

Rio Tinto-QMM
Report of the Independent International Advisory Panel
(Visit of September 3-8, 2018)

Introduction

1. The Independent International Advisory Panel, consisting of Claude Andreas, former Minister of Agriculture and now Director General of the Société Soavoanio (the largest coconut producer in the country), and Robert Calderisi, former World Bank director, spent two and a half days in Fort Dauphin (September 3-5) and two and a half days in Antananarivo (September 5-7) discussing developments at the RTQMM site with national, regional, and local government representatives, the local and national private sector, civil society actors, financial partners, members of the local communities, and RTQMM personnel. The third member of the panel (Daniela Raik, Senior Vice President of Conservation International) was unable to join the team as planned. We are grateful to Lisa Gaylord, QMM's Manager for Corporate Relations, Communities, and Sustainable Development, and her team for organizing a wide-ranging program.

Follow-Up to the Last Report

2. In its first report, dated July 26, 2017 (summarizing its visit of June 12-16, 2017), the Panel found that QMM had managed the key issues of biodiversity protection, land compensation, and reductions in the labour force (following the drop in international commodity prices) with skill and discretion. The only major criticism the Panel heard was that QMM had failed to meet its commitment to promote other local industries and hence add significantly to the traffic at Ehoala Port. As a result, we recommended that, once the necessary detailed analyses were complete, QMM should consider ceding responsibility for managing the industrial estate back to the Government. In the intervening fourteen months, Rio Tinto and the World Bank-funded *Pôles Intégrés de Croissance* [Integrated Growth Poles] (PIC) project have completed separate studies, showing that the pre-conditions for a large industrial and commercial development over the next 5-10 years are not yet in place. Instead, it was recommended that during the short

term the focus should be on expanding port usage by (1) sub-contracting with a maritime company to allow for a cabotage system between Malagasy ports and bunkering services and (2) promoting renewable energy development and commercially viable value chain development in the region-

3. During its June 2017 visit, the Panel was unable to consult directly with people living near the mine. While the situation appeared placid at the time (reflected in a sharp drop in formal grievances), it was impossible to assert with confidence that relations between QMM and the local communities were healthy. Accordingly, we recommended that an exchange of views with local residents be organized during the Panel's next visit, using an appropriate non-government organization to do so (even one that has been critical of QMM in the past). Such an exchange did occur during this visit (see paragraphs 18-24 below).

4. The Panel also made recommendations on improving QMM's public communications, but there has been little progress on that front (see paragraphs 9-17 below).

Findings and Recommendations

5. Social Climate. Following the Panel's previous visit, the political calm that had prevailed since January 2013 was disrupted by roadblocks between Fort Dauphin and the project site in January, May, and June 2018. Handling these protests drained QMM resources away from ongoing community activities, such as finalizing the extension of agreements with the *usufruitiers* (those currently collecting wicker grass and firewood) and discussions with the fishing community affected by the weir on the project site. In the interim, QMM was supporting labor-intensive activities for both communities. Opinions differ on how well QMM responded to these protests, but the balance of views heard by the Panel – including from representatives of the local communities directly affected – favored QMM's firm and principled approach (please see paragraphs 18-20 below).

6. Operational Results. QMM has continued to reduce its operating costs and is now selling ilmenite directly to overseas customers rather than just to Rio Tinto. In addition, it recently made its first shipments of

tailings containing monazite, a sub-product of ilmenite, which will add to QMM's cash flow; the full extent will depend on client testing of the degree of concentration of the product. For the first time, the company was completely self-financing in 2017 (except for servicing its original debt) and there is renewed confidence about the future.

7. On the human resources front, the most recent attitude survey showed a significant improvement in staff morale. More Malagasy personnel have been hired, with the result that there are now only 11 expatriates in a workforce of nearly 500. The QMM's safety record also remains remarkable, with only one "serious" injury (a broken finger) in the last three years.

8. Looking ahead, QMM believes it faces two key challenges. First, how should it balance its own interests with the need to fight poverty and reduce the local communities' long-term dependency on QMM operations? In particular, how should it react to occasional violations of the law and resist adopting short-term solutions vis-à-vis individuals and the community that are not sustainable in the long run? Second, how can the role of QMM's regulators – the *Office National de l'Environnement* [ONE] and the local authorities – be strengthened? While a spirit of partnership was evident in the eventual ending of the roadblocks, in QMM's view, some government agencies do not always assert their authority or remind interested parties of the "rules of the game" with the necessary degree of conviction.

9. Communications. Owing in part to the political disturbances of the previous nine months (which absorbed considerable staff resources) and partly because of a limited budget for such activities, there has been little progress in raising the profile of QMM on the national scene or in pre-empting serious misunderstandings about its operations. The roadblocks themselves and the sometimes-uninformed national coverage they attracted were a clear sign of this continued lack of detailed knowledge of QMM's activities. So, too, were disturbing headlines about birth deformities caused by the mining of monazite, a mildly radioactive sub-product of the ilmenite sands.*

* Even when the Director-General of the National Office of the Environment (ONE) announced at a round table discussion on September 7th that radioactivity levels were well within acceptable limits, newspapers the next day reported only that

10. In the Panel’s view, the true test of QMM’s success in public communications should be that the nation as a whole takes pride in its operations and that the local community feels that the mining operation and the port “belong” to them. At the moment, owing to a moratorium on new prospection licences, there are only two major mines in the country: one producing nickel and cobalt, the other ilmenite.[†] While government officials in Tana and Fort Dauphin acknowledged increased contacts with QMM senior staff over the last year, information flows remain far from ideal, especially from the standpoint of mid-level officials.

11. Even more important, very little headway has been made with the national media. QMM recently resumed its semi-annual breakfasts with journalists and was in the process of organizing its first workshop with selected media in Tana the week after the Panel’s visit. No “Open Door” [Portes Ouvertes] event had been organized at the mine site or at the port since the Panel’s first visit (although here, too, plans were afoot to host such an event as part of the celebration of QMM’s ten years of operation in November 2018). Nor were there any “friendly” new information brochures describing the history and success of QMM’s operations, or any sign of an enhanced presence on social media.

12. As a result, many people still feel that – rather than accepting that they have a “good story” to tell – QMM acts as if they have something to hide. There was some resentment that QMM had not backed a “counter-march” in Fort Dauphin by local suppliers and businesses to emphasize the importance of the mine for the community and put the roadblocks into a wider perspective. (QMM was reluctant to be seen to be orchestrating such events when other local actors appeared to be abetting the protesters.)

13. Communications can be a complex activity. Explanations can seem like hollow boasting rather than a contribution to public understanding.

levels had risen – even though the DG was referring to a slight increase well within acceptable norms.

[†] Ilmenite is rich in titanium dioxide, a white pigment used to bleach paint, paper, fabrics, plastics, sunscreen, pharmaceuticals, cosmetics, and even food.

And there is only so much enlightening one can do of a community cut off by poor roads from even nearby places. A number of people we met commented on the “enclave” mentality of local residents who complain about the high cost of power but do not realize that they have the most reliable electricity service in the country. It is only in Tana that one hears Fort Dauphin described as one of the most pleasant and well-served communities in the country, thanks in large measure to QMM. Fifty percent of the town’s budget is funded by royalties from the mine.

14. Challenging as communications can be, one rule is simple enough: you can rarely do too much of it, and QMM is well short of running that risk. The Panel recommends that it increase its communications budget significantly and make up for lost time by advertising the achievements of its first ten years of operation. In this respect, the recommendations made by the Panel in its first report (please see Annex A) remain highly relevant.

15. Ironically, according to civil society organizations active in the sector, large mines attract the most attention, while smaller ones (including Chinese operators that convince farmers to abandon their holdings and work for them) are wreaking serious social, economic, and environmental damage. QMM, they thought, should:

- Shed more light on its positive record;
- Remind people of its contributions to the community;
- Prepare a film explaining how Fort Dauphin looked before and after the project; and
- Help local officials better explain QMM’s role (through mobile video vans or *ciné-mobile*, for example).

16. “QMM is not an angel,” one NGO leader told us, “but their record is very respectable.” In his view, to reinforce it, the company should organize regular face-to-face encounters with local residents; provide support to small local groups, regional NGOs, and national civil society organizations; and develop a truly long-term vision – spanning 30-40 years rather than just the next six months – about how to create a “new society”, mobilizing educated people differently, creating more consequential civil society organizations, and pressing the municipal

authorities to accept responsibility for local development rather than looking to the region or QMM to promote it in their place.

17. On a highly contentious point, which could continue to cloud attitudes to the company, the Panel recommends that QMM approach the *Institut National des Sciences et Techniques Nucléaires* (Madagascar-INSTN), the national counterpart of the International Atomic Energy Agency, to undertake a study of the impact of monazite on the health of QMM workers and the residents of Fort Dauphin, so that future discussions of the issue can be based on independent scientific findings.

18. Relations with the Local Communities. One of the Panel's most important meetings was with fourteen representatives of the local communities and local authorities, only one of whom turned out to be openly hostile to QMM. While it is possible that others muted their criticisms in the light of the format of the meeting (two local mayors were present) or out of respect for the Panel (everywhere we went, there was appreciation of the opportunity to express unvarnished views to an objective third party), the gist of the feedback was clear enough. Significantly, while the only real sceptic spoke first and at some length, he was corrected and even contradicted by almost everyone else at the meeting.

19. One speaker, who had been opposed to QMM for a long time, said that he had now changed his mind as two of his children were pursuing university studies in Antananarivo thanks to scholarships made possible by the company. Another participant was grateful that his children's school fees were being paid for by Fort Dauphin from QMM-related revenues. One speaker objected to QMM's "rough handling" of the recent protests, as a number of people had been arrested and jailed after the company had pressed charges for disorderly behaviour. But others were glad that the company had been "firm" for a change rather than accommodating (while treating each new claim methodically), as QMM's past generosity may have played a part in attracting the "troublemakers". Most of the people at the roadblocks, we were told, were not from the area; were the children and even grandchildren of local residents who had already been compensated; or were simple opportunists. As for those who were jailed, several participants said that they deserved to face the consequences as they had brought the

protests to the brink of violence by blocking the delivery of heavy fuel for the generators at the mine site that would have affected the provision of electricity to the town.

20. That said, participants urged QMM to accelerate the implementation of the participatory community agreements and to improve the attractiveness of the one covering the *usufruitiers*, as early examples of development success would build confidence in the overall program. For now, there are still people in the area who would prefer cash handouts to longer-term schemes. “The only people who benefit from ‘development,’ one villager told us, “are the NGOs.” The meeting also recommended that more senior QMM staff be hired from the region, thereby deepening the local communities’ sense of confidence and involvement in the mine.

21. Mirroring QMM’s own concern about an appropriate division of responsibility between itself and the local authorities (see paragraph 8 above), participants observed that the mayors felt like “bystanders” in resolving disputes and that QMM tended to deal directly with villagers and local associations. Even the mayor of Fort Dauphin said that he was not involved in the recent finalization of regulations governing the operation of the special economic zone.

22. Given this general openness to QMM’s operations and approach, the Panel believes that the company should act promptly to consolidate such support by reaching out as widely as possible within the larger Fort Dauphin community to sift through the lessons of this year’s protests, explain what it is doing to listen to local advice, and provide a public update on the implementation of the participatory community agreements. QMM should also consider formally surveying national and local opinion in the context of its tenth anniversary celebrations, as a guide to future decision-making and communications strategy and as a baseline for measuring the impact of improved decisions and outreach.

23. Communications is a two-way street. In that respect, several people thought that QMM should be more proactive in its dealings with existing and potential partners. “QMM goes to NGOs when they need help,” one knowledgeable person told us, “not to listen and learn.” “In normal times,” another observer told us, “QMM doesn’t pay attention.”

Yet, both felt that the company deserved a better reputation, given its positive contributions to local development. Others commented that QMM was “too discreet” and that damaging accusations in recent months could have been forestalled with a less “low profile” approach.

24. In this context, the Panel was disappointed that the English-language version of its first report was not posted on the QMM website until several months after its visit and that a satisfactory French translation was never prepared. We believe that QMM’s credibility and the usefulness of the Panel itself depend critically on sharing its findings as soon as they are available with those who were consulted and with other interested parties. The production of the French-language version should not hold up the posting of the English-language report on the QMM website.

25. Future Activities of the Panel. Like our predecessors, we expect to visit the project site once a year and to remain in touch with QMM on specific issues arising between our visits. We will submit our reports in draft to QMM to allow them to correct any facts or alert us to any information that they regard as proprietary, but not to challenge any of the judgments we express. Once the reports are finalized, they will be placed immediately on the Rio Tinto website in English and French. Comments or questions on those reports may be addressed in confidence to Robert Calderisi at calderossi@gmail.com.

Annex A

Communications

Panel Recommendations of July 2017

10. Understandably, given their proximity to the mine, their access to QMM staff, and the company's approach to public outreach, it is the local communities that are best informed about QMM's activities. But, at the national level, apparently heeding the Malagasy dictum not to be "the tallest tree in the forest", the company has been discreet to a fault. Some even regard it as still being on the defensive, despite having a good "story" to tell. For example, according to one official, the other large mine in the country (Ambatovy) was required under its concession agreement to establish a US\$25 million social investment fund (for local schools, clinics, and markets); QMM undertook such expenditures at its own initiative. As a result of patchy information, the Panel noted lingering misunderstandings about subjects like the mine's contribution to the national economy, the level of port charges, and the next steps in studying options for the management of the industrial estate. These could have been cleared up quite easily if QMM had been more proactive in sharing information.

11. The Panel welcomes the company's decision to fill the current External Affairs Principal Adviser position in July 2017 with someone who already has extensive first-hand knowledge of the mine and Fort Dauphin area. We recommend that he be charged with exploiting every opportunity, including trade exhibitions and tourist fairs, for informing as large a public as possible about QMM's activities, including the use of a maquette and films or videos (some of which already exist). QMM's president should also consider briefing officials in the capital every six months about the history and progress of the project, in response to the regular turnover in government personnel. (In the last three years, there have been four prime ministers and four Ministers of Industry and Mines.) The QMM president's personal involvement in such briefings would emphasize the importance that QMM attaches to such communications and would ensure reliable, up-to-date responses to questions and challenges.

12. QMM should also hold regular “town hall”-style meetings in and around Fort Dauphin so as not to take local commitment to the project for granted. Quite naturally, the size of the company’s presence will inspire a mixture of pride and resentment. That, in turn, can lead to unnecessary suspicions and rumours about seemingly minor matters. For example, local people were puzzled by the purchase of new vehicles by the mine shortly after QMM reduced car-rental services as a cost-cutting measure, disappointing local providers. Questions were also raised about QMM laying off staff, only to employ them again at a lower cost as outside service providers. Regular public briefings will prove useful both as a sounding board and to head off potential new grievances ahead of time. QMM should also consider opening the port to interested visitors by scheduling at least one “Portes Ouvertes” [Open Doors] event every year. These would encourage the local population to feel that the port belongs to them and to appreciate the care that QMM is taking to ensure its security and upkeep.

13. At the national level, QMM should stress the following messages:

- Environmental Impact. The mine is one of the cleanest in the world, using gravity and electromagnetism to extract the ilmenite ore from sand deposits.‡ As no chemical agents are used, there are no toxic effluents or fumes. The only significant residue is the sifted sand deposited over the previously mined area and planted with fast-growing trees like acacia and eucalyptus that local people will harvest once they are mature. A total of 2,100 hectares of protected areas are included in the project.
- A Pace-Setting Project. This was the first major mining investment in Madagascar’s history and was designed explicitly to reflect international experience with biodiversity protection and partnership with local populations. Rio Tinto and the Government of Madagascar set out to establish it as a model for future investments in the sector. Following Rio Tinto’s investment decision, the Government received requests for about 200 new

‡ Ilmenite is rich in titanium dioxide, used as a bleaching agent in paint, paper, and cloth.

exploration permits from internationally renowned companies. According to government officials, QMM was the first company to enter into an environmental impact agreement monitored by the National Office of the Environment (ONE); now, there are 48 companies doing so, thanks in part to QMM's example.

- Employment Benefits. Rio Tinto invested US\$1 billion in the project, 90 percent of it in Madagascar. It employs 1,800 people (500 directly and 1,300 indirectly through contracts and services). Induced employment is estimated at 5,000, bringing total job creation to 6,800. More than 97 percent of QMM staff are Malagasy and 80 percent are recruited locally in Fort Dauphin. Almost 17,000 people were employed during construction (2005-2009).
- Royalties, Taxes and Dividends. The Government of Madagascar holds a 20 percent share in QMM's operations without having made any capital contribution to the mining project itself until now. (The Government made a US\$35 million contribution to the construction of the port.) In the period 2012-2016, QMM paid more than US\$30 million in taxes and, each year, spends more than US\$3.5 million on goods and services in Fort Dauphin. The Government of Madagascar has allocated 60 percent of the mineral royalties to the regional and local authorities, which have experimented successfully with "participatory budgets" involving bottom-up consultations with the community.
- Ehoala Port. To promote regional development, Rio Tinto invested in a port that cost three times more than it would have done (US\$256 million) if it had been designed for the company's exclusive use. Port charges are set in conjunction with the Agence Portuaire Maritime et Fluviale (APMF) and reflect the port's adherence to international technical, safety, and security standards. Charges have remained unchanged since 2010 but as they are expressed in euros (which have appreciated), they have increased in local currency terms.
- Commitment to Transparency. QMM is the only private sector operation in the country that engages not one, but two,

independent outside panels to assess its activities. Like our generalist panel, the Biodiversity Committee is in the process of being re-launched.

RTQMM

Independent International Advisory Panel (September 2018)

List of People Met

Government of Madagascar

Tana

Eric Rakotoson, Director General of Mines, Ministry of Mines and Petroleum

Miharana Fabiola Razanatsimba, Director of Environmental Regulation and Safety, Ministry of Mines and Petroleum

Dinamalala Ranaivosoaona, Division Manager, Minerals and Drilling, OMNIS

Fort Dauphin

Georges Mamy Randrianaina, Mayor, Fort Dauphin

Private Sector

Tana

Henri E. Rabarijohn, Chairman, BNI Madagascar

Fort Dauphin

Delphin Andreas, Président APEA (Association pour la Promotion des Entrepreneurs de l'Anosy), Fort Dauphin

Judine Andreas

Tovonaina

Vivant

Financial Partners

Olivier Ngonian Yao, Investment Officer, FCS Country Coordinator, International Finance Corporation (IFC)

Anouchka Dina Razakandisa, Operations officer, Manufacturing, Agribusiness and Service, IFC

Claudia Maier, Outgrower Program Manager, IFC (Fort Dauphin)

World Bank Integrated Growth Poles Project (PIC)

Rollis Rakotosamimanana, Regional Coordinator, Pôles Intégrés de Croissance [Integrated Growth Poles] (PIC), Fort Dauphin

Civil Society

Tana

Rahajary Tsialoninarivo, National Director, SAF ActAlliance

Ndriandahy Mahamoudou, Project Coordinator, Observatoire des Élections

Harijaona Andraiamoraniaina, Project Leader, Observatoire des Élections

Tiana Ravaloson, Program Director, Search for Common Ground

Fort Dauphin

Amour Jacquelin Rajaonarison, Association Sécurité

Mosa Maurille Maire de Mandromondromotra

Andriamahaso Rondromalala Mairesse de Ampasy Nahampoana

Arson (COGEMA)

Raveloson Maurice

Dauphin Mahavisoa

Mbola Sima

Netecoa Esperance

Bona Jeanoël

Vaha Georgeline

Paul Rufin

Tovonaina Mahafaly

Razafimaniry Cyprien

Koto Célestin

Rio Tinto-QMM

Ny Fanja Rakotomalala, President, QMM

Lisa Gaylord, Corporate Relations, Communities, and Sustainable Development Manager

Hugues Razafindramosa, Team Leader, External Affairs

Martino Noely, Team Leader, Impact Management and Community Relations