other main livelihoods, weaving and farming, provide primary livelihoods for only 9% and 4%, respectively.

Livelihoods: Ste Luce		
	% Households Engaged in Activity	% Households for Whom Activity is Primary Livelihood
Sea Fishing	79	67
Weaving	88	9
Farming	84	4
Other Livelihoods: casual labor, selling firewood, logging, selling gravel, petty commerce		

- Fish and lobster stocks are declining, although it is unclear whether this is a result of overfishing locally or other factors. A company named *Martin Pêcheur*, long established in Fort Dauphin provides a guaranteed market for the local fish catch, which probably explains why fishing is the principal livelihood of the population. This cash market has also resulted in migration, both seasonal for the lobster season and permanent, into the area. This is a source of social tensions. The only fisheries management plan at present is a size limit on lobsters and a ban on catching lobsters with roe, often disregarded by local restaurants and other informal buyers.
- As shown in the above box, 84% of households are involved in farming, but it is the major income for only 4 %. The top soil on farm lands has been seriously depleted of nutrients and annual yields are stagnant or declining. There are some small plots managed as rice fields, but otherwise agriculture mainly involves growing pineapples, cassava and sweet potatoes on very unproductive soil. Most land not currently being farmed appears unsuited to agriculture.
- Weaving is the other main household livelihood, but the supply of the main raw material (mahampy) is declining. Women reported that they must venture further and further in search of the material.
- The communities of Ste Luce rely heavily on forest products for thatch, house building, firewood, medicinal plants and lobster pots.

In addition to the household survey, important issues are emerging from a survey being undertaken by Missouri Botanical Gardens of a beach-front forest zone designated as conservation offset to the possible mining investment by QMM. It appears that the zone is already being used by communities between Mandena and St Luce as a source of forest products and this raises basic issues of its suitability and potential value as a conservation offset.

A further zone designated as conservation has resulted in a displacement of local use to a small forest fragment on the access road but outside the ore body. This is a community managed forest that is also a QMM offset.

Finally, biodiversity and natural resources studies of the area have furnished evidence of critically endangered endemic palm species (*Dypsis saintlucieae* and *Beccariophoenix madagascariensis*) and a high density of a critically endangered dwarf palm (*Dypsis brevicaulis*) has recently been discovered in an area designated as offset but which is already being heavily impacted by the exploitation activities of local populations.

These indicators underscore the fragility and high degree of vulnerability of the Ste Luce environment and its population. They also underscore the imperative for QMM and all stakeholders to take these into careful and full account. Environmental management plans and support for communities will need to be developed with great care.

## ii. Social barriers and challenges:

The Azafady household survey pointed to high levels of social tension and distrust both between and within communities. There are few, if any, organized associations or community action groups. This will pose challenges to stakeholder consultations and also to identifying representative stakeholder group or groups that can speak for the communities and to which community trust is assigned.

The assessments shared with the Panel indicate that there are two main perceptions of QMM in Ste Luce. The first is that it is mainly a cash cow and the second is a widespread concern that it will take away the only resource most people have, the land on which they live. Thus, there is both opposition and support. Not surprisingly, there seem to be few local perceptions of how to improve livelihoods or longer term development prospects. The Azafady Miaro Project found no community plans for overall forest management and improvement or livelihood options other than one suggestion for raising chickens. Other than concerns that land will be lost, there is little concept of the actual social and environmental impacts of the mine, nor is there much concept of what the *ristournes* might represent and how to best use them.

## iii. Recommendations:

The above factors configure a complex, fragile and high risk context for the proposed QMM expansion in Ste Luce. They suggest a number of considerations to apply to the company's approaches, including:

- The predominant and guiding dimensions in all aspects of the research, pre-feasibility and planning stages should be those that relate directly to the communities, their socio-economic context, the building of trust and relationships. Communication must be understood as listening and continuous adaptation on the basis of that listening.
- Tempting as it may appear to the company during the research and early stages to show its "good faith" by responding to immediate perceived needs by providing new infrastructure, buildings, facilities and social services, it should avoid doing so. Not only would such approaches be largely ad hoc, they would not be informed by the carefully considered requirements for genuine community ownership and long-term sustainability and they would also invite unintended negative consequences.
- There may be a need to reconsider designated conservation zones and offset zones, and a clear need for a management plan for forest resources. Other zones than those already envisaged may be needed to take account of community needs, changing and evolving use profiles and newly recorded species differences. Environmental management plans should be tailored accordingly.
- A plan for long-term fish and lobster management is needed, in collaboration with the community, with NGO Azafady and principal commercial buyers. It may be useful to gain advice from Blue Ventures, an NGO with experience of marine conservation on the west coast of Madagascar.
- Environmental management plans and livelihood considerations, including possible alternative future livelihoods will need to become not only integrated but inseparably

linked. These will need to be worked out in careful and patient discourse with communities.

- Social outreach on livelihoods and their sustainability should start at once. We recommend that for the most part this be undertaken independently, not by QMM. Azafady, has a track record in the Ste Luce communities and would be well qualified to undertake that work. The Panel recommends that QMM and Azafady develop a partnership agreement that will respect Azafady's independence as a condition of effectiveness. Appropriate funding mechanisms will be required to ensure that independence. This will increase the likelihood of success while also reducing risks to the company.
- QMM's *Programme de Développement Intégré* in Mandena has several strengths but also the limitation of reaching only a relatively small number of people and possibly exacerbating community divisions. Ste Luce will require a different approach and mechanisms. Something other than present opportunities will be essential, since this community cannot continue just to live on its already diminishing natural resources, with or without QMM. This means that regional management plans will need to link alternative livelihoods to the harsh reality of a rapidly declining environmental resource base.
- At an even broader level, these considerations underscore the desirability of a regional development foundation structured to function as a long term investment vehicle in durable regional development. (See below)

#### **4. THE CURRENT SITUATION AND FUTURE OF THE ANOSY REGION**

##### **i. Fort Dauphin.**

Compared to one year ago and even more compared to two and three years ago, the mood and general sense of where matters stand is more positive in Fort Dauphin. In almost all our conversations, reference was made to electrification (QMM), potable water (QMM) and more recently to road construction (PIC) as having generated a more positive and enabling climate. Employment is said to have increased as a knock-on from overall investments and that this has contributed to a reduction in social and political tensions. Unfortunately, however, credible and reliable socio-economic data are unavailable to verify these claims. The anecdotal evidence or new buildings, shops, vehicles, general activity is one thing, but the continuing absence of a socio-economic tracking system is a major gap to planning needs, informed public discourse, responses to skepticism and the general credibility of QMM as a positive factor in the region. The need for reliable, independent socio-economic data has been apparent from long before the construction phase of the QMM project and this was emphasized in several Panel reports. At one time, there was a proposal that Care International would assume this role but this failed to materialize.

**Recommendation:** The Panel recommends the establishment of a socio-economic tracking system for the region that is independent, methodologically sound and credible is essential, even more so with the potential expansion to Ste Luce. Regional authorities should assign priority to this endeavor. QMM should advocate, work to help catalyze and encourage independent financial support for this but, for obvious reasons, it should not undertake it itself.

**ii. Regional planning and the CRD.**

The Panel has urged in its recent reports that efforts be made to re-establish the CRD on a functional basis and that the regional plan be updated as quickly as possible. The Panel was pleased during the current visit to observe some progress in this regard despite the continued political freeze, including the appointment of a new President to the CRD. But it not clear that a fully representative CRD has been reconstituted or where it will obtain the financial and human resources required to update the regional plan (PDR).

However, the overall context for planning has been rendered more complicated by introduction of a new framework. The framework begins with what is called the *Schéma National d'Aménagement du Territoire* (SNAT). Cascading from it to the regional level is the *Schéma Régional d'Aménagement du Territoire* (SRAT) and then to a sequel of inter-communal and communal plans. The intent of this new framework is to provide a legislated base for zoning (i.e. the allocation of land resources at the national, regional and local levels) and for integrated development planning. The framework appears to this Panel excessively complex and would require technical, human and financial resources beyond what is available. There is thus a high risk of a stalemate between going ahead with an update of the PDR or entering into this new framework with a SRAT – resulting in a good deal of process but little of the concrete, pragmatic and realistic product required to determine priorities and allocate what will always be scarce resources. These concerns were raised with the Panel in many of its meetings.

In addition, a new *Structure de Coordination du Développement Régional* whose terms of reference call for it to function as “a strong coordinating committee” is in the process of being established. An ad hoc committee has been formed and is currently addressing the requirements to establish a permanent committee by the end of September. It is to be a multi-stakeholder body that will include the President of the CRD, the *Directeur du Développement Régional* and others. It is not clear whether this new committee is intended to absorb the CRD or how its decisions will be taken.

Thus, the situation with regard to the production of realistic, carefully considered and prioritized development plans for Anosy has transformed over the past year from one characterized by a general absence of planning to a seemingly complex web of multiple planning processes and multiple new planning structures. The key question is whether all of this can be made to function positively, realistically and productively. That will depend, of course, on many factors, including the imperative for technically thorough, professional analysis, both quantitative and qualitative at multiple levels. The history of complex, multi-tiered models of national planning in developing countries provides no encouragement; to the contrary, the

history of such models rather indicates that most have resulted in “plans” that are not really plans at all, but rather general wish lists that do not furnish the required foundations for making difficult decisions and informed decision-making. Most have been quietly abandoned almost as soon as they have been produced because they do not result in either action or investments.

It appears the World Bank has decided to support the SRAT exercise because of its formal nature. If so, it will be important to build upon, and not ignore, the existing *Plan de Développement Régional* (PDR). This also raises the question of the future of the CRD as an actor or not in the preparation of the SRAT.

**Recommendations: The Panel recommends:**

- The respective planning roles and responsibilities in the region will need to be clarified as a prelude to resuming a much needed update of the Regional Development Plan (PDR). Regional authorities should assume responsibility for bringing about such clarification.
- To the extent that has already been done and that external (World Bank) support will go to preparing a SRAT, there remains the need to ensure the whole planning process is kept within feasible bounds in terms of human and financial resources. It will also be important to clarify the future role of the CRD.

**iii. Managing the *Ristournes*: A Regional Development Foundation.**

Since 2000, the Panel has consistently urged the establishment of an independent regional development foundation and is pleased that proposals have advanced considerably over the past year. Nevertheless, there remain many critical areas of ambiguity and uncertainty that must be carefully addressed and resolved beforehand and taken into full account in the structuring and operating framework of the foundation.

To be more precise, the Panel identifies the following specific dimensions requiring attention:

- The nature and purpose of the Foundation need to be clarified and agreed. There appears at present to be considerable range of views: (i)- essentially a “mining foundation” that would absorb the current development projects of QMM (i.e. the PDI); (ii)- a means to “equitable distribution” of the mining royalties (*ristournes*); (iii)- a regional development funding mechanism to act as a catalyst and support to long-term, priority investments in the Anosy region. The Panel has long argued for the third of these options. In its view, the first would involve a model that has proved unsuccessful and problematic in other countries and should not be repeated in Madagascar. The

second option would incline to short-term considerations and to expenditures on immediate consumption at the expense of longer-term investment.

- Closely related to the above is the question of who are the intended beneficiaries of the foundation. Will they be: (i)-Region wide; (ii)- the district of Fort Dauphin, covering 22 Communes; (iii)- the eight Communes which comprise the proximal communities for QMM; (iv)- three Communes which are defined as containing the populations most directly affected by the QMM project; or (v)- a subset of any of the above with a focus on vulnerable groups, targeting the poorest sections of the society.
- There is also need to clarify and reach understanding on how the foundation would be financed, including on such specific questions as: (i) what will be the source of the initial US\$600,000 required under Madagascar law to establish a foundation? (ii) What will be the financial business model of the foundation? Will it be supported by a mandated percentage of the *ristournes* year on year? (iii)- Will other sources of financing be sought (i.e. an initial effort to secure a substantial endowment, matching funds, co-financing, specific partnerships with different donors, etc.)? (iv)- Will foundation financing depend exclusively on a percentage of the *ristournes*? Their current allocation in Anosy assigns 10% to the Province (held in a secure fund at present), 30% to the Region and 60% divided between the communities (communes) in which the mining takes place. Significantly, while the *Code Minier* requires that 60% of the total regional share should be provided directly to communes affected by mining activities, it provides no precision on how to determine affected communes or allocations between them. The current allocation is the result of negotiations between the communes of Ampasy (30%), Mondromondromotra (15%) and the *Commune Urbaine* of Fort Dauphin (15%).
- The credibility of a foundation will depend on governance that will need to be professional, independent of self-interest and held to high standards of transparency and accountability. Basic questions of governance need to be addressed and decided in advance. Such questions would include: (i)-How would the foundation be governed? How would its board members be selected? Would the board work by consensus, majority voting, weighted voting and would there be any veto rights? (ii)- Would beneficiary groups as stakeholders hold membership in the governance structure (there are several important pluses in this and also many significant minuses); (iii)- Will governance decision-making draw from and rely on independent technical expertise (e.g. a technical review panel)? Would this be appropriate to or required in order to prevent conflicts of interest?

The questions listed above do not have easy answers, but they need to be addressed and answered with clarity as preconditions to establishing a foundation. To do otherwise by proceeding with only partial or minimal answers would be to invite future problems and conflicts and to frustrate the potential for considerable benefits that a foundation could provide. Whatever these answers are, they will need to be provided within the legislated framework for *ristournes* as specified in the *Code Minier*.

**Recommendation:** As much as the Panel has pressed for the creation of a development Foundation for Anosy and while we are pleased with progress made in this direction

over the past year, it is imperative to pay attention to the “details” of how it should be constituted, as outlined in the questions listed above and to take the time required to do so before proceeding to establish a foundation.

#### **iv. Conflict Prevention Strategy**

In last year’s report, the Panel expressed encouragement for the large investment of time and energy that was then underway at QMM’s initiative under an independent moderator to create a tripartite structure for consultation and conflict prevention.

The tripartite structures are now in place but the impression gained by the Panel this year is that, while well-designed processes have been established, participation of the various actors is uneven. Also, although the moderator (who is also the main architect and designer of the tripartite structures and processes) is the independent nominee of the *Médiature de la République*, that office has been unable to meet any of the costs involved, including salary costs. This has created a classic ‘prisoner’s dilemma’ situation for QMM (i.e. not to provide for the costs would mean that nothing would be done, but to meet the costs would involve inevitable claims of conflict of interest).

QMM, rightly in the view of the Panel, elected to make the required financing available. Also, in the view of the Panel, the basic structures and processes that have been established are essentially sound; they can and should be made to work as designed, with necessary adjustments to simplify and streamline both structures and processes. Additional measures may also be required to improve social communication and address questions of independence.

**Recommendation:** The Panel still believes this structured attempt at Conflict Prevention is an innovative and important attempt at trust-building and development of genuine dialogue. It is thus worth pursuing while attempting to reduce the degree of “inputs” required for an effective process.

#### **v. Pôles Intégrés de Croissance (PIC)**

The role of the World Bank, which has resumed some of its humanitarian and social programs, is ever more important in the continuing suspension of economic and infrastructure investments by donors. Evidence of the World Bank financed program *Pôles Intégrés de Croissance* (PIC) is now visible for all in the region, from its contribution to the creation of the Port of Ehoala to the paved streets of Fort Dauphin. This concrete “evidence of progress” has led to high hopes in the region for an extension of the program and for a PIC-2.

It is important to recall that the overall vision that led to PIC was strongly influenced by the regional development plan of 2005 that was promulgated by the CRD. That plan set forward a towering vision based on economic growth made possible by the *désenclavement* of the region. The new port was to serve as a principal element of the *désenclavement*, but the potential

could not be achieved unless it were accompanied by a range of other long-term investments in primary and access roads, other essential infrastructure and private investments. Over the past several years, the combined QMM and PIC investments have made important beginnings towards the realization of this vision. For the most part, however, the region remains isolated and much more in the way of key strategic investment in essential infrastructure will be required if the broad vision of *désenclavement* and the region's economic potential are to be realized.

A quick and durable resolution of the nation's political crisis remains the most critical precondition for this to occur. The Panel shares the hope of others that this will come about through the announced elections in 2013. The Panel further hopes that this will lead quickly to Bank consideration of a second-tranche program that would be focused on continuing to *désenclaver* the Region and thus allow its previous investments to reach their full potential.

## **5. ONE and *Comité de Suivi Environnemental Régional* (CSER)**

The Panel reports of 2010 and 2011 drew attention to difficulties in the relationship between QMM and the regional office of ONE. We are pleased that this situation has greatly improved – with both parties having established a professional relationship and addressing a range of difficult issues.

The Panel met, as usual, with the DG of ONE in Antananarivo, and the Regional Director as well as with the reconstituted *Comité de Suivi*. The improved working climate opens avenues to address and resolve several major issues and challenges, including new ones that have arisen over the past year. Among these are the following:

### **i. The financial crisis confronting ONE.**

In significant measure as a direct consequence of Madagascar's protracted political crisis, ONE confronts once again a severe financial crisis. When the Panel addressed this issue previously in 2010, we assumed that the political crisis would soon be ended and recommended temporary and exceptional bridging arrangements pending that resolution. The Panel was gratified by the positive response of QMM. The continuing national political impasse, however, now risks an even more serious crisis for ONE.

The basic issues remain the same. Under the leadership of its Director General, Madagascar's ONE has obtained and has retained ISO certification – this is the international “gold standard” that attests to a strong, independent and professional institution of environmental evaluation excellence. It is in the national interest, as well as in the interest of mining companies such as QMM, the international development community and indeed of all organizations concerned with environment and development, that these gains, capacities and achievements should be preserved and advanced further. Yet, ONE's financial situation is now perilous and this places the institution and its international reputation at fundamental risk.

**Recommendation:** Regular communication of this situation, its risks and its evolution should be a priority and an essential means to encourage appropriate action at all levels. Specifically for the Anosy region, the panel recommends that le Groupe des Points Focaux (GPF – *Chef de Région, Représentant de la Société Civile, Président de QMM*) should include a careful review of the ONE situation in the agenda of its monthly meetings, inviting inputs from ONE as appropriate.

**i. What can/should QMM and other key actors do?**

The Panel hesitates to repeat the recommendation it made in 2010 of a further one off, extraordinary contribution to ONE. Should such a contribution become the only means to preserve a strong ONE, however, we would argue that it should be considered. The problem is that temporary arrangements tend to beget temporary arrangements, whereas what is required is a long-term, shared strategy to sustain and expand the capabilities and institutional gravitas of ONE. This will be essential to the nation's economic prospects, its ability to mobilize its natural resource wealth for the sustainable well-being of its people and to the country's international reputation. This is also a central issue for all international mining companies that are active in or likely to seek business opportunities in Madagascar.

**Recommendation:** In the view of the Panel, this calls for an urgent multi-stakeholder consultation and the identification of pathways to a multi-stakeholder solution. In the first instance, it seems to us reasonable that the Director-General of ONE could convene a significant number of major stakeholders, international and Malagasy (e.g. the main traditional international actors in Madagascar, International mining companies and other investors, International NGOs). Such a meeting would hear a report on the current situation of ONE and its short, medium and longer term requirements to fulfill its regulatory mandate given the potential expansion of oil and mineral exploitation in the country. It needs to be recognized that responses from some international agencies will not be possible unless and until the national political crisis is resolved. But the proposed meeting could nevertheless help to prepare for that moment and to begin thinking about the contingent measures that might be taken at that time.

One more immediate outcome of the suggested meeting might be examination of the matter and consideration of possible responses by the Chambre des Mines. Such responses could include consideration both of possible longer term measures aimed at building and sustaining ONE as a key national institution and the potential and willingness to provide shorter-term, "emergency" collective industry financial support, rather than further "one-off" responses by individual companies.

**ii. ONE and conflict resolution:**

ONE continues to find itself in a position where, beyond its responsibility to provide technical evaluation of a claim, it is called upon to adjudicate and resolve conflicts related to QMM's operations. This role goes beyond the terms of reference of the ONE and is inappropriate given its responsibilities as Regulator. Claims that are not resolved on the basis of the technical evaluation could be referred to the mediators within the Structure for the Prevention of Conflicts.

Recommendation: The newly-installed tripartite mediation structures and the three mediators should move to assume the responsibility for resolution of claims that are not settled by the technical evaluation.

**iii. Other matters involving ONE-QMM relations:**

The ONE has raised with the Panel the matter of review of the SEIA for Ste Luce. ONE anticipates that this will prove demanding and costly and indicated that it intends to seek an increased financial contribution from QMM.

**Observation:** While QMM is not required to go beyond its financial obligations under the Convention d'Établissement, it should expect the issue of meeting the costs of reviewing the Ste Luce SEIA to be raised by ONE.

**iv. The Comité de Suivi Environnemental Régional (CSER):**

In meeting with the reconstituted and revitalized CSER, the Panel was encouraged by its apparent determination to fulfill its mandate, but concerned that it faces a resource and a presentational problem. The *Comité* is composed of experts of various disciplines whose work consists of validating or otherwise issues brought before the regional office of the ONE, specifically the conformance of QMM to its undertakings and obligations. The lack of resources renders the Comité dependent on QMM for its logistics including, for example, basic water quality measuring instruments. This dependency may pose problems, especially perception problems, for both parties.

The ONE has suggested that this could be resolved by increased financial contributions from QMM not tied to any specific issue or activity but based on a broader interpretation of QMM's obligations. An alternative might be for the different regional recipients to assign a very modest percentage of *ristournes* to 'their' CSER. It is not immediately evident that the different parties would agree to either of these two suggestions and/or others that might be made. Nevertheless, what is most important is that the parties should work together to seek solutions. It would be most unfortunate if the reconstituted and revitalized CSER were to repeat the earlier experience of the same committee which lost purpose and commitment and then simply dissolved. An initial, short term possibility involving only contributions in kind might be for QMM to provide logistical support that is not identified as RTQMM.

**Recommendation:** QMM is supporting and should continue to support the work of the Comité with necessary logistical support. It should examine with the Comité measures that might reduce any negative symbolic effects of that support (such as vehicle markings, employee uniforms).

## 6. OUTSTANDING ISSUES

### *i. Sécurité foncière*

QMM is presently engaged in the surveys that will lead to precise delineation of the land granted under its operating permit and to the signing of a long-term lease with the State. This is essential to secure operations and should probably have been done earlier. It is important that it now be completed with all expedition as it represents a vital piece of unfinished business.

#### **1. Port of Ehoala: *Valorisation des terrains***

QMM apparently has some obligations to prepare land in the industrial zone so that it may be made available to potential investors. The Panel was advised that QMM is in arrears with regard to some of these obligations. Action should be taken to clarify the validity of this claim and take appropriate action.

#### **2. Communications:**

The Panel has two main observations on communications.

First, QMM's corporate communications have benefitted from advice of professional and experienced corporate communications companies. The results are evident in all aspects of QMM's corporate presentation. A recent example is QMM's support to the *Fort Dauphin 2020* exhibit in Fort Dauphin and Antananarivo and the events surrounding that one-week display. These were by all accounts a major success.

Second, and in significant contrast with its corporate communications, difficulties, frustrations and disappointments on all sides continue to plague QMM's communications with local communities, communes and the population of the Anosy region more generally. The Panel has drawn consistent attention to this in its annual reports and QMM has responded with increased attention and additional investment in attempts to improve and make more effective its communications with local constituencies. The challenges and barriers to be overcome have always been daunting and they are likely to remain so. Yet, the most consistent criticism voiced to the Panel in its local interviews and conversations continues to point to problems and weaknesses in communications. To quote from one interlocutor whose words and sentiments were echoed by those of many others: "QMM has much to communicate and an excellent story to tell, but the communication is almost all one way... there is too much telling and not enough listening... and that is the biggest problem."

**Recommendation:** It seems to the Panel that the basic approach and emphasis of QMM communications to the community can and should benefit from these words and this

assessment. It is perhaps time to modify substantially the current “communication strategy” for the communes and people surrounding the project and to replace the concept of “communication strategy” with “community relations” or “interactive approaches to building understanding and mutual trust”. Whatever the chosen terminology, significant modifications in approach are called for.

### **3. Local procurement.**

Discussion with QMM and with local entrepreneurs who are suppliers to QMM showed progress since last year, in particular more precise spelling out of the requirements of quality, security of delivery and price. These requirements, however, are general and standard norms almost everywhere for purchaser-supplier relations. There does not appear to have been much effort to adapt them to the local and challenging circumstances of small suppliers and fragile start-up operations in the Fort Dauphin area. A modest preferential price margin is accorded to local suppliers, but it may have been set at an unduly modest level if a corporate objective is to favour and nurture local supply. Most suppliers in the region are recent start-ups with limited access to credit of any kind and none at all to venture capital. For them to grow, prosper and serve as sources of further economic growth and distributed benefits in the region may require more supple approaches that borrow from successful experiences elsewhere with policies of preferential pricing, infant industry incentives and “business incubators”. Several local suppliers shared with the Panel their concerns, suggestions and hopes for changes in policies that they believe would take better account of the constraints and challenges they confront. QMM is aware of their concerns and indicated its intention to consider changes to improve the current situation and to build more constructive relations.

*Recommendation:* The Panel recommends a careful review between QMM and its suppliers of the current situation and an exploration of policy and process options that could lead to both immediate improvements and the building of a more genuine partnership to strengthen commerce in the region.

### **4. Madagascar’s participation in EITI.**

The second audited report of payments to the State by mining companies was issued on September 24. It shows good convergence between the amounts declared by the nine companies that participated and those, slightly larger, given by the Government. This indicates a successful operation and a measure of progress. It is thus important that the current “suspended” status of Madagascar with EITI be maintained so that the reporting requirements and practices be upheld pending the day when the country can claim full participant status. [The “suspended” status was confirmed for another year to October 2013 at the recent meeting of EITI Board in Lusaka]

## 7. CONCLUSION

The persistent stalemate at the national political level is inflicting increasingly higher costs on Madagascar's economy, society and quality of life. In spite of this, the Panel notes movement and progress on several fronts in Fort Dauphin and the surrounding area.

QMM has continued its efforts to develop constructive relationships with local stakeholders and communities, in particular through the Conflict Prevention Strategy. These efforts need to be continued and strengthened. Conflict resolution structures are now in place, but there are concerns about their efficiency and effectiveness, and these will need to be addressed.

For QMM, the preliminary work leading to a potential expansion into Ste Luce presents an exceptional opportunity to "get it right". Building on the lessons learned from Mandena, it is possible to design an approach to the communities, in partnership with organisations such as Azafady, which will take into account the extremely difficult social, ecological and economic circumstances of the populations of the area. This will be a high risk operation for QMM for which it must prepare carefully.

For the Region, an effective socio-economic framework for strategic planning is imperative. As part of this, a workable mechanism will need to be established to update the Regional Development Plan and continue the development of a vision for the region and the means to achieve it.

Progress has been made over the past year on the potential establishment of a Regional Foundation. The true potential of the proposed Foundation will be realized if it functions as a long-term investment fund for regional development. This will require careful initial design, structure and governance and many critical questions in this regard remain unanswered at present. Thus, it will be important to proceed with care and deliberation and to reach a regional consensus. Otherwise, there is a substantial risk of the Foundation functioning as an instrument of short-term consumption and a source of social division.

There is an impressive amount of energy and goodwill in the Anosy and an evident determination to advance despite the national political stalemate. This report contains up to 30 recommendations which the Panel hopes may serve to strengthen and reinforce that energy and goodwill.

## ANNEX A

### Réunions et Personnes Rencontrées (12-24 SEPTEMBRE 2012)

#### **Jeudi 13 Antananarivo**

1. ONE – Jean Chrysostome RAKOTOARY, Directeur Général
2. Chambre des Mines - Willy RANJATOELINA, Secrétaire Exécutif
3. Mylène Faure, GIZ
4. Ministère des Mines - Gérard RAKOTOTAFIKA, Directeur Général Mines
5. Pôles Intégrés de Croissance - Eric RAKOTO-ANDRIANTSILAVO, Secrétaire National

#### **Vendredi 14 Fort Dauphin : QMM Briefing général & Ste Luce**

#### **Samedi 15 Fort Dauphin : QMM Briefing– Structures de Dialogue, Coordination au niveau régional et La fondation régionale**

#### **Dimanche 16 Fort Dauphin : Briefing interne du Panel**

#### **Lundi 17 Fort Dauphin**

1. Chef de Région - RANDRIATEFIARISON Guillaume Venance
2. Comité de coordination du développement régional :
  - RANDRIANAMBIMMA Célestin Emmanuel – Directeur du Développement Régional
  - RAKOTOMANGA Yves – Médiateur National/Coach
  - RAJERIHARINDRANTO Harinesy – Organisation société civile
  - TIARO Gabriel – Organisation société civile
  - ANARIAMAHASORO Andry – Chef de service, Affaires économiques, Anosy
  - RAFALIARISON Prudence – Chef de service, Affaires sociales, Anosy
  - RAZAFINDRAMOTO Erick – Communications Rio Tinto QMM
3. AGEX – PDI
  - RAJOELINA Zo – Directeur, Entreprise MANDA
  - TIARO Gabriel - ONG Fafafi
  - SYLVAIN Eric - Agrivey F/D
  - Veronica Bevivino – ACT
  - RAJERIHARINDRANTO Harinesy – ASOS
4. ONG's
  - WWF
  - Andry Lalana Tohana (ALT MG\*)
  - RAHARIMANANA Haritra
  - ASITYM – Nataud
  - AZAFADY – ZAFISON Théophile – Communications

#### **Mardi 18 Fort Dauphin**

1. Président, Organisation Société Civile – Pasteur Origene Sinary
2. ONE Régionale & Comité de Suivi Environnemental Régional (CSER)
  - ANDRIANASOLO Mamialisoa – Représentante régionale ONE
  - RAVELOJAONA Heritiana – Cellule environnementale mines à Tolagnaro
  - MAMPIHAO – DIREL Tolagnaro
  - RAJAONARIVELO Jean Claude – Agence portuaire

FITAHIA Rakotovao Stelas – Service de l’emploi  
RAHOLINIRINA Elmire Lydia – Service régional de l’agriculture  
Dr. RAKOTOMAVOARISONA Toussaint – Direction régionale de la santé publique  
RAJOELINA Fenitra – Institut national de la statistique  
RANDRIANANTENAINA Handry – Service topographique Anosy  
RAVELOJAONA Heritiana – Ministère des Mines

3. Associations communautaires  
Président, COGE Mandena  
Président, COGE Petriky  
Briefing QMM : Achats locaux
4. Fédération des Chambres de Commerce et d’Industrie de Madagascar: Président, Nourine CHABANI

**Mercredi 19 : Ste. Luce and Fort Dauphin**

1. Visite à Ste Luce
2. Briefing AZAFADY re Ste Luce
3. Briefing QMM re Ste Luce

**Jeudi 20 Fort Dauphin**

1. Président de la Délégation Spéciale
2. Opérateurs Économiques – Fournisseurs de QMM  
RAKOTOHERY Moise Tahina – GOEDRA  
RAZAMAHINO Hortense – Ets  
RAKOTONDRADAD – Hery Maintenance  
ANDREAS Delphin Ets NEPENTHES  
RAMAMDY François Xavier Ets MAMISOA
3. Dr. Barry Ferguson – School for International training
4. Débriefing QMM

**Vendredi 21 Fort Dauphin – Antananarivo** Préparation du Rapport

**Lundi 24 Londres**

1. Briefing Rio Tinto
2. Groupe consultatif de Londres [Rio Tinto/NGO Liaison Group on Madagascar]  
Hugo Slim, Luke Freeman, Mark Jacobs and Rod Harbinson

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\* **Erratum:** Andry Lalana Tohana (ALT MG) is a new, independent Malagasy NGO and not the successor to Andrew Lees Trust as incorrectly stated in our 2011 report.

## Annex B

### QMM Comments

#### 3. THE NEXT STEP: STE LUCE

Pg 2: Comment: St. Luce phase will need to benefit from lessons learned, both positive and negative, from earlier phases.....This will include lessons on community relations, building constituencies, social, cultural, and human realities, a better understanding of the development challenges in a fragile and neglected setting.

QMM Comments: QMM is adopting an adaptive management approach by the Community Relations and Sustainable Development (CR/SD) team to ensure lessons are learned at Mandena and the Port are applied in Ste Luce on a continual ongoing basis. Adaptive management is a tool that can be used to not only change a system but also to learn about a system. It is based on a learning process and allows one to gain knowledge to improve management in the future, while informing the best short-term outcome based on current knowledge.

Utilizing this structured, iterative process of decision-making will enable QMM to evaluate results and adjust actions on the basis of what has been learned. Engaging in active learning will allow QMM to direct change towards more sustainable models and approaches. This will also allow more effective management of its community investments, which will enable QMM to maximize its social impact and the social value its activities create.

Current steps that are being undertaken as part this analytical process are the following:

- Participatory interaction with stakeholders in the communes of Ampasy Nahampoana and Mamdromodromodra (MMM) to define activities that would allow to integrate PDI activities into a more comprehensive farming systems approach that could be extended further north to the commune of Mahatalaky
- Stakeholder mapping exercises based on specific challenges (enjeux) that would define a specific action plan that that draws on the principles of appreciate inquiry, FPIC (free prior and informed consent) and interactive dialogue to drive positive change and stakeholder ownership and engagement
- Thematic working sessions with partners and stakeholders to discuss and analyze approaches and methodologies to foster community ownership and “auto development” based on studies and lessons learned. Some initial discussions with partners working in St. Luce have begun and are focusing on health, literacy, and natural resources management linked to improving livelihoods.
- Participatory evaluation by the stakeholders of the PDI and FAGNEVA Programs that involves stakeholders in the reflection, assessment and definition of actions to create a greater sense of ownership and engage them as key actors in the decision making process.

These steps will not only serve to generate lessons learned and appropriate approaches and orientations for St. Luce, but also for current community investments and activities in communities impacted by the

mine in Mandena and the Port. This will allow for an analysis of how to improve QMM approaches to creating a sense of partnership with the communities and other stakeholders to date.

Pg. 5/6 Recommendations: QMM needs to adjust its approach, taking into account the new context, challenges and needs of the Ste Luce population to ensure their genuine community ownership and long-term sustainability; and ensure that alternative livelihoods are more closely linked to a declining environmental resource base.

QMM Comments: QMM is establishing a more strategic and programmatic ways of planning and delivering their contributions to communities. This orientation is based on how we can more effectively address socioeconomic development priorities and issues in Anosy with a goal of maintaining our social license to operate. QMM is placing a greater emphasis on creating “shared value” and “local content” and a “good neighbor policy” by focusing on building social capital and partnerships that support community ownership through multi-stakeholder processes that takes into account long term sustainability.

As a key strategic orientation, RT/QMM is moving towards a systems approach to allow more effective decision making by viewing "problems" and solutions as parts of an overall system, rather than reacting to specific part, outcomes or events and potentially contributing to further development of unintended consequences. This approach will be aligned to regional, inter-communal, communal and fokotony (village) Development Plans in Mandena, St. Luce, and Petriky. It will be important to develop “win win” partnerships and identify “champions” to promote this approach that also ensures stakeholder engagement is at the core of working with communities.

QMM will incorporate a systematic use of analyses, zoning plans, value chains, market studies, and other tools by regional and local partners, stakeholders and resource users to ensure activities are adapted to changing priorities and conditions and also provide useful benefits back to QMM. Priority activities within this systems approach are the following:

- **Natural Resources Management:** Revitalizing the DINA as social contract to create partnerships with the communities and resource units to ensure a joint management of natural resources within and outside of the mining concessions, which could include establishing offsets sites for specific resources such as mahampy and ravalala. This will build on lessons learned from other regions in ensuring community ownership and engagement in the application of DINAs in the management of natural resources.
- **Agriculture/Food Security:** Assessing PDI activities as pilot community investments and incorporating them into systems approach that is linked to improved land and coastal management. The objective is to create the shared value by improving food security for communities while providing produce for the domestic market, including QMM needs.
- **Entrepreneurial Development:** Continue the positive efforts with the WB/PIC in the providing support and training in collaboration with the recently established Anosy Business Center (CARA) to reinforce competent and qualified local businesses. Increased efforts are also needed to reinforce access to credit and address commercialization of products from income-generating activities currently promoted under the QMM sponsored Integrated Development Program (PDI).
- **Education/Literacy:** Prioritizing a more comprehensive program approach to ensure to address education and literacy needs for youth in the priority communities. This will focus on a future workforce by providing a more robust scholarship program, literacy, civic education, and mobilization of youth through extra curriculum and sport activities, and technical and leadership training.

- Health: Reinforcing a program approach in the delivery of maternal and child health care services in the priority communes through a partnership with UNICEF and the District Health Service. This will also include collaboration with other partners who address health issues such as malaria, HIV – AIDs and other communicable diseases to serve to improve the well being of the communities and the current and future workforce.

#### 4. THE CURRENT SITUATION AND THE FUTURE OF THE ANOSY REGION

##### (i) Fort Dauphin

Pg. 7: Recommendation: Establishment of a socio-economic tracking system for the region that is independent, methodologically sound and credible is essential.

QMM Comments: QMM is in the agreement of the need for an independent, methodologically sound and credible socio-economic tracking system. Measuring return on investment is a new frontier in monitoring and evaluation. Emerging methodologies are being used to monetize the benefits from private sector investments related to local communities. Financial Valuation (FV Tool) and Social Return on Investment (SROI) are two tools, which would allow the region to assess the social impact of QMM and other partners in financial terms. Through collaborative partnership with GIZ and the region, QMM will support a process over the next three years that would lead to the following outputs:

(i) Demonstrate the importance of working with stakeholders: As SROI is a stakeholder-informed process, their involvement is a key element of an SROI analysis; and they will play an integral role in identifying outcome indicators. The SROI process, by involving people that contribute to change creation, creates a medium for formal dialogue with stakeholders. It ensures accountability to stakeholders and involves them in meaningful exchange.

(ii) Facilitate a comprehensive results framework for sustainable development and a more robust monitoring and evaluation of the impact of investments: SROI is an outcomes-based measurement tool. Incorporating this approach will allow the region and its partners to think more rigorously about their comprehensive sustainable development framework and what it measures. Substantial emphasis is placed on defining results and data collection for a comprehensive monitoring and evaluation system.

(iii) Facilitate training and capacity building: SROI analysis will be used as a training exercise and capacity building tool, reinforcing and demonstrating the importance of a strong, functioning monitoring and evaluation system.

Pg. 8: Recommendation: Respective planning roles and responsibilities in the region will need to be clarification as a prelude to resuming a much needed update to the Regional Development Plan. It will be important to clarify the future role of CRD if any.

QMM Comments: QMM is in agreement that the region of Anosy needs to move beyond the planning process that began more than 10 years ago, to operationalize regional, inter-communal and communal plans. While the intent of the SRAT is to provide a legislative basis for zoning, it can serve as a good foundation to ensure understanding of the spatial relationships between the different economic sectors (mining, agriculture, fisheries, tourism) and natural resources management to ensure sustainable development and viable operational plans.

This adoption and application of participatory spatial planning should serve as a basis for a Regional Development Plan to ensure it clearly defines the complementarities between different actors and partners based on systems based approach and facilitate operationalization of the plan. In this light, it will also be important to continue to explore the potential for leveraging resources to catalyze alliances, new investments, and a range of partnerships that are aligned and harmonized with the goals and objectives of the regional, urban and communal plans.

QMM is also in agreement that further reflection needs to be given to the overall coordination at the different levels including the role and responsibilities of the Comité Régional de Développement (CRD), composed largely of members of civil society. It was put into place in 2002 and served as a major contributor for multi-stakeholder planning and collaboration as a complement to the regional coordination structure. After the 2009 political crisis, the CRD and other regional structures were no longer actively engaged. There have been significant efforts over the last year to re-vitalize these different structures, including the CRD, the environment platform, and a coordination unit attached to the Region. An effective multi-stakeholder platform and regional planning and coordination process is about getting it right - the right people, the right amount and the right way. As we move forward, it will be important that lessons learned need to be taken into consideration in re-defining respective planning roles and responsibilities among the different actors, CRD included.

At the communal level, QMM will support efforts by partners to re-vitalize “Kominina Mendrika”, which translates to meritorious commune. This is a pragmatic commune-level mobilization approach to aid in local-level governance and activity implementation in multiple sectors. It involves working with key commune-level actors to identify small achievable results and indicators that communities can successfully implement on an annual basis in the domains of health education, improved land use, agricultural production and income generating activity, natural resource management, and good governance.

### iii. Managing the Ristournes: A Regional Development Foundation

Pg. 9. Recommendation: It is important to pay attention to the “details” of how the Regional Foundation should be constituted and to take the time required before proceeding to establish a foundation.

QMM Comments: QMM is committed to moving forward with a regional development funding mechanism to act as a catalyst and support to priority community investments. The establishment of the Regional Foundation is one of the key outputs of the Region – PIC – QMM protocol agreement for the period from December 2011- December 2013. It will be essential that the Foundation be structured as an instrument for longer-term regional development and not only for short and medium term results.

A recent study was completed with support from WB/PGRM that provides the specifics of establishing a foundation. However, it is now the time to engage in more formalized dialogue with the regional stakeholders to address the pertinent questions highlighted by the IAP. It is recommended that the recently established Comité de Parties Prenantes (CPP) - with equal representation from the government, private sector and civil society - will serve as the Steering Committee for the establishment of the foundation.

The CPP can serve as a forum to discuss the different elements that are needed for the foundation to be professional, independent of self-interest and held to high standards of transparency and accountability.

Key discussions will need to focus on how the foundation will be funded in the long term; and in particular, the contribution of mining royalties and private sector contributions to ensure the long term sustainability of the foundation for future generations. Lessons learned and best practices should also be drawn from the Tany Meva, a Malagasy environmental foundation that is focusing on building the sustainable community engagement in their own development.

#### iv. Conflict Prevention Strategy

Pg. 10: Recommendation: Structured attempt at conflict prevention is innovative and important attempt at trust building and development of a genuine dialogue....Additional measures may be required....to address issues of independence...and to reduce the degree of “inputs” for an effective process.

QMM Comments: QMM is in the process of expanding the partnership with GIZ and the Region, beginning in January 2013 for a three year time period. One of the components is to provide support for operational coordination and dialogue structures and stakeholder engagement between private and public sector actors and civil society. This support could ensure a focus on assisting to simplify and streamline both structure and processes while also reinforcing the civil society to have a more active voice.

One of the basis for ensuring an effective process is the “Organe de Mediation pour le Maintien du Climat de Confiance” (OMMCC), that was put into place through a regional arrêté in September 2011. The OMMCC is to serve as key element in securing investments in the development of an ongoing system of dialogue and exchange. The arrêté includes a clause concerning the functioning of the OMMCC whereby an account is established to ensure the payment of the honorariums for each mediator and any associated administrative costs. The three parties (Region, Civil Society and QMM) are required to jointly contribute for the mediators before the onset of the mediation exercise. Each party is then responsible to assume any other costs for witnesses, experts, lawyers or other individuals who are represented during the mediation. QMM will continue to work with all parties to ensure the functioning of this account that is key to a transparent and non-biased process.

#### 4. ONE AND COMITE DE SUIVI ENVIRONNEMENTAL REGIONAL (CSER)

Pg. 12: Recommendation: Regular communication of the ONE financial situation, its risks, and its evolution should be a priority and essential means to encourage appropriate action at all levels. For Anosy, the GPF should include this on the agenda of the monthly meeting.

Pg. 12: Recommendation: The need to ensure a strong, independent ONE calls for an urgent multi-stakeholder consultation and the identification of pathways to a multi-stakeholder solution.

QMM Comments: QMM strongly agrees with IAP comments on the need for a strong, independent and professional institution of environmental evaluation excellence in Madagascar, which is key in light with increasing number of investments by extractive industries and other sectors. The MECIE application decree provides a breakdown of EIA management roles and responsibilities between the Ministry of Environment and ONE. QMM is aware of the continuing constraints for the financial sustainability for ONE to ensure the EIA process.

As a member of the Chamber of Mines, QMM is moving forward to promote a multi-stakeholder consultation to address the need to ensure a strong and independent role for ONE that would benefit not only QMM, but also the extractive industry investors and others. As the establishment and monitoring of viable social and environmental impact assessments is a key international standard required by all financial institutes and partners, it will be important to implicate them in identifying pathways for a multi-stakeholder solution.

This process should build on the tripartite principle established in Anosy that engages the public, private and civil society stakeholders in the consultation process. It will also be important build on the numerous studies and efforts that were undertaken under the National Environmental Action Plan (1990 – 2008) to reinforce the sustainability of an independent and professional regulatory body for environment and social evaluations and monitoring.

Pg. 13. Recommendation: ONE continues to find itself in a position where it is called upon to adjudicate and resolve conflicts related to QMM's operations.....The newly installed tripartite mediation structures and the three mediators should very quickly move to assume the responsibility for conflict resolution.

QMM Comments: One of the key elements to an effective conflict resolution structure is an effective system to track stakeholder engagements, perceptions, complaints, responses and resolutions. Rio Tinto introduced in all of the business units a Community Stakeholder Engagement Tracking System (CSETS) as a standard repository to record community and stakeholder engagement activity. This allows QMM to anticipate community issues by tracking all complaints and determine which ones can be resolved in the dialogue between the claimants and QMM. It is only the second level complaints that are linked to a social or environmental legal compliance where this is disagreement that is raised to level of the ONE regional technical evaluation committee. These are evaluated at the level of CSER and addressed accordingly at the field level through multi-stakeholder consultation.

QMM is in the process of updating the overall data based to ensure the full functionality of the CSETS. Complaints that are raised at the level of ONE are being reviewed and resolved in an effective matter; however, QMM will install a more robust and iterative system for the first level of complaints that are resolved at the level of QMM

## 5. SOME REMAINING ISSUES

### (i) Land Security of the Mining concessions

In 2002, QMM signed a DINA, a traditional social contract between the Direction of Water and Forest, the Chef de District and the mayor of the 2 communes affected by the project (Ampasy and MMM) for the co-management by communities of the natural resources within the mining concession. This includes user rights (usufruitiers) for both the conservation and production zones. A management committee (COGE) responsible for ensuring community understanding and ownership currently manages the DINA. Individual contracts with the 286 traditional land users were established. The process for the long-term lease for the mining concession was only initiated in 2009 that resulted in extraction of the land tenure markers in November 2011.

One of the key issues appears to be a lack of clear understanding between user rights and those of the traditional occupants. The common understanding of these different groups is key to the continuation

of the stakeholder process and the agreement of the local communities to move forward with the finalization of the lease.

Based on an in-depth analysis of the situation at the field, regional and national level, there is a need for the clarification of the definition of the “usufruitiers” and “occupants traditionnels”. QMM will move forward by March 2013 in finalizing all of the individual contracts with the traditional occupants and revitalizing efforts to ensure ownership and application of the DINA by the communities in Ampasy and MMM. The steps are key to the finalization of the long-term lease by Land Tenure Service.

(ii) Ehoala Port

Since the public opening of the Port of Ehoala in July 2009, more than 55,000 direct and induced jobs have been created and recorded at the level of the EDBM (Economic Development Board of Madagascar). The Ehoala Investment Zone will open in 2013 with the installation of the up to five investors over the first year. Job creation is estimated from 500 to 1 500 direct jobs for the construction phase.

These investments will also bring a benefit to the communities in the Anosy region. For example, one of the new investors, who will specialize in production of vegetable oil, recruited and currently employs more than 6,000 farmers in the region around Fort Dauphin. However, it will be important to ensure a robust program through partnerships to develop viable value chains that will allow local populations to increase their production levels and respond to the required quality and quantity of produce to respond to the domestic and regional markets. A national and regional level platform has been established to examine the development and funding of promising agriculture, fishery, and animal husbandry value chains.

The installation of 4 of 5 new investors in Ehoala Park will serve to create new jobs for young people in the town of Fort Dauphin. As specified in the Master plan of the Ehoala port, a portion of the 442 Ha will be incorporated as a free zone which will also maximize job creation, promote the export of local products and allow for the entry of foreign currency. Ehoala Port has created CCOMEP (Ehoala Port Communication Committee) in May 2012 to ensure the flow of information to stakeholders including the local population

(iii) Communications:

Building on the Kadaha dialogue that took place in Fort Dauphin in March 2012, the Region, Civil Society, and QMM took the key messages from the outcome of this dialogue to the communities impacted by the current mining operations. During this 4 day KADAHA tour to the Communes of Mahatalaky, Mamdromodromodra and Ampasy Nahampoana the importance of partnership and continual dialogue was emphasized. QMM is working to establish an operational commune level communication plan that continues to build on this dynamic to fully engage the communities through a more effective interactive dialogue structure.

This plan will be based on specific themes that were identified during the Kadaha with a priority on sustainable management of natural resources, local recruitment, improvement of livelihoods, and partnership. An interactive approach, known as social communication, will be encouraged at the local level. This approach identifies the stakeholder/actors and the channel for messages, and engages communities in the delivery of the messages through theater, radio and other forms of social media. The first communication campaign to be launched over the next quarter will focus on the application of

the Dina in Mandena and St. Luce to address community concerns and perceptions about a declining natural resources base.