

Report of the Independent International Advisory Panel  
(Visit of June 12-16, 2017)

Executive Summary

1. The Independent International Advisory Panel, consisting of Claude Andreas, former Minister of Agriculture, and Robert Calderisi, former World Bank director, conducted its first review on June 12-16, 2017.
2. Its most important finding was that QMM is generally perceived to have managed the key issues of biodiversity protection, land compensation, and labour force reductions with skill and discretion. The only major criticism is that it has failed to promote other local industries within the port industrial and commercial zone and hence add significantly to the traffic at Ehoala Port (see paras. 4-8 below).
3. Communications. Although the local community is generally well-informed about QMM's activities, at the national level, the company appears to have been discreet to a fault. To counter this impression, we recommend that QMM seize every opportunity, including trade exhibitions and tourist fairs, to publicize its activities..
4. Ehoala Industrial and Commercial Zone. Slow progress in developing the Zone is hardly surprising, as industrial promotion is one of the most challenging aspects of international development. According to QMM, results are still roughly in line with the conservative assumptions made in the original feasibility study. However, opinions vary on whether better results are possible. When the original agreements were signed, plans were well underway to construct a new road between Ihosy and Fort Dauphin that would have opened up the region to the rest of the country. The political crisis of 2009-2014 disrupted those plans and there is now only enough new external funding to cover a small southern segment of that road and to upgrade a smaller artery along the eastern coast (which may facilitate the development of a bauxite mine). Until such infrastructure is in place, few people believe that a significant increase in local industries will be possible. Others suggest that there is already enough mineral and

agricultural potential within reach of Fort Dauphin to benefit from the unique combination of a modern port and airport that are very close to each other. Improvements in governance would also be welcome but that is true for the whole of the country rather than just Fort Dauphin.

5. The debate has been clouded by disappointments and misunderstandings. Government officials complain that QMM has failed to install water and electricity services in the industrial zone, in line with its original commitment to do so. QMM asserts that the June 2011 master plan has been overtaken by events and needs to be revised. In particular, it must reflect more up-to-date assumptions about the agro-business potential of the area, administrative delays in licensing some new activities (like graphite and granite production), new legislation on the tax treatment of the estate, and a broader range of possible external uses of the port (such as the repair of oil tankers and the servicing of changes of crew from passing traffic). Emotions and expectations are running high in some quarters, but the Panel sees little reason to doubt QMM's commitment to moving forward. QMM points out that the management of the Zone was always conceived of as a partnership with the State, with important elements (such as political stability and tax policy) lying outside its own control.

6. On the positive side, QMM has successfully secured the area against illegal settlement or land use and the Zone is ready for development once opportunities are ripe. There is no evidence that the Government itself would have been more successful than QMM in promoting local industries. And the inherent advantages of geography remain the same. While Fort Dauphin is largely cut off from the rest of the country (except by air), the port lies within easy reach of one of the world's most heavily used sea traffic lanes.

7. Both Rio Tinto and PIC (the World Bank-funded government "growth pole" project) are now conducting studies on what to do next. Without presupposing the results, the Panel believes that once those analyses are complete QMM should strongly consider ceding responsibility for managing the industrial estate back to the Government. Although it was admirable for the company to want to be involved directly in broadening the economic impact of the mine and port, it was highly ambitious to try to do so. Indeed, we find it ironic

that, having met the key challenges of its core mission to the apparent satisfaction of all concerned, the company is now being criticized for not performing well in an area beyond its appropriate terms of reference.

8. The Panel recognizes that QMM has a fundamental interest in protecting the security of Ehoala Port and its own untrammelled access to those facilities, which it will continue to manage. For that reason, any cession of responsibility for the industrial zone to Government would need to be conditioned on cast-iron guarantees to QMM in those two respects. If such a transfer takes place, we recommend that the Government and QMM select a new private-sector operator jointly so as to build on past experience and benefit from Rio Tinto's international connections. It is also desirable that QMM serve on any advisory panel that would be set up to support the new zone operator and be granted a veto on the installation of any activities (like an abattoir) that could affect the hygiene and general attractiveness of the area.

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