Perspectives on community representation within the Extractive Industries Transparency Initiative: Experiences from south-east Madagascar

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ABSTRACT

This article critically examines the nature and quality of governance in community representation and civil society engagement in the context of trans-national large-scale mining, drawing on experiences in the Anosy Region of south-east Madagascar. An exploration of functional relationships between government, mining business and civil society stakeholders reveals an equivocal legitimacy of certain civil society representatives, created by state manipulation, which contributes to community disempowerment. The appointment of local government officials, rather than election, creates a hierarchy of upward dependencies and a culture where the majority of officials express similar views and political alliances. As a consequence, community resistance is suppressed.

Voluntary mechanisms such as Corporate Social Responsibility (CSR) and the Extractive Industries Transparency Initiative (EITI) advocate community stakeholder engagement in decision making processes as a measure to achieve public accountability. In many developing countries, where there is a lack of transparency and high levels of corruption, the value of this engagement, however, is debatable. Findings from this study indicate that the power relationships which exist between stakeholders in the highly lucrative mining industry override efforts to achieve “good governance” through voluntary community engagement. The continuing challenge lies in identifying where the responsibility sits in order to address this power struggle to achieve fair representation.

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Introduction

With the global demand for minerals increasing, companies headquartered in developed countries are expanding into developing countries where reserves are relatively unexploited and plentiful. One continuously debated topic in this regard is the convenience of operating beyond national boundaries for a number of reasons linked to lower operating costs, including low wages, plentiful labour and weak governance with less public scrutiny and fewer statutory requirements. Structural adjustment and policy reforms, such as those advocated by the World Bank, have increased private investments in mining: companies benefit from attractive fiscal policies, whereas host governments typically receive minimal mining revenues. Essentially, large-scale mining has expanded into certain vulnerable countries without effective regulatory control (SAPRIN, 2002, p. 144–155). It is also suggested that undervalued land and resources enable trans-national mining corporations to increase their profits.

The World Bank, a major investor in extractive industry projects, advocates that mining-led development in developing countries creates employment and downstream industries, and, in the process, increases household income and reduces poverty (World Bank, 2004). Specifically, the Bank both asserts that large-scale mining creates income which governments can use to finance national social and environmental programmes with a focus on poverty reduction (World Bank, 2008), and acknowledges that responsible management and distribution of these revenues is a challenge to many governments (Weber-Fahr, 2002, p. 2). Many developing countries that are major exporters of
mineral resources have high levels of corruption, low levels of democracy and do not have an appropriate governance framework. Dependence on mineral revenues can exacerbate these harmful aspects, in turn, furthering corruption, authoritarianism, government ineffectiveness, high military spending and civil war (Ross, 2001). It has been observed that many resource-dependent countries grow more slowly economically and socially than resource poor countries, resulting in low levels of education, living standards and life expectancy as well as high levels of poverty and child mortality. Much has been written about this paradox, popularly referred to in the literature as the “Resource Curse” and the World Bank’s potential involvement in this dynamic (see e.g. Atkinson and Hamilton, 2003; Auty, 1993; Sachs and Warner, 2001; Pegg, 2003, 2006; Stevens and Dietsche, 2008; Ross, 2001).

Although the extractive industry has been under sustained pressure to improve its performance (Carter, 2005), much of the focus has been on environmental issues, with comparatively less attention paid to interrelated socio-economic issues (Hilson, 2002). Social problems were at the forefront of the Global Mining Initiative (GMI) embarked on by nine large mining companies in the late-1990s. The aim of the GMI was to change the way in which the mining industry operated; through an exploration of “the role of the sector in the transition to sustainable development”. The outcome, the Mining, Minerals and Sustainable Development (MMSD) project, acknowledged the industry’s failure to convince stakeholders of its “social licence to operate” or fully address the challenges of poverty alleviation, job creation, capacity-building and skills creation, governance, gender equity and stakeholder engagement (IED, 2002, p. xiv and 363–366). The Extractive Industries Transparency Initiative (EITI), which would build upon the foundation laid by the EIR and the MMSD project, is an externally validated voluntary scheme which aims to strengthen governance through greater transparency and accountability in countries dependent on revenues from extractive industries. Its principles acknowledge the value of a well-informed broader stakeholder group encompassing governments, companies and civil society in the context of transparency and governance. Member countries’ governments must comply with criteria which include a focus, inter alia, on the active engagement of civil society as a participant in the design, monitoring and evaluation of the EITI process (Department for International Development, 2006; Extractive Industries Transparency Initiative Secretariat, 2008). The EIR and World Bank guidance on Social and Environmental Assessments (SEA) also values the concept of stakeholder engagement (Extractive Industries Review, 2003; Ruggie, 2008; Loayza and Albarracin-Jordan, 2010).

This paper contributes to the debate on transparency and governance in the extractive industries in developing countries, drawing upon a case study from Madagascar. It provides political perspectives on the interactions between broader society and formal institutions with a focus on governance. It examines how power balances within relationships impact the ability of different actors to influence strategic decisions and, more specifically, on community representation. Experiences are drawn from communities affected by a large-scale mining project in the impoverished Anosy Region of south-east Madagascar. Two common themes emerging from the industry-specific initiatives and the broader literature concerning Corporate Social Responsibility (CSR) are explored further: (i) the voluntary nature of their application; and (ii) the role and value of stakeholder engagement, with particular emphasis on civil society representation and the responsibility of international donors. The underlying implication is that stakeholder engagement facilitates “good governance.”

Mining sector reform and the evolution of QNM in Madagascar

Madagascar, a designated biodiversity hotspot, experiences an imbalanced focus towards environmental and conservation issues rather than socio-economic development. Large-scale mine production is a relatively recent development in Madagascar: studies examining the impact of large-scale mining projects on local community identity are therefore scarce. There is even less analysis of governance in the country’s extractive industries, particularly perspectives from the grassroots (Sarrasin, 2006).

There is potential for Madagascar’s mineral resource revenue to be directed at socio-economic development programmes capable of facilitating rural poverty alleviation. The situation elsewhere in sub-Saharan Africa is extremely discouraging: evidence from studies carried out in the region suggests that revenues rarely impact positively on the poorest 20% of the population and may, in fact, worsen their situation (Ross, 2001). Resource dependency may also negatively affect Madagascar’s fragile state.2 Since independence,2 the country has experienced periods of single party dominance, civil uprising against the government resulting in military rule followed by elections of disputed fairness due to the manipulation of voters and the suppression of opposing political parties. Political scandals, election irregularities, corruption, bribes and violent civil unrest have been widespread over the past decade (Randrianja, 2003; Ploch, 2009).

The influence of the World Bank in extractive industry development in sub-Saharan Africa can be seen in the region’s three generations of mining codes. The first generation, established in the 1980s, advocated liberalisation, privatisation and state deregulation. The second generation focused on capacity-building and good governance, but, in allowing self-regulation in the private sector, failed to address statutory control of environmental impacts or the redistribution of revenues into development programmes. Third generation codes reintroduced state regulation and incorporated stakeholder engagement to address problems identified in previous generations. The Mining Policy Outline Document (DCPM) adopted by Madagascar in 1999 is considered to be a third generation code (Campbell, 2003).

In 1998, President Didier Ratsiraka’s3 government implemented the Mining Sector Reform Project (PRSM), using a World Bank loan to develop the mining industry. The main goals of the project were to enact regulatory and fiscal reforms to attract

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2 Madagascar is currently ranked 145 out of 182 countries in terms of life expectancy, educational attainment and adjusted real income (UNDP, 2009). It is also ranked 134 in the World Bank’s “Doing Business Indicators” (International Finance Corporation, 2010). Some two thirds of Madagascar’s 18,865,000 inhabitants live in rural areas, and over 70% of rural and 48% of the urban population live below the poverty line, i.e. two thirds of the total population (Institut National de la Statistique de Madagascar (INSTAT), 2010). This figure has decreased slowly from a peak of over 80% in 2002, a year of economic crisis linked to political upheaval.

3 Admiral Didier Ratsiraka initially gained presidential control as part of an interim military junta in 1975, retaining his position through two elections until losing to Albert Zafy in 1993, whom he subsequently defeated to regain, the presidency in 1997.
direct foreign investment. Subsequently, under the presidency of Marc Ravalomanana\(^5\) from 2003 to 2009, the Mineral Resources Governance Project (PRSM) was launched: an initiative that was also funded by the World Bank, with additional support from the South African Government. It sought to further contribute to fulfilling the objectives of strengthening governance and transparency in addition to implementing key institutional reforms for decentralised mineral resource management (World Bank, 2003b). The Bank, supportive of the regulatory advances, queried the ability of the Government of Madagascar to monitor and enforce the legislative and economic reforms, citing governance and institutional difficulties, particularly in the dynamic and fast-growing gemstone sector. The continued loss of revenues and increased environmental damage from the gemstone sector contributed to the Bank’s decision to continue supporting Madagascar’s mining sector reforms (World Bank, 2002, 2003a, 2003b).

Dependency on external funding, however, has enabled donor institutions such as the World Bank to influence the development of the extractive industries and trade liberalisation in resource-rich states, particularly in sub-Saharan Africa (Pegg, 2003). This has been the case in Madagascar. As Sarrasin (2009) explains, the trans-national mining company, Rio Tinto, with the backing of the World Bank, has influenced the development of mining policy that emerged under both the PRSM and PGRM projects—a case in point being the requirement for companies to pay low royalties and taxes. Between 2002 and 2008, a period of significant political stability in Madagascar, numerous government reforms were implemented and operating costs in the country were very low. During this period, there was significant investment which would fuel the rapid growth of the mining sector (Sarrasin, 2006).

In 2003, the industry was estimated to employ over 100,000 full-time and up to 500,000 seasonal workers, mostly in the gemstone mining sector (World Bank, 2003a). In 2006, the mining and construction materials sector accounted for only 0.6% of GDP (Yager, 2008), mostly due to poor governance and corruption which facilitated the illicit export of gemstones; thus, minimal “value added” was created in country (World Bank, 2003a). Government figures for 2007 quote almost 4% of GDP but this was forecast to rise to 30% by 2011, based on projected exploration and the development of mineral and hydrocarbon reserves, plus the anticipated integration of the small-scale artisanal gemstone mining sector into the formal economy (Government of Madagascar, 2007).

In 2006, following a strategic decision meeting concerning mineral and hydrocarbon opportunities for the country, a map of the island’s considerable mining potential was produced. It also identified the three most advanced large-scale projects with foreign direct investment: (i) ilmenite, for titanium dioxide, being mined by QMM in Tolagnaro; (ii) advanced stage of feasibility for ilmenite mining in Ranobe,\(^6\) formerly by Exxaro but now by Malagasy Minerals and Madagascar resources, two Australian-based companies and (iii) iron and nickel laterite deposits in Ambatovy expected to be mined by Sherritt from 2017 (Government of Madagascar, 2006). Chromite and graphite mining and exportation are also well established, the most significant enterprise being the chrome mining taking place in Andriamena by Kraoma, a 75% state owned enterprise (Kraomita Malagasy, 2010). A number of other trans-national extractive companies\(^8\) are currently active in Madagascar and the exploration of the island’s offshore and onshore oil reserves is expanding rapidly.

In order to bolster revenues from exports and fulfil the goals of Ravalomanana’s plan,\(^9\) it is imperative that the government derives more benefit from foreign-owned projects. One such project is the QIT Madagascar Minerals (QMM),\(^10\) ilmenite mining project in the Anosy Region. QMM, a partnership between Rio Tinto and the Government of Madagascar, is the most developed trans-national mining project in Madagascar, having been active in the country since 1986 and commencing production in 2008. Consequently, stakeholder relationships are more established and the socio-economic impacts are more evident than in other trans-national projects which are either in feasibility or construction phases. In 1989, Rio Tinto geologists found economically viable ore deposits under some of the last remnant littoral forest in the region and commenced environmental research. This led to the formation of a partnership between QMM and leading institutions, such as the Missouri Botanical Garden, the Kew Millennium Seed Bank project and several universities. The Social and Environmental Impact Assessment (SEIA), submitted in 2001, led to the “issuing of an environmental permit associated with the exploitation process” (Ganzhorn et al., 2007, p. 5–11). Following Rio Tinto’s positive investment decision in 2005, the main construction phase commenced. By early 2009, QMM was using the new port to import construction and mining equipment. The export of the first shipment of raw materials for processing was delayed from March to May 2009, due to various production difficulties. A 40-year production phase is anticipated.

QMM is described as a company jointly owned by Rio Tinto plc. UK and the Malagasy State through the Office des Mines Nationales et des Industries Stratégiqes de Madagascar (OMNIS) (Ganzhorn et al., 2007, p. 2–8). In 1998, following several years of negotiations, Rio Tinto and the Government of Madagascar agreed on a legal and fiscal framework that was ratified by the Malagasy National Assembly and promulgated into law (Rio Tinto, 2007). However, in discussions with representatives from both OMNIS and QMM, the details of this partnership are less clear. The common ground is that the government has not fully bought into the partnership although the government’s US$35 million investment in the port, funded by the World Bank, contributed towards the partnership. OMNIS stated that the government’s returns were due on contribution of 20% of ongoing production costs only, whereas QMM expected a 20% investment in pre-production and ongoing costs in return for 20% of production profits; alternatively the government could reduce its interest in the project.\(^11\) In 2005, Rio Tinto quoted the capital costs of the project in Madagascar as US$585 million. It is now considered

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\(^5\) Ravalomanana succeeded Didier Ratsiraka as president in 2002 after disputed presidential elections which escalated into civil unrest as the two opposing groups struggled to assert their authority. He won a second term for his political party, in December 2006, but unpopular spending and external investment decisions plus allegations of corruption preceded his “forced” resignation in 2009.

\(^6\) Commonly known as the Toliara Sands project.

\(^7\) Discussion with Government of Madagascar official, December 2010.

\(^8\) For example, Rio Tinto Alcan, a Canadian company, is exploring bauxite in Manantenina. Malagasy Minerals Ltd., has three nickel–copper, vanadium and copper–silver projects in the south of the island. Energiser Resources Inc. is drilling for vanadium and conducting gold and coal exploration in the south. Vuna, a UK based company, has oil, coal and uranium projects in Madagascar (Rio Tinto Alcan, 2009; Energiser Resources Inc., 2010; Malagasy Minerals Ltd., 2010; Vuna Group, 2010). Others are undertaking large-scale sapphire mining, which historically has been predominantly informal artisanal small scale mining albeit with international linkages (Duffy, 2006).

\(^9\) Ravalomanana’s government strongly supported mineral resource exploitation as a means of funding Madagascar’s Five Year Action Plan (MAP) from 2007 to 2012. The MAP committed to developing a high growth economy through a diversified private sector driven by local and international investment and trade. The challenge was to increase revenue from mineral exports from US$50 million in 2007 to US$300 million in 2012 (Government of Madagascar, 2007).

\(^10\) In the context of this paper, QMM refers to the mining company operating in the Anosy Region as a Rio Tinto-Government of Madagascar partnership. Rio Tinto refers to the parent company and any activities in Madagascar prior to the formal agreement.

a US$1 billion investment, the most significant international investment in the country (Rio Tinto, 2009b, p. 13).

Methodology

The fieldwork for this study was conducted in Madagascar from October 2008 to April 2009 and coincided with a period of public demonstrations against President Ravalomanana’s leadership, which culminated in a period of violent civil unrest, and his resignation in March 2009. Complementary interviews were conducted in December 2010. The ontological basis for the study was social constructivism with an interpretive epistemological approach. The research questions focused around interactions between social actors and the constituent dynamic to impact on and change social phenomena. The analysis is based on the meanings people confer upon their own and others’ actions in their social experience (after Grix, 2002; Robson, 2002).

The data mostly originate from interviews conducted in four communes in the Anosy Region considered to be in the catchment area of the QMM project: (1) Fort Dauphin, (2) Ampasy Naham-poana, (3) Soanerana and (4) Mahatalaky. Mining is currently taking place in Mandena within Ampasy Naham-poana; the quarry for construction materials is located in Soanerana; St. Luce which lies in Mahatalaky is a future mine site; and the administrative offices and the port are situated in Fort Dauphin. Resettlement occurred in several communes to accommodate the mine site, port and quarry. The mining project has been controversial and emotive. Recognising that QMM is a significant employer in the region, before embarking on interviews, the level of risk posed to respondents participating in the study was assessed. Study objectives could not override the rights of others or affect their future relationship with prospective employers (Kent et al., 2002). A minority of respondents expressed reticence in discussing controversial issues, but this dissipated when anonymity was offered. Pre-interview discussions were held with potential rural respondents, respecting hierarchical structures of permission in Malagasy society, to explain the aims and objectives of the research, and to confirm confidentiality of response.

In total, 50 interviews and 5 focus groups were conducted with stakeholders from business, government and civil society in the Anosy Region. In addition, 21 interviews were carried out with key informants in Antananarivo, the aim being to gain strategic policy data. Interviewees were selected across the breadth of the three stakeholder groups and included representatives from the relevant departments at ministerial, national, regional and local government levels. Moreover, NGO strategists at the national and local levels, as well as operational staff, were consulted. Respondents from communities were selected from a heterogeneous social group spanning a range of social classes. The ages of these people ranged from early-20s to late-70s and included business owners, teachers, religious leaders, NGO staff, exporters, fishermen and farmers. A number of women were purposively selected for interviews in the economically active groups. Foreseeing difficulties in obtaining women’s views in mixed sex meetings due to traditional male dominance, single sex focus groups were conducted with women’s associations in rural community populations. Rural communities were purposively selected using the criteria of villages currently affected by QMM related activities or likely to be affected as the project develops. Interviewees were selected without any bias or guidance from other stakeholders. The interviews and focus group discussions identified key players and institutions at the interface between QMM and wider society. The purpose of the relationships between these key players was explored to determine how they had evolved and to identify key influences which could impact on any stakeholder group. The way in which the relationships functioned and whether they achieved their intended goals was also studied. The political crisis provided an unexpected opportunity and willingness to freely discuss politics that enabled an examination of the constituent power hierarchies within the various relationships.

Interviews were the preferred method of data collection as they facilitated the collection of peoples’ experiences which provided a more personal understanding of historical, current and future concerns. They also provided an opportunity to clarify and expand on answers through further questioning. Interviews were conducted with the assistance of a native Malagasy interpreter fluent in the local dialect; all interviews were recorded and then fully transcribed. The interviews were sufficiently unstructured to enable a discourse flow from respondents amidst the active translations necessary to ensure all parties properly understood the ongoing dialogue.

Data wereanalysed using both coding and non-coding methods. Codes originating from the initial research questions were manually applied to transcripts, and then interrogated and sorted to identify themes. To broaden the analysis capacity and to maximise the flexibility of the qualitative data, a non-coded iterative process of interview transcript review was also undertaken. Themes identified in each transcript were subsequently collated and summarised within and across each stakeholder group to determine the key patterns.

The findings of the analysis help to contextualise the impacts many of the global and national-level policy changes outlined in the introduction of this paper are having at the grassroots level. The findings are presented in turn under the following themes: (1) social aspects of the region and consequences of the mining project at a local level; (2) the key players and dynamics within the stakeholder groups and (3) the implications for stakeholder engagement in the context of voluntary corporate social responsibility initiatives.

Findings

Social context and infrastructure development within the Anosy Region

The administrative structure in Madagascar comprises regions, districts, communes and fokontany. The Anosy Region, one of...
the most deprived regions in Madagascar, comprises three districts: Betroka, Amboasy Sud and Tolagnaro. Fort Dauphin, the regional administrative capital, is the largest commune in Tolagnaro District. Subsistence farming has been the predominant activity in the region for centuries. An additional livelihood in coastal fonontany is fishing: average daily income per fisher is estimated at 3000–5000 Malagasy Ariary (MGA) (US$1.50–US$2.50). Income is also obtained from selling charcoal, natural resources for house construction and other forest resources. Some women supplement the family income through sewing or by selling woven products. Employment opportunities in Fort Dauphin primarily exist within local government, private businesses, NGOs or self-employment (in local markets or retail).

Influenced by the presence of QMM in the region, Fort Dauphin is one of three areas benefitting from the Government of Madagascar’s Growth Poles Project, Pôle Intégrés de Croissance (PIC), which has been extended and resourced beyond the initial World Bank funded five-year development plan to support tourism, infrastructure and small and medium enterprises (Government of Madagascar, 2000). The commune has been the beneficiary of a deep water port, new roads, more powerful electricity generators, new overhead power cables and upgrades to water supply. Although the infrastructure development can benefit both QMM’s operation and wider society, the common perception is that QMM is the principle beneficiary. The port is operating as a wholly owned subsidiary of Rio Tinto, despite – and as already noted – the Government of Madagascar’s US$35 million contribution to the estimated US$270 million capital investment (Port d’Ehoala, 2010). Moreover, and to the displeasure of residents, in 2009, Fort Dauphin experienced daily power cuts in at least one fonontany whereas QMM’s many premises appeared to have uninterrupted supplies.

Private investments associated with the commune’s expansion include new or renovated hotels and housing targeted at the expanding rental market, a new private high school, and a clinic for QMM employees and contractors. Pre-production phase, QMM constructed either a school or clinic depending on local needs, in several rural locations selected as future mine sites.

Perspectives on the socio-economic impacts of the QMM project

Rio Tinto’s history of environmental and social problems around the world is regularly debated (London Mining Network, 2010; Martinez-Alier, 2001); and, due to the unique biodiversity in Madagascar, not surprisingly, the QMM project has attracted significant external interest (see e.g. WWF, 2005; Harbinston, 2007; Friends of the Earth, 2007). Several lobbyists raised concerns about the quality of the Social and Environmental Impact Assessment (WWF, 2005), particularly inadequate consideration of social issues such as moving traditional burial grounds; health risks, rates of inflation, pressure on already limited natural resources and insufficient focus on capacity-building. As the project proceeds, despite some local contracts and employment opportunities raising local retail spending power, several of these concerns are materialising. For example, QMM’s risk strategy for HIV/AIDS was heavily criticised regarding immigrant workers from South Africa, where the infection rate is considerably higher than in Madagascar. The proposed action, which advocated the physical separation of the two populations, is ineffective. Despite the company’s housing complex being outside of the town, many workers frequent bars and some employ the services of sex workers in Fort Dauphin.

The QMM social team, the smaller and weaker partner in the Environmental and Social Department, is criticised predominantly by civil society stakeholders, residents of Fort Dauphin and some NGO representatives, inter alia, for a failure to identify opportunities for socio-economic development and capacity-building during the pre-production phase. Few projects with mutual benefits materialised. For instance, agricultural projects that supply the increasing workforce could be developed, which would provide incomes for local farmers and decrease QMM’s reliance on imported goods.

Other contentious issues include resettlement and compensation. As a consequence of the construction phase, local people were relocated with some receiving direct compensation for loss of land. Harbinston (2007) identified that young men were most profoundly affected by resettlement, expecting continuing employment with QMM in compensation for the loss of land: their future livelihood. Economic inequities between beneficiaries and non-beneficiaries in the same or neighbouring communities also cause conflict. For example QMM’s US$2 million sustainable livelihood programme, Projets d’Accompagnement, launched in 2007, targets families directly affected by the project not the community as a whole. Some beneficiaries exhibit the lack of ownership and buy-in commonly associated with many centrally led projects, complaining that the project diverts them from daily activities such as fishing and that they are not paid for the time invested. Such complaints may be motivated by the compensation dependency that has developed in resettled communities. Many men disparage the various components of the project, particularly those with families displaced to facilitate QMM’s quarry site and the fishers affected by the construction and operation of the new port. Conversely, most women value their new weaving skills and the direct sale of their work to the NGO, which eliminates the need to find a local market for their work. The planned external monitoring of this project, which may have identified conflict areas at an early stage and enabled review or revision was discontinued by QMM and local government. The current discontent associated with land sale and Projets d’Accompagnement overtly challenges Rio Tinto’s published account of QMM’s success in Madagascar: It notes that, “despite many difficulties, the project has proved a success for Madagascar and Rio Tinto, as it now moves into its operating phase” (Rio Tinto, 2009a).

Employment opportunities in the region increased most notably during the mining project’s construction phase from 2006 to 2009. At its peak production, 4500 people were directly employed, almost three times higher than QMM’s original predictions (Andriamanjaka, 2008). Community perception, however, is that the 2500 jobs held by locals were mostly short-term, poorly paid and unskilled whereas

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17 Ninety percent of the population have no access to potable water; nationally it is 46% and 96% in urban and rural areas, respectively. Seventy four percent of appropriate age children do not attend school (Ganzhorn et al., 2007, p. 3). In 2007, 56% of urban and 76% of rural inhabitants were considered below the poverty line. In 2005, the average annual salary was 900,000 MGA (US$450) and the official unemployment figure was 3.6% (Institut National de la Statistique de Madagascar (INSTAT), 2010) although these figures are disputed locally due to inefficient methods of data collection.

18 Officially Tolagnaro, but more generally referred to as Fort Dauphin: pagnement overtly challenges Rio Tinto’s published account of the project not the community as a whole. Some beneficiaries exhibit the lack of ownership and buy-in commonly associated with many centrally led projects, complaining that the project diverts them from daily activities such as fishing and that they are not paid for the time invested. Such complaints may be motivated by the compensation dependency that has developed in resettled communities. Many men disparage the various components of the project, particularly those with families displaced to facilitate QMM’s quarry site and the fishers affected by the construction and operation of the new port.

20 Fort Dauphin, Nosy Be and Antsirabe.

21 Supported by World Bank funding.

22 All are managed and staffed by the Government of Madagascar.

23 The environmental impacts of the project lie outside the scope of this paper.

24 Highly significant and emotive due to the importance of ancestors in Malagasy culture.

25 Investment cost quoted by QMM employee.

26 Interviews conducted with rural villagers in December 2010.
the long term, well paid roles with career development potential were filled predominantly by people from outside the region. Ethnic prejudices arose in these discussions, with accusations of nepotism by Merina people, the ethnic group from the central highlands around Antananarivo. Some local people, however, were employed in more skilled work as English–Malagasy translators and drivers for the influx of immigrant workers. Contentiously, employment opportunities for women also arose in terms of sex work as the number of prostitutes increased in the bars frequented by immigrant workers. Taxi drivers also experienced more business and undertook English lessons organised by an NGO to better converse with their new clients. Local businesses benefitted: petrol stations valued the huge increase in vehicle numbers, some vehicles were procured locally, and the housing and hotel market boomed, with rooms block-booked in the better establishments. Airport traffic increased considerably due to the rise in the number of workers and consultants travelling between Fort Dauphin, Johannesburg and Antananarivo. However, many service roles, like vehicle maintenance, catering and food production, were contracted to companies outside of the region.

The end of the construction phase, mid-2009, prompted the repatriation of the majority of foreign personnel; there were fewer employment opportunities at this time and some local contracts ended. At the time of this study, the housing and hotel market in Fort Dauphin was struggling due to the exodus of well paid expatriate workers.

Key players and institutions: civil society stakeholders

Civil society in the region is fragmented with disconnects at many levels, partly due to the relative isolation of rural communities, the economic divergence between rural and urban populations and the introduction of modern local government which conflicts with traditional values and norms (Marcus, 2008). Few associations and organisations achieve linkages across different levels within society. In an attempt to replicate successful societies worldwide, a Plateforme de Société Civile (PSC), was established in Fort Dauphin in 2005. The forum has a broad scope aiming to represent, consult with and build capacity within and between the many organisations and associations in the district. The PSC’s overall impact, however, has thus far been minimal, with limited links to grassroots organisation: members provided few examples of local resolutions or positive outcomes, describing it as embryonic, lacking authority, motivation and resources. The Regional Co-ordinator role within the PSC acts as the civil society representative on the regional EITI Multi-Stakeholder Group (MSG) and will represent the Anosy Region on the national EITI MSC. Although a highly motivated individual with grassroots connections in his own vocational field, he admitted that he was unable to gather or represent the views and opinions of the wide spectrum of society within the remit of the PSC.

By contrast, another Government of Madagascar initiative, Tambazotran’ny Vehivavy Mipitarkina amin’ny Fanitry Anosy (TVMA), Women Leaders’ Network in the Anosy Region, was described by a senior government advisor as “the only useful civil society forum in the region”, furthermore pointing out that “if you want to know anything, go to them first”. Established in Fort Dauphin in 2007 with the objective of improving women’s capacity in society through enhanced leadership skills and opportunities TVMA’s founder members received capacity-building and leadership training. Its members, which number about 80, include businesswomen, leaders of associations and heads of schools or government departments. Although TVMA no longer has a regular funding source, it occasionally receives donations from government departments to fund specific public education projects. The group also organises “no cost” training where individual members share their skills and knowledge with others: sewing workshops, nutrition and health advice, and school enrolment procedures for example. Formerly, the group was involved in community projects and, through members who are leaders of women’s associations, has links at village level in areas affected by the mining project. However, other than a visit to the mining area organised by QMM, the group has had no involvement or discussion in any issues, either positive or negative, associated with the mining project. Most members are comparatively well paid urban women, many of whom benefit either directly or indirectly from the impacts of QMM’s presence in the region, for example, through external funding for government posts, additional demand and custom for businesses and some are employed directly by QMM. As a consequence, links between TVMA and rural village women are more superficial than exploratory in terms of the impact of the mining project.

Several NGOs are active in the region, mainly engaged in environmental regeneration, sustainable livelihoods, health, sanitation and nutrition. Until 2008, USAID was similarly active, latterly in livelihoods development with the communities affected by the mining project. It also part funded the regional L’Office National pour l’Environnement (ONE), which has a monitoring responsibility, and chairs a local liaison meeting to mediate between the population, QMM and government departments. Forums exist for NGO and government department consultation and collaboration on certain specific topics, but there is no formal platform for NGO or cross-sector consultation regarding regional development. Essentially, this lack of consolidated, strategic approach provides an opportunity for QMM to control or, at least, direct the local development agenda. The World Bank funded PIC project, for example, prioritised the strategic infrastructure and economic development critical to QMM. Moreover, under-resourced regional government departments and a weak NGO community enable QMM to develop and self-monitor the progress of its livelihood projects in communities affected by their activities.

Key players and institutions: traditional governance and local government stakeholders

The evolution of traditional governance is complex with multiple influences, notably its origins in the dominant Merina ethnic group and its introduction across the country facilitated by French colonialists (Healy and Ratsimbaronia, 1998). In the southeast, where infrastructure is poor and many communities are remote from central administration, traditional governance was comparatively localised with power achieved through age or high status kinship. At a grassroots level, traditional governance evolved into a discrete localised process of rule and decision

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27 Ethnic resentment stems, in part, from the powerful position held by the Merina royal family pre-colonisation and, with French development centred round the capital during the colonial period, Merina people were considered the greatest beneficiaries (Under-Secretary for public diplomacy and public affairs: bureau of African affairs, 2009).

28 For example, vehicle contracts with local businesses were transferred to a national chain: the implication was significant as QMM and associated contractors are the only local clients, leaving businesses with vehicles, no clients and outstanding loans.

29 Civil Society Platform: a Government of Madagascar initiative which remained dormant until 2007 and is currently inactive due to withdrawal of international funding in 2009.

30 The inaugural national EITI MSG meeting planned for November 2008 was postponed beyond the study timescale.

31 National Environment Office—responsibilities include monitoring the impact of extractive industries.

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making, dina, informed by collective community values. In the context of large-scale mining, traditional governance, with its inherent geographical and kinship limitations, has been replaced by formal local government, although informal governance prevails in a few communities. In contrast to traditional governance which was broadly considered inclusive; local government is considered distant, corrupt and non-participatory. The “inclusive” description of fokonolona by adult Tanosy, however, fails to acknowledge gender inequalities or elite family domination.

One example of conflict between the two systems is land ownership, exacerbated by the external interest in land due to mineral resources and the cost and complexity of formal registration which is beyond the capacity of most rural people. The Government of Madagascar’s categorisation of unregistered land, usufructs, as users with lower status and weaker compensation rights has created ownership disputes linked to both compulsory purchase for public sector development and private land sale. In the context of land sale associated with the QMM project, many people in resettled communities dispute the value placed on the land many have used for generations, albeit without formal tenure. Some argue that promises made during discussions with QMM or the Government have failed to materialise. For example, one common complaint from local fishers is the negative impact of the port development on catch due to the loss of certain launch and fishing sites. Traditionally, when disputes arose, elders would make a decision based on their knowledge of historical usage. Where mineral resources are concerned, the stakes are higher and stakeholders more numerous, thus decisions are made externally by local government. As explained by Healy and Ratsimbarison (1998) and Hamann et al. (2005), communities argue that decisions about land are now made by people who have no knowledge of community ownership or land use; disruptions to village norms which pose a serious risk to traditional village hierarchies.

Many traditional leaders in the communities affected by QMM’s activities submit to their loss of status and the transition of their role to cultural rather than governance leaders. Traditionalists mostly accept, but resent, the modern constitutional government, feeling that, by restructuring the power and authority, the state has removed society’s responsibility to manage itself in a fair and democratic way. Despite traditional preferences and the prevailing lack of respect for constitutional government, outlined below, local people are resigned to the disempowerment of traditional governance in the context of large-scale mining activities.

Avoiding confrontation, a commonly acknowledged Malagasy behavioural trait may have a traditional root within the context of a fokonolona (Chapin Metz, 1994), as open confrontation between speakers in a traditional meeting rarely occurs. In mixed culture formal meetings, this lack of confrontation, traditional respect for status and low expectations of accountability in leaders, in conjunction with a fragile social structure further weakened by the transition from traditional governance to local government, impacts on the capacity of Malagasy people to oppose the views of those in power. Rural people, who typically have lower levels of education, remain closer to traditional values and have less experience of formal consultation processes, are particularly vulnerable to poor representation in such forums.

Constitutionally, local, regional and national government representatives are elected posts, but elections are routinely “stage-managed” or cancelled. No elections have been held for Chefs de Région (CdR), the government representative at regional level, since the posts were established in 2004. Post-holders have been appointed according to political alliance, initially by President Ravalomanana and subsequently by the President of the High Transitional Authority. One senior Malagasy NGO worker described the CdR as “the hammer of the government—appointed by the government”. Each district has a Chef de District (CdD). Similarly, the Maire de Commune electoral process should involve all constituent fokontany, however, mayoral elections in 2007 were cancelled in Fort Dauphin, an anti-Ravalomanana stronghold. Instead, the Government of Madagascar appointed an official to head the commune: a Président de la Délégation Spéciale (PDS), and a small team of senior assistants. One regional government official explained that the likely Mayor was too political and would not have focused on development. Members of the public were more direct in their interpretation: he was anti-Ravalomanana, so would have been an active opponent. Regarding elections for Chef de Quartier (CdQ), the electorate is generally engaged in the process but, in the constituencies studied, there is considerable peer pressure to vote for the candidate favoured by higher officials, not the electorate themselves. Ultimately, the decision is made at district level by the CdD, often with little regard for the electorate’s preferences due to election process irregularities and manipulation of the results.

In addition to “elected” representatives, local government in Fort Dauphin also includes the regional offices of government departments, typically employing a small number of technically qualified staff, managed by the CdR under the Government of Madagascar’s decentralisation programme. Strategy and authority are not decentralised: the departments are under-resourced, lacking direction and the ability to cope with any increased workload associated with the mining project. Technicians investigate concerns raised by communities, such as water quality or ill health allegedly linked to QMM’s operations, reporting back through one of the local government chaired forums. Monitoring large-scale mining permit requirements falls outside existing resource capacity and the responsibilities of regional offices. Government officials in Antananarivo clarified the responsibilities of the Ministère des Mines et de l’Energie regarding large-scale projects; emphasising the personal role of Ravalomanana to the exclusion of national and regional mining personnel. Essentially,

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See text continued

Seems to support the first speaker but actually contains a hidden counterproposal or expressing views through jokes. If the audience laughs or simply acts according to the opponent’s proposal, the first speaker has lost.

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Notes:
32 Dina: community legal agreements—locally agreed laws and rules of behaviour.
33 Fokonolona refers to a village council comprising elders and other respected villagers who devise, agree and enforce the dina within the community. In addition to maintaining order, the fokonolona provided valuable social and economic assistance, such as planning community development projects and providing aid to individual members. Women’s opinions were not considered within the community as a whole: they had no formal power and were excluded from decision making processes.
34 Tanosy is the majority ethnic group in the Tolagnaro District.
36 Interviews in early 2009 and late 2010 with traditional leaders in several villages and focus groups with key NGO employees in 2009 and 2010 to explore the current and future role of traditional governance in a mining context.
37 Chapin Metz describes a silent audience listening to a “kabary”, a discourse using flowery and poetic language to make a critical point in a most indirect fashion; opponents not expressing their opinion responding with a speech that seems to support the first speaker but actually contains a hidden counterproposal or expressing views through jokes. If the audience laughs or simply acts according to the opponent’s proposal, the first speaker has lost.
38 Regional Head.
39 High Transitional Authority is the interim government.
40 District Head.
41 Mayor of the Commune.
42 President of the Special Delegation.
43 Head of the Fokontany (lowest administrative level).
44 Note: This cannot be generalised as other Regions described fair CdQ elections in rural fokontany.
45 Ministry of Mines and Energy.
this top-down political appointment of government officials, rather than universal suffrage, creates linear dependencies and a culture where the majority of officials express similar views and political alliances which are used to effectively suppress opposition to mining proposals and complaints regarding the impacts of mining. The equivalent term for “Deputy” in Malagasy is Solomavambahaoaka, a person who speaks on behalf of others, which is intended to refer to community representation, but, in reality, constitutional leaders are more influenced by peers and upper echelons than the people they represent.

**Stakeholder dynamics: cross sector consultation and discussion forums**

Many of the forums that interact across or are held on behalf of the various stakeholder groups were established too late to assist with communication, negotiation, mediation or lobbying during the public consultation period or the early stages of construction and production of the mining project. The public consultation period for the QMM project from 2001 onwards is widely criticised by many key players within civil society and local government. In particular, they recalled the one-sidedness of discussions, the complexity of the presentation especially for rural people and a feeling of powerlessness emanating from the knowledge that the Government of Madagascar is a partner in the project. Some also accused both Rio Tinto and the government of bullying tactics which successfully suppressed the majority of opposition to the project, although a few NGOs and local opponents continued lobbying. Citizens described their distrust of their “elected” representatives and some of those representatives admitted that they were pressured into suppressing opposition. One government employee commented on the situation:

The communities are right to complain. All regional government departments are implicated, in fact they even complained about the situation as it is not fair, but the main objective of the current government is to develop, encourage, push, help and support the investors (large companies).

Key NGO workers suggested that QMM’s community consultation is conducted at the wrong level: the focus has evolved from direct interaction with communities through liaison agents to an increasing reliance on local government representatives. As a consequence, QMM has failed to follow cultural norms in certain situations which could have been avoided through better communication with traditional leaders. The following summary offers examples of the most relevant forums active in the region in 2009 and highlights issues associated with functionality and fairness. The Comité de Liaison Local (CLL) part funded by USAID, and chaired by L’Office National pour l’Environnement, was established in 2007 to facilitate communication between communities, regional government departments and QMM and to resolve complaints from communities. Committee members, however, acknowledged that the committee was weak, dysfunctional, lacked momentum and had a low profile with few communities understanding its role. The Comité de Suivi Environnemental Régional (CSER) was also established in 2007. Members include technical staff from the various ministries at the regional level. In addition to the technical investigation of community complaints, the committee works with independent researchers and conducts statistical analyses. Most civil society respondents, including NGO staff and people living in communities affected by mining activities, expressed no knowledge of these committees and, as an explanation, dismissed their value on account of likely bias towards QMM. Some CLL members endorsed concerns about fairness, providing examples of discussions prejudiced towards the mine. Members were more positive about many outcomes of the Groupement des Entreprises (GdE), a business association formed in 2006 to focus on developing the sector and that works with the Chamber of Commerce (CoC) to improve the information flow between QMM and local companies. Members commented, however, that the group was established too late to collectively benefit from the construction phase which may have offered significant local business opportunities.

Fuelled by the wave of political unrest since January 2009, the significance of the impacts of the mining project – particularly land rights, limited job opportunities and the influx of Malagasy workers – has motivated opposition within local communities to directly protest against QMM, rather than directing concerns through formal forums. In light of this discontent and the outcomes of the hierarchy of dependencies within local government, key civil society respondents suggest that QMM’s “social licence to operate” is fragile at the local level.

**Discussion and conclusion**

This paper, which critically examined governance interactions between broader society and formal institutions within the context of a trans-national large-scale mining project, set out to examine the voluntary nature of the application of Corporate Social Responsibility, and the role of stakeholder engagement in “good governance” initiatives such as the EITI. The argument advanced within this discussion is that the key motivation behind relationships significantly influences the effectiveness and value of any stakeholder engagement.

Personal gain and greater control over outcomes are common motivators in the more active sector specific forums. The TVMA thrives despite a lack of funding on account of the personal motivation of members and less tangible benefits such as gender empowerment. The GdE provides the solidarity of a pressure group and professional development opportunities; whereas the less effective PSC delivers minimal individual development and operates under central government control. The dynamics and power relationships within cross-sectoral forums are more complex and multi-level, although personal gain remains the key driver.

Resource-rich states’ prime objective is to attract direct foreign investment in the form of mineral and hydrocarbon projects. The bottom line is financial: mining royalties and tax revenues from trans-national mining companies, in combination with financial aid for infrastructure development or extractive industry policy initiatives which fund many government posts and projects.

46 An elected government representative representing a district in the State’s National Assembly.
47 Local Liaison Committee.
48 Follow-up Environmental Committee.
49 The group rallied when QMM decided to discontinue local contracts for 4 x 4 vehicles.
50 Demonstrations in January 2009 and November 2010, mentioned previously.
51 Members described a philanthropic desire to share knowledge and skills with less educated rural women.
52 Business respondents described the importance of capacity-building, both as individuals and as a group, to counter the lack of local opportunities, e.g. vehicles procured in Antananarivo, food and technological equipment from South Africa plus immigrant from Antananarivo, Asia and South Africa.
53 Members acknowledged the lack of any significant successful outcomes.
54 Interviewees within each sector, at various levels, highlighted incidences of the personal gain of others.

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The legitimacy of international funding agencies’ policies was also questioned. Szabloski (2007) refutes the participatory nature of the World Bank’s involuntary resettlement policy largely on the basis of the impact of power relations. Consultation is predominately expert led rather than participant driven, local input into decision making is minimal and communities effectively have no right to oppose resettlement or development plans: factors contributing to community disempowerment that were observed in the Anosy Region. The powerful position of mining companies and governments and the economic bottom line may also influence their decision not to invest in expensive participation processes. Ostensibly, the drive towards mineral exploitation is socio-economic development, but the resource curse and data within this research suggest that personal gain by elite politicians is a more significant factor. As a consequence, national governments manipulate regional and local government to ensure key officials, who function as mediators between communities, mining companies and government, are locked into an upward hierarchy of dependency that suppresses opposition and smooths the progress of extractive projects. State decentralisation without devolving budgets, power or authority contributes to local government dependency.55 Described as deconcentration by Martinussen (1997), some administrative and managerial responsibilities are handed down, but policies and implementation are determined at the national level with minimal local-level input. Regional government departments, although best placed geographically and with grassroots connections, are under-resourced and powerless to monitor the actions of mining companies or influence state strategy. The national government retains control of the mining agenda, and the potential financial gain from large-scale mining diminishes the commitment to state regulation. As a consequence of central government pressure, key government sector actors acknowledged limitations in internationally funded “good governance” projects, such as the PGRM which has delivered significant capacity-building initiatives at multiple levels but struggled to achieve its main objective in the context of large-scale mining. Sarrasin (2006) also links the Government of Madagascar’s weak institutional capacity to budgetary constraints associated with long-term structural adjustment programmes. The key drivers for multi-national mining companies are essentially profits and shareholder expectations, although broader society also demands corporate social responsibility towards vulnerable local communities. In this context, CSR initiatives are motivated more by legitimisation than philanthropy, focusing on delivering high profile infrastructure such as schools, clinics and new roads, which are routinely portrayed in annual reports without any independent assessment of community value. Disparity often occurs between the perceived needs of the community determined during the consultation period, and the actual needs when the impact of mining activities becomes tangible. Similarly motivated by the need for international legitimisation to facilitate future investment and funding opportunities, governments and mining companies work towards EITI compliance, adopting principles such as civil society engagement in decision making. Perhaps the motivation behind joint ventures should also be questioned: QMM’s partnership with the GoM, for example, is perceived as a state enterprise, a status which provides almost complete protection in a stable political environment.

The findings of this study support Hilson and Maconachie’s (2009, p. 91) argument that “those driving the EITI have diagnosed the challenge far too superficially in sub-Saharan Africa”. In particular, a failure to address the complex linkages and power relations between stakeholders or the key motivating factors behind relationships. As a consequence of the manipulation of stakeholder representatives at multiple levels in countries with inherent corruption the evolution of civil society engagement as a means of improving public accountability, reducing corruption and achieving good governance cannot meet the expectations of the international community without significant external support and intervention.

In addition, international voluntary initiatives and policy mechanisms, such as the EITI which checks management processes, and annual reports that record CSR initiatives without objective independent assessment, can readily become top-level paperwork exercises which mask the reality of the consequences of mining activities and associated limitations of community representation. It is, therefore, concluded that mechanisms need to be in place to independently monitor, evaluate and review mining projects at grassroots level taking account of the real value and impact of extractive industries’ social initiatives within communities. Where host governments fail to exercise state regulation, it is proposed that responsibility for this intervention be raised to an international level and assigned to donor governments and financial institutions who currently exhibit a “hands off” approach to monitoring and enforcement.

The impact of the financial motivation and power struggles which overrides the attempts of voluntary initiatives to improve accountability and governance needs to be addressed by all three sectors: civil society, government and the extractive industries. The most difficult challenge may be to move the CSR debate, and future generations of mining codes away from voluntary initiatives and state regulation towards international mandatory requirements supported by independent multi-level external monitoring.

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55 Government and NGO representatives spoke of insufficient human and financial resources to enforce statutory requirements.

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