

# Discussion Paper

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## **Partnerships or patronage for development?**

**Business-Civil Society Organisations (CSO)  
partnerships in the mining sector in  
Madagascar**

**by Alfonso Medinilla**

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# Partnerships or patronage for development?

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### Key messages

Partnerships with the private sector are the talk of the town in international cooperation. The 2030 Agenda identifies the private sector as a major driver for development. Multi-stakeholder partnerships that link market-driven private sector operations with a socially grounded approach are seen as a new holy grail for development.

Multi-stakeholder partnerships around the Rio Tinto's ilmenite mine in Fort Dauphin in Southeast Madagascar illustrate that a context of minimal local governance and chronically weak and underfunded civil society reinforces the risk of instrumentalisation of CSOs.

The international donor community is very active in the area and can potentially counteract the balance of power by investing in a realistic territorial and multi-sector strategy that seeks to strengthen local governance in and around mining operations.

Multi-stakeholder partnerships can create value and a strong local dynamic. However they are not just a financing modality. Independent facilitation and brokerage is key to shift the debate from unmet expectations to realistic opportunities for the development of the region.

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The views expressed in this study are exclusively those of the author and should not be attributed to any other person or institution.

## Acronyms

ALT-MG	Andry Lalana Tohana (Malagasy NGO)
CARA	Centre d’Affaires de la Région d’Anosy
CCFD-Terre Solidaire	Comité catholique contre la faim et pour le développement-Terre Solidaire (French NGO)
CSO	Civil society organisation
CSR	Corporate social responsibility
EDF	European Development Fund
EITI	Extractive Industries Transparency Initiative
EU	European Union
MERA	Maison de l’Emploi dans la Région Anosy
MGA	Malagasy Ariary (currency)
NGO	Non-governmental organisation
PIC	Pôles Intégrés de Croissance (integrated growth poles)
QMM	QIT Minerals Madagascar
RTIT	Rio Tinto Iron and Titanium
SDC	Swiss Development Cooperation
SFCG	Search for Common Ground
SIF	Solidarité des intervenants sur le foncier
SME	Small and medium-sized enterprise
UK	United Kingdom
US	United States



# 1. Introduction

## 1.1. Context

Partnerships between private sector and civil society organisations (CSO) increasingly attract attention as part of the international development agenda, not least with the recent adoption of the 2030 Agenda for Sustainable Development and the preceding third International *Conference on Financing for Development* in 2015 (Bilal and Karaki, 2016). This reflects numerous trends in development policy, most notably the greater attention given to working with the private sector for development, the declining share of aid as a source of finance for developing countries, and a similar reduction in finance channelled to CSOs. At the same time, the sources of funding from private companies, foundations, etc. is on the rise.

Business-CSO partnerships also offer a range of potential benefits for addressing development challenges. These relate to their potential to link commercially, market-driven investment projects and private sector know-how that can contribute to creating more and better jobs, with socially grounded, networked approaches of CSOs whose primary aim is to promote inclusive development within a given territory.

But clearly there is a wide range of partnership forms, motivations, activities, and practices (ECDPM, 2016). This opens up the risk that ‘partnership’ becomes a catch-all term with little use for policy-makers. As much as some partnerships may offer an innovative form of operating, this must be balanced with the possibility of their failing to genuinely address socially and/or environmentally irresponsible activities.

Given the growing enthusiasm for public policy-makers to support cooperation between businesses and CSOs, there is a clear need for a greater level of transparency and accountability as well as more analysis and an in-depth understanding of the drivers and key constraints to effective strategic CSO-business partnerships for development. This is particularly so in the extractive sector in Africa, the focus of this paper.<sup>1</sup>

Building on a mapping study that looks at the literature on business-CSO partnerships more generally (Byiers et al., 2015), this paper looks at CSO-business case studies in the extractive sector, and in particular at the case of *QMM-Rio Tinto* and its community engagement in the South-Eastern Anosy region of Madagascar around its titanium ilmenite mine. Since its construction phase in 2009 *QIT Minerals Madagascar* (QMM) has engaged in a variety of initiatives to support income generation in rural and agricultural development and fisheries as part of an integrated development programme around its mine. The company recently changed its approach to community investment and the way it engages with local community organisations and CSOs in order to build effective partnerships and a better climate of trust around its mining activities.

Within this context, this case study looks at the role of partnerships with national and international CSOs that facilitate dialogue and development processes in these communities. QMM Rio Tinto has entered into a series of partnership agreements with community-based organisations in the localities that are affected by the mine. To support the engagement with these associations and the communities in general, the company also works with a number of non-governmental organisations

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<sup>1</sup> This paper is accompanied by three other case studies that look at business-CSO partnerships in the gold mining sector in Ghana and the dairy sector in Kenya and Tanzania. <http://ecdpm.org/topics/business-development/>

(NGOs) to help facilitate these activities. This study focuses on these formal business-CSO partnerships, based on an agreement or service contracts with the company. We zoom into the partnership with the Malagasy NGO *SAHA* and the relationship with the international NGO *Search For Common Ground* (SFCG) to unpack the cooperation structures and to identify what drives the functioning of these partnerships on both sides. Both organisations play a key role in QMMs long-term strategy to securing the land surface rights to mineral deposits, and providing a viable alternative livelihood for the mining communities.

The main question addressed is the following: *What are the main partnership characteristics (core business, degree of engagement, nature of activities, governance) and institutional factors that drive and constrain the process of establishing and maintaining effective CSO-business partnerships for development?*

## 1.2. Approach

Rather than evaluating the effectiveness of partnerships, the focus of this paper is specifically on the processes of establishing and operating business-CSO partnerships and the best practices of such partnerships in terms of governance. The analysis therefore looks at the selected case according to four partnership dimensions that emerge as key angles of analysis from the literature review (Byiers et al., 2015):

1. the relation to core business;
2. the degree of partner engagement;
3. the partnership activities; and
4. the governance structures.

These four dimensions are directly related to the processes and dynamics internal to the partnerships, and so with their relative opportunities and challenges. These dimensions will structure the approach to the case studies, as outlined in Byiers et al. (2016).

To complement this, we use a 'political economy approach' to organise the discussion and findings from desk-work and semi-structured interviews. The framework applied builds on the five lenses proposed by Byiers, Vanheukelom and Kingombe (2015), to systematise information on:

1. the influence of *structural or foundational factors* to the partnership;
2. the specific *sectoral characteristics* that affect political economy considerations in the partnership;
3. the influence of *external actors and factors*, not least external finance but also on-going changes in the national or global context that affect the partnership.
4. the role of *institutional factors*, including both formal and informal 'rules of the game' that define partner roles and responsibilities; and
5. the *power and interests of different 'actors'* and groups operating within that context.

The ambition is that these findings serve as a basis to understand and reflect on the key roles that donors and other policy-makers might play in facilitating and improving the development impact of business-CSO partnerships. This will then feed the dialogue among donors and other partners in Europe and in Africa with a view to making development policy more effective and inclusive.

## 2. External and sectoral factors

Extractive industries operate at the intersection between national policies and local realities. QMM as one of the first major extractive projects in the country helped shape the industry in Madagascar. The way in which the project is embedded locally is key in view of the numerous new and upcoming mining operations across the island. The way in which CSOs interact in an emerging sector can be an equally important learning opportunity for CSOs in the country and for shaping development outcomes more broadly. This section illustrates the importance of these ‘foundational’ factors that underpin business-CSO cooperation in the mining sector in Madagascar.

### 2.1. QMM and the Malagasy model for resource-driven growth

Madagascar is known for its precious stones, and mining in the country goes back several centuries. The exploitation of Madagascar’s industrial mineral potential is part of a fairly recent round of exploration in Africa. In the mid 1990s the Malagasy authorities took the first important steps to develop the mining potential of the country after the discovery of mineral sands and heavy oil in various parts of the country. In order to tap this potential, as well as its off-shore oil reserves, Madagascar started liberalising its extractive sector in the second half of the 1990s. Between 1996 and 2002, with the support of the World Bank and industry, it reviewed its legal framework, piece by piece, with the ultimate goal of attracting large foreign investments in its mining sector.<sup>2</sup>

The ilmenite and zircon mine of QIT Minerals Madagascar (QMM) in Fort Dauphin was part of this first wave of investments and has played a major role in the liberalisation of the sector itself. Ahead of the review of the mining code in 1999, QMM was established by a specific ‘*convention d’établissement*’ between Rio Tinto and the Malagasy state, which outlines the different provisions as well as the fiscal regime under which the mine operates. Eighty per cent of the company is in the hands of Rio Tinto, while 20 per cent is state-owned, ensuring direct revenues for the Malagasy state when the mine is profitable.<sup>3</sup> Following the establishment of QMM, Madagascar adopted a new mining law in 1999, and a Law on Big Mining Investments in 2002, in order to make the country an even more attractive destination for foreign investors in the sector.

The QMM project is therefore intimately linked with Malagasy ambitions for resource-driven growth<sup>4</sup>, making the sustainability of this project a key political objective of the current government. However, the Malagasy state has serious difficulties in mobilising the required resources to finance necessary mining sector reforms, and even to participate in the joint venture with Rio Tinto.<sup>5</sup> The government in general remains highly dependent on donor agencies and industry partners to finance any public sector expenditures that go beyond mere running costs. The World Bank in particular has provided loans to the state and has accompanied the sectorial reforms and infrastructure development in the 1990s and 2000s.<sup>6</sup>

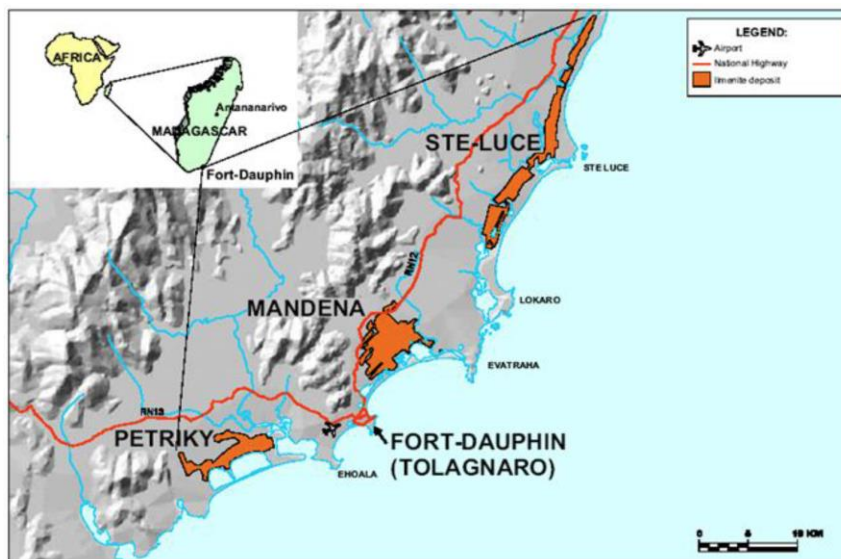
<sup>2</sup> 1996: Code pétrolier; 1998: Convention d’établissement » pour l’entreprise QMM SA; 1999: Code minier; 2002: Loi sur les grands investissements miniers (LGIM).

<sup>3</sup> While royalties are an important part of the Malagasy fiscal system, the main fiscal revenue foreseen by the mining legislation is in the form of income tax for companies. The QMM conventions foresees an even more favourable regime than the general legislation, with a full exemption for the first five years, 10% for the next five years and 15% after that. See Bossuyt et al. (2016, p. 46).

<sup>4</sup> For an up-to-date overview, see Bossuyt et al. (2016, p.39).

<sup>5</sup> Late 2015, for example, Madagascar was unable to autonomously finance a capital injection for its 20% stake in QMM. The amount instead was advanced by Rio Tinto and is to be repaid with the future dividends of the mine.

<sup>6</sup> Madagascar currently has borrowed US\$1.8 billion from IDA in 49 credits. For an overview of credits, see: <https://finances.worldbank.org/countries/Madagascar>

**Figure 1. Mineral sands deposits in the coastal region of Fort Dauphin**

Source: Rio Tinto

## 2.2. Economic activity and growth in the region

The QMM mine lies in the Anosy region, more than 700 km south of Antananarivo and very difficult to reach over land (more than 16 hours of badly maintained roads). Due to its isolated location in the southeast of the country there is only limited formal economic activity. The estimated 100,000 inhabitants of Fort Dauphin and the coastal areas of the Anosy region rely heavily on subsistence agriculture, artisanal fishing and informal trade.

QMM was established in 1998, yet the first surge in local activities only came in 2005, when the construction of the mining and port infrastructure started. The construction phase between 2005 and 2009 meant a peak in economic activity for the south never seen before. Estimates of employment during that period go up to 9,000 temporary construction workers<sup>7</sup>, many of whom were brought in from outside Fort Dauphin and even outside Madagascar.<sup>8</sup> This includes both the Rio Tinto operations and subcontractors. The construction phase was supported by the government's 'integrated growth poles' programme (Pôles Intégrés de Croissance - PIC)<sup>9</sup>, funded by a recently renewed World Bank loan. PIC co-financed the construction of the Ehoala deep-sea port (with Rio Tinto) for up to US\$35 million and the rehabilitation of regional and local infrastructure in the regional capital Fort Dauphin. After the construction phase, QMM's employment footprint fell to around 640 direct employees and 1,200 subcontracted workers, which is enough to run the mine at capacity.<sup>10</sup> As such, the direct employment opportunities for the local population in the production phase are relatively limited. In March 2016, in response to financial difficulties due to the low demand for titanium dioxide, 100 employees were let go to accommodate a lower level of production and revenue.<sup>11</sup>

<sup>7</sup> Interview with an expert on the region.

<sup>8</sup> The French company Colas for example carried out a lot of the ground and infrastructure work.

<sup>9</sup> Integrated growth poles. See: Pôles Intégrés de Croissance: <http://www.pic.mg/index.php?numlien=22>; and World Bank. Integrated Growth Poles: <http://www.worldbank.org/projects/P083351/integrated-growth-poles?lang=en>

<sup>10</sup> Rio Tinto figures for March 2015: 638 employees and 1206 subcontractors.

<sup>11</sup> Presse 6/3/2016.

At the same time, the arrival of industrial mining dramatically transformed the local economy in and around Fort Dauphin, with positive impacts for a limited number of local content providers, but also negative effects, including a dramatic increase in food and accommodation prices in the regional capital since 2005.<sup>12</sup> Economic diversification however is proving to be very difficult, and the regional development ambitions that were set for this 'growth pole' have not so far been attained.<sup>13</sup> On paper, the new Ehoala port was intended as a major regional asset to attract investors and companies, yet to date the adjacent 440 ha Business Park remains largely empty and the economic benefits of the new port are not commensurate with the scale of investment and the expectations it created. The export of sisale is one sector with some growth potential in the region that can benefit from the investment. One operator exports on average 1,100 tons of sisale per year through the port, and employs 900 people in the process.<sup>14</sup> The deep-sea port can also take cruise ships, which has provided an impulse to high-end tourism in the region, albeit a seasonal one. Overall, however, 95 per cent of Ehoala's shipping activities are minerals.<sup>15</sup> At the same time, the new deep sea port severely affects traditional artisanal fishing in the area, since fishermen are now obliged to go further out to sea.

Procurement of local products and services remains an important objective for the company. Several new initiatives were launched since 2009 to facilitate the use of local content, including the Centre d'Affaires de la Région d'Anosy (CARA), which facilitates the formalisation of companies and capacity development to bring them up to the required level to be able to be contracted by QMM, and the Maison de l'Emploi dans la Région Anosy (MERA) which aims to facilitate local recruitment in the region. In practice, according to interviewees, most local service providers and jobs that can be performed by the local population tend to be low-skilled, low value and non-critical, with the exception, perhaps of security personnel.

The arrival of QMM in Fort Dauphin was highly disruptive at the local level. The company is by far the largest economic operator in the region and it transformed the local economy profoundly, however creating only very limited opportunities for the population in the regional capital and mining areas. This fuelled opposition and discontent when the communities saw Fort Dauphin and the neighbouring communities transform into a grim mining town rather than the regional economic powerhouse that was expected.

### 2.3. Volatility of mineral prices and political instability

Ilmenite is generally mined to produce titanium dioxide, which in a fine powder form is used as a base pigment in paints and plastics. On the global market, demand for such minerals has significantly slowed down. On a global scale, Rio Tinto Iron and Titanium (RTIT) revenues from high-grade titanium dioxide operations in Canada, South Africa and Madagascar fell by 28 per cent in 2015 due to lower volumes and lower prices for the mineral, metallic products and zircon. Earnings fell by 53 per cent to US\$116 million (Rio Tinto, 2016, p.36). At the local level, this was reflected by periods of inactivity so as not to flood the market with ilmenite, especially as the price of transformation (refinement) in the country has not dropped at the same rate.<sup>16</sup> As a result, in the past few years, and as the partnership process was in its early phases, QMM's operations have been slow and the

<sup>12</sup> Interviews with civil society organisations carried out in 2013; Les amis de la terre (2012).

<sup>13</sup> In 2008, the World Bank projected for example the creation of 5.000 new jobs in Fort Dauphin. See: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/04/02/000333038\\_20080402024212/Rendered/PDF/429230PJPR0P111y10IDA1R20081005811.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2008/04/02/000333038_20080402024212/Rendered/PDF/429230PJPR0P111y10IDA1R20081005811.pdf) p. 25

<sup>14</sup> [http://www.lagazette-dqi.com/index.php?option=com\\_content&view=article&id=49766:port-d-ehoala-l-import-export-se-maintient-a-un-niveau-stable&catid=45:newsflash&Itemid=110](http://www.lagazette-dqi.com/index.php?option=com_content&view=article&id=49766:port-d-ehoala-l-import-export-se-maintient-a-un-niveau-stable&catid=45:newsflash&Itemid=110)

<sup>15</sup> *ibid.*

<sup>16</sup> Interview with an employee in the sector.



company has slimmed down significantly. Employment has dropped to a minimum ‘maintenance’ level and even the QMM offices were downsized. Productivity has dropped and there have been several periods of inactivity.<sup>17</sup>

In December 2015, a capital injection was agreed between the Rio Tinto and the Malagasy state in order to keep the project in business. The state share of this investment round will amount to US\$44 million, a figure that the national authorities are unable to mobilise. Rio Tinto will advance these funds, which are to be paid back from future dividends of QMM SA<sup>18</sup>; this of course depends on the assumption of a stabilisation and rise in raw material prices to a profitable level.

All these developments take place in a politically highly unstable context. Madagascar has suffered from two coups d’états in 2002 and 2009. The last military takeover resulted in significant sanctions and ODA cuts from the international community, which lasted until the stabilisation of the situation in 2014. Madagascar’s political situation is precarious and the scene of a difficult power struggle between the movement of the current presidency and an ever-changing group of opposition parties. In 2015, tensions rose again as the parliament prepared to vote a motion of censure.

All the while, financial difficulties are driving the government to fast-track a new reform of the mining code to foster the sector’s development and contribution to economic growth. The industry in the country is organised and financed to a level that contrasts starkly with the poor state of governance in the country. Civil society tends to oppose the perceived rushed way in which the ministry for mining and oil, (that directly depends on the presidency), is moving ahead with this dossier, and in 2014 even the Catholic church got involved in the sector when the Bishops’ conference called for a moratorium on new concessions.<sup>19</sup>

## 2.4. Chronic weakness of local governance and donor dependence

Madagascar is a highly centralised country, yet paradoxically, the capital city is very poorly connected to the coastal regions. Ground transport can take days and the cost of air transport is prohibitive for most people and organisations. Decentralisation is a sensitive topic and it is unlikely that major reforms will take place soon. The regional level is managed tightly from the capital. Regional chiefs – many of whom are military – are designated by the central authorities, as are regional directorates, which are essentially antennas of the line ministries. The municipal level is directly elected by citizens, yet governance standards are very low, especially in rural areas. Many rural municipalities lack the budget to even ensure running costs of the town hall, let alone deliver essential services.<sup>20</sup>

In the municipalities affected by mining activities, the situation is fundamentally different. The Malagasy Mining law foresees a 2 per cent tax on the first sale of raw materials. Of the 1.4 per cent that is destined for the decentralised level (*ristourne*), 60 per cent is destined for the municipal level. Local authorities (regional, urban and rural) therefore receive significant yet variable funds from the mine, depending on the productivity of the project and the market price of the raw material, as well as the way the tax is implemented and enforced (e.g. who checks on the quantities declared – a regular problem for mining). In the case of Anosy, the urban municipality of Fort Dauphin and a handful of rural municipalities receive such payments (EITI, 2015). Managing this (variable) influx of money is a

<sup>17</sup> <http://www.lexpressmada.com/blog/actualites/secteur-minier-lusine-de-qmm-refermee-temporairement-15853/>

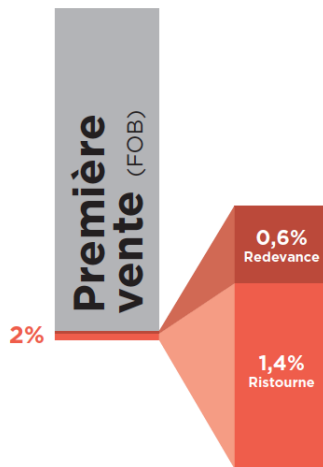
<sup>18</sup> The decision for this state capital injection was taken in December 2015 with minimal public scrutiny and limited media attention.

<sup>19</sup> Link news article and Report from the Conférence épiscopale 2014.

<sup>20</sup> Bossuyt et al. (2014) and interviews carried out by the author in 2013.

major challenge for these municipalities, and when not properly managed these rents can be a divisive factor in the communities.

**Figure 2. Fiscal regime of the current mining code**



Source: Bossuyt, J. et al. (2016).

## 2.5. Nature of CSO environment in the country

Madagascar is a fragile state<sup>21</sup> with a long history of political instability, an ethnically diverse population and a highly underdeveloped and severely underfunded civil society, which has only a marginal impact on public policy-making. This adds to the need for partnerships between companies and communities, but also undermines the context in which they take place. The country struggles with delivering the most basic of services (e.g. energy, water and sanitation, primary education, basic health services and road infrastructure), especially in remote regions of the country. Civil society in the past has been used to fill this gap and therefore has a long history in delivering basic social services where the state has been unable to do so. This model of CSO engagement continues to thrive, as the direct needs at the local level have not changed.

Other forms of civil society participation, be it through advocacy, exchange and/or cooperation with public and or private actors are highly fragmented and with limited impact in the past. Following the democratic transition in 2012, donor agencies, and particularly the EU and its member states, are increasingly investing in strengthening the political voice and impact of civil society in Madagascar. Since 2015, for example, one of the key priorities of the EU and its member state support to CSOs is to strengthen the role of civil society in the area of extractive industries (UE, 2014).

(Sustainable) financing for civil society is also a major challenge in Madagascar. A recent study by ECDPM noted that the majority of CSOs, especially at the local level, are fully dependent on project funding from donor agencies and/or international NGOs, and lack the necessary financial resilience to build a strong strategic basis for their operations (Bossuyt et al., 2014). This leads to the common practice that civil society organisations in Madagascar ‘follow the money’ and adapt to what is in fashion or on the agenda of donor agencies at the moment. This makes CSOs vulnerable to instrumentalisation and has significantly hampered the development of a critical mass of independent civil society in Madagascar (see also Ramdoo and Randrianarisoa, 2016).

<sup>21</sup> World Bank harmonised list of fragile situations FY 2015:  
<http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1269623894864/FY15FragileSituationList.pdf>

An additional side effect of chronic underfunding is the difficulty that CSOs face in retaining quality and independent staff. Many CSOs cannot offer a stable or long-term perspective and staff members are often forced to ensure their own income by moonlighting in the private sector and/or other organisations. Given that this is the norm rather than the exception, the prevalence of serious conflicts of interest is high. In Fort Dauphin, several of the CSO leaders occasionally consult for QMM in their personal capacity for studies or facilitation work that clearly relates to their organisations' area of expertise. This makes remaining independent a difficult balancing act, as the financial stakes are high.

### 3. Partnership origins

#### 3.1. Original objectives, history and phases

QMM's approach in the Anosy region has evolved significantly over the past ten years. From the outset, the company engaged with all actors in the region in order to encourage social acceptance of its presence in the region's capital and the four municipalities that are affected by the mine. However, it was unprepared for some of the challenges and expectations it created. Following the construction phase of the mine and port, it became clear that many of the initial expectations from the affected communities, particularly in terms of local development and employment were not materialising. The narrative from PIC for example was that the port and infrastructure works would bring the south out of its isolation and act as a lever for growth and development.<sup>22</sup> Instead, the finalisation of the construction phase meant that many of the operators that temporarily employed locally and injected much needed money in the local economy packed up and moved on. The mine, its subcontractors during production, and the port have a much smaller local economic footprint, bursting the bubble of expectations that were raised during the construction phase.

From 2010 to 2013, QMM's approach was to address local community demands towards the mine through a variety of initiatives to support income generation in rural and agricultural development and fisheries as part of an Integrated Development Programme, carried out by NGOs.<sup>23</sup> The company also invested heavily in the government's regional development plan, and engaged in dialogue with civil society, even linking up with traditional dialogue practices – "Dina" (QMM Rio Tinto, 2013, p.10). At the same time it launched a number of initiatives for local content development and employment creation (Bossuyt et al., 2016; Ramdoo and Randrianarisoa, 2016). However, all these could not prevent the mass demonstrations in May 2010, October 2011 and finally in January 2013, when demonstrators blocked almost 200 Rio Tinto employees, including the current Managing Director Ny Fanja Rakotomalala, in the mining compound for several days.<sup>24</sup> The protesters were eventually dispersed by the Malagasy police force, which fired tear gas on the crowds to evacuate the company's personnel.

These incidents threaten the mine's core business activities and increase the transaction costs for mineral extraction considerably. In order to avoid this in the future, Rio Tinto reviewed its community engagement and change management approach in 2014, particularly in view of a more sustainable land and natural resource management, in order to finalise the securing of the surface rights of the concession while managing expectations of the communities that currently live in those areas.

<sup>22</sup> See <http://www.pic.mg/>

<sup>23</sup> See: <http://www.riotintomadagascar.com/french/directionPDI.asp>

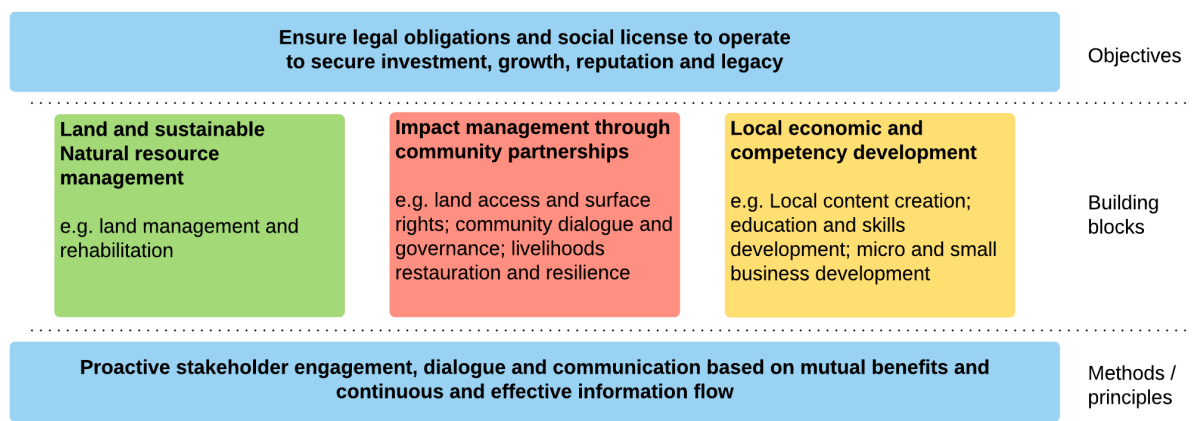
<sup>24</sup> <http://www.telegraph.co.uk/finance/newsbysector/industry/mining/9798009/Madagascar-forces-free-200-Rio-Tinto-hostages.html>



Figure 3 shows the different pillars of Rio Tinto’s engagement in the region, illustrating the wide thematic reach of mining companies’ community engagement. Dialogue and Stakeholder Engagement, which is cross cutting, focuses on establishing equitable and permanent dialogue with communities through on-going stakeholder engagement and dynamic, community partnerships based on joint responsibilities, mutual benefits and concrete actions. The three pillars of QMM’s results framework are:

1. ecosystems and sustainable resource management, which address the environmental and social legal obligations to ensure continual access and availability of natural resources (forestry and wetlands) by the communities, through rehabilitation, restoration and the sustainable management of these resources in and around the mining perimeters;
2. impact management through community partnership agreements based on mutual benefits and rights, which includes the question of surface rights and access to the mining deposits, as well as addressing the impact of the mining operations through livelihood restoration; and
3. local economic and competency development, which includes local content, business development and skills development initiatives and regional partnerships and engagement with government and technical and financial partners at the national and regional level. Rio Tinto therefore directly engages with all stakeholders in the area based on environmental and community risk and impacts and its medium- and long-term business drivers as a regional economic actor.

Figure 3. Main building blocks of QMM-Rio Tinto’s engagement in Fort Dauphin and the Anosy region



Source: Adapted and simplified from Rio Tinto presentation (November 2015)

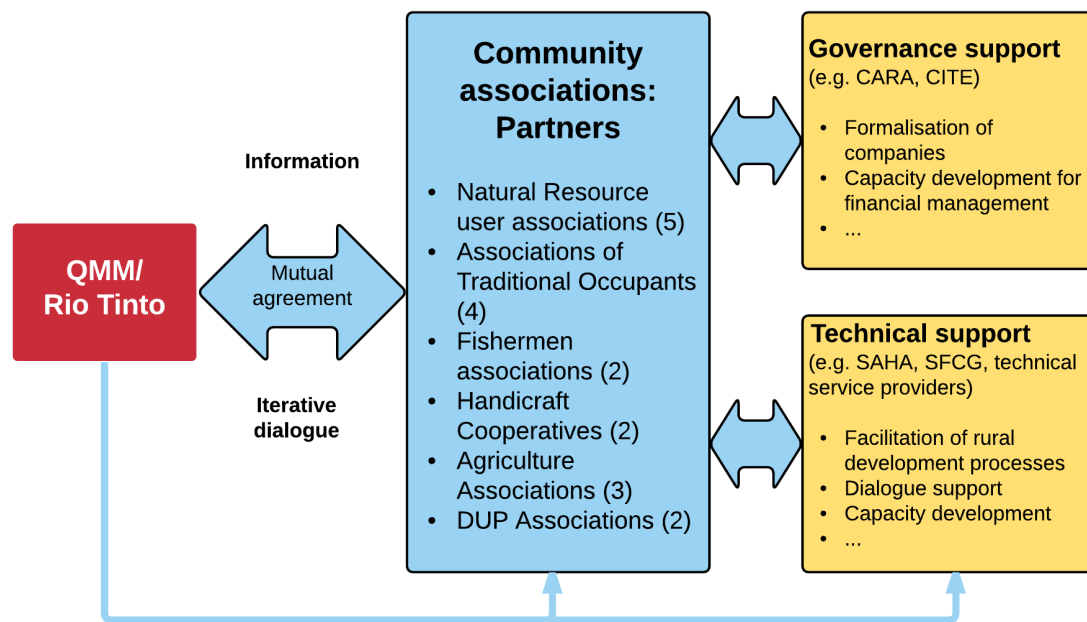
For its engagement with the communities that are affected by the mining concession, Rio Tinto had previously relied on a more hands-off, outsourced approach. Today, direct engagement has become a guiding principle. The company pursues a close relationship and a direct line of communication with the communities in the vicinity of the lease in order to avoid unpredictable results in the future.

To assist with this direct partnership relation with the community-based organisations, Rio Tinto contracted a number of NGOs to provide technical assistance in the areas of land use, rural development, local content development, etc. These contracts, also known as protocol agreements, include a number of strategic partnerships with NGOs, which are based on shared principles of engagement. This is the case for example with the NGO SAHA, a community development NGO that facilitates a number of dialogue and rural development initiatives at local level; ASOS, that works in the health sector; and PACT, a US NGO working in education and capacity development. In other cases this takes the form of service contracts (either with companies or NGOs). An interesting example of such an arrangement is Search for Common Ground (SFCG), another US NGO that

works on dialogue and mediation, and the Centre d'affaires de la région d'Anosy (CARA), previously co-funded by the World Bank Integrated Growth Pole project and Rio Tinto, that is now an NGO which facilitates local content creation through the formalisation of small and medium-sized enterprises (SMEs) and providing capacity building activities to local associations and aspiring entrepreneurs.

QMM interacts with the communities through a series of community-based associations with which it establishes a mutual agreement, and it employs the help of its CSO partners to facilitate and support their engagement. These 'partners' include natural resource user associations, associations of traditional occupants, and professional associations like fisherman associations and agricultural associations.<sup>25</sup>

**Figure 4. Rio Tinto community partnership model**



Source: Adapted and simplified from Rio Tinto presentation (November 2015)

Within this context, this case study looks into these formal CSO-business partnerships based on an agreement, Memorandum of Understanding, or (a series) of service contracts with the company. We zoom into the partnership with SAHA and explore the relation with the international NGO, Search For Common Ground, to unpack the cooperation structures and look into the drivers on both sides that underpin the functioning of these partnerships in the long run. Both organisations play a key role in QMMs long-term strategy to securing the land surface rights to mineral deposits, and providing a viable alternative livelihood for the mining communities. SFCG specialises in dialogue and mediation, while SAHA focuses on structuring community organisations and income generating activities.

### 3.2. SAHA

SAHA is a well-known Malagasy NGO, which was set up in 2011 as a sustainable spinoff of the Swiss Development Cooperation (SDC) programme SAHA. It is recognised as a professional organisation

<sup>25</sup> Bossuyt et al. (2014) note a very high prevalence of associations at the local level. This seems to suggest that even in small rural areas there is a thick civil society 'fabric' in Madagascar, many of these organisations however are very informal in their functioning and tend to reflect traditional networks in rural areas.

with specific experience with facilitating local and territorial development initiatives and promoting local governance, and 'maitrise d'ouvrage communale' - overseeing community projects. Set up with seed funding from the Swiss cooperation, one of SAHA's main institutional challenges and objectives is to diversify its funding sources in order to ensure its operations and carry out its strategic plan.<sup>26</sup>

In 2010-2012, SAHA facilitated participatory budgeting in the region with the support of the World Bank's PGRM project, which gave them a certain presence at the municipal level in the region. In 2012, SAHA started working with Rio Tinto on the basis of service contracts with the initial objective of strengthening their communication with the community and to improve local governance.

SAHA was first recruited as a service provider to facilitate a transition to a different model in the communities that are affected by the mine. SAHA's work consists of promoting dialogue and strengthening the 'maitrise d'ouvrage communale', and moving from an individual approach to compensation for land use to a more collective model which involves the creation of resource user associations (associations 'd'usufruitiers' - usufructuary), traditional occupant associations and professional associations (e.g. fishermen associations). Compensation payments to these groups are then used for joint income generating activities around a common vision for a particular value chain. Agricultural value chains that seem to show particular promise and potential for commercialisation are honey, yam, and pink peppercorn.<sup>27</sup> From 2012-2014 this work was one based on consecutive 'protocols de collaboration'. Since 2014 the cooperation takes a more structural form as a five-year partnership and annually renewable financing conventions of roughly €110,000 (MGA 400m).<sup>28</sup>

### 3.3. Search for Common Ground

SFCG is an international NGO working with mining companies in around 10 countries on the issue of sustainable business practices. SFCG's model is direct cooperation with the industry based on voluntary principles and a company-wide commitment. In Madagascar, the NGO works with QMM and Ambatovy, two of the major mining operations on the east coast. SFCG was contacted by QMM following the 2013 incidents to provide specific support to dialogue in the communities that are affected by the mine in view of finalising the negotiation of the surface rights to the mining concession in a way that ensures the sustainability and security of its operations.

Until recently, Rio Tinto employed a predominantly technical approach to compensation payments based on estimations of the value of the land. Interventions by the network 'Solidarité des intervenants sur le foncier' (SIF), the national platform on land and property rights, engaged and advised QMM as concerns community land rights that resulted in the adoption of a more complex approach that looks at the real value of the land, and includes both the cost of loss of agricultural revenue and the value of the occupants' (historic) land rights and claims.

Based on this approach, QMM contracted SFCG to help facilitate dialogue between community organisations and the company. SFCG set up a dialogue mechanism, trained Rio Tinto staff and local associations, and facilitated dialogue based a mutually agreed charter. Looking ahead, SFCG seeks to deepen its cooperation with QMM through a three-year partnership based on a principled agreement backed by financing for activities such as training, multi-actor town hall meetings and working with local media.

<sup>26</sup> SAHA website [www.saha-mg.org](http://www.saha-mg.org)

<sup>27</sup> Interview and correspondence with SAHA.

<sup>28</sup> Interview with SAHA staff in Antananarivo and Fort Dauphin.

## 4. Partnership activities

QMM's community partnership approach revolves around the communities affected by the mining operations themselves. These are highly isolated, rural, coastal villages with limited infrastructure and highly traditional economic activities. In order to overcome the 'divide' between multinational companies and deeply traditional, rural communities, and obtain its social licence to operate, QMM pursues so-called 'community partnership agreements' with community associations so as to link dialogue to concrete results, based on a mutual agreement and annual indicators. The involvement of the national network on land SIF and the adoption of a differentiated spatial strategy that distinguishes between traditional occupants and natural resource users was a crucial step towards a new system of calculating and negotiating compensation, paving the way to involve actors like SAHA and SFCG. SIF's review of land claims and the distinction between users and occupants forms the basis of how the company engages with the communities today.<sup>29</sup>

SAHA helped to structure community associations into traditional occupant associations, natural resource user associations, and professional associations such as farmer's associations, fisherman's associations, etc. SAHA facilitates dialogue around the so-called 'community partnership agreements' with these groups; it also supports the development of alternative livelihoods and the re-investment of compensation payment in economic activities, in particular the commercialisation of three nascent value chains: honey, pink peppercorn and yam. In addition, SAHA works on the strengthening of municipal competencies ('renforcement de la maitrise d'ouvrage communale'), in particular through the facilitation of participatory budgeting in the communities that receive royalties from the mine.

In order to better address land issues in light of the 2013 protests, SFCG was approached by QMM to assist with mediation and set up a dialogue mechanism with impacted communities. This involved training of staff and associations, developing a charter for dialogue and facilitating multi-actor meetings in view of resolving/diffusing future conflict. SFCG carried out these activities as a service provider and are now looking into deepening the relationship with QMM. Other partnerships (e.g. PACT on education and ASOS on health) are more thematic in nature and revolve around the provision of services in the communities.

SAHA's facilitation activities and SFCG's mediation services are a highly sensitive topic in the area since they are linked to the communities that are directly affected by the mine. These activities expose the organisations to significant criticism from other civil society actors, many of which see them as facilitating expropriation and displacement on behalf of QMM.

### Roles and independence

As QMM shifted their model towards direct local engagement, the role of the community relations department became more important and more visible. In order to be able to sustain this more hands-on approach, and maintain formal relationships based on mutual agreements with structured community organisations, the company needs support and partners to facilitate this engagement. NGOs such as SAHA and SFCG facilitate this engagement and accompany the community partners as well as the company in their interaction with each other, either through short-term protocol agreements or a long-term partnership relationship with QMM.

<sup>29</sup> One interviewee mentioned that while SIF has the technical capacity, SAHA brings the management capacity to work in the communities.

SAHA does this work based on an agreed set of principles, which include the respect of municipal competencies and shared principle of subsidiarity (see Box 1, Section 6). SAHA's organisational interest is to facilitate community development with a municipal approach. At times, QMM's method of management, based on immediate priorities, can complicate their work in the communities as company agents are felt to interfere with partnership activities.<sup>30</sup> There is a good constructive dialogue between SAHA and QMM, yet the partnership activities are tightly managed by QMM, which plays a proactive role in operational aspects, including team composition. Crucially, SAHA's near full financial dependence for its activities in the region makes it extremely difficult to influence company policy and behaviour.

SFCG, as an international NGO, is slightly better equipped to engage the company itself. Through its training activities it aims to work towards a stronger company-wide commitment to voluntary principles for community engagement, and therefore works with both the community relations and other QMM departments. Service provision gives them direct access, and a higher degree of financial independence to some extent, which can shield the organisation from possible instrumentalisation.

In general, CSO independence is a fluid concept in Madagascar. While the prevalence of CSOs (associations, NGOs) is high at all levels, the country's civil society does not have a strong culture of advocacy and citizen participation in public decision-making. Instead, many CSOs and NGOs, especially at local level tend to focus on project implementation and service delivery, and often align with available funders' agendas rather than mobilise around an internally owned strategy.

In sum, the activities carried out within these partnerships are diverse in nature, and cover brokering and facilitation services, capacity development (production-oriented), as well as the development of new business opportunities, as part of alternative livelihood strategies (new business development/innovation). The following section looks at how these activities relate to the core business activities of QMM in Fort Dauphin and the strategic interests of the different partners.

## 5. The type of partnership: strategic driven by defensive interests

The nature of extractive industries and their impact on local communities can make it difficult to fully separate the company's core business (commercial) interests from its more, developmental Corporate Social Responsibility (CSR) initiatives.<sup>31</sup> The first reason for mining companies to invest in community relations is to obtain their *social license to operate*, which is a key condition for stable production in the long run. In that sense, the partnerships that Rio Tinto pursues in and around the affected communities are of a profoundly strategic nature yet driven by defensive interests on all sides.

Due to the complexity and uniqueness of the sectoral context, cooperation between Rio Tinto and its CSO partners cannot simply be reduced to common objectives and principles. Instead it stems from an unavoidable confluence of a wide range of actors within a very specific territory. Table 1 samples a

<sup>30</sup> Interview with field staff.

<sup>31</sup> In the case of QMM, their five-year Communities and Social Performance (CSP) plan sets out how to meet regulatory requirements, mitigate risks on business activities and provide mutually agreed benefits to host communities to ensure QMM's investments are secured and license to operate is maintained. The terminology "community investments" – and CSR initiatives – is used to emphasize value investment based on mutual benefits to ensure QMM's obligations to mitigate or compensate for environmental or social impacts of the project are sustainable.

number of these actors and tries to differentiate between their short term and long-term interests for engaging with each other. This is obviously a simplification of the complexity of the business-community relations but illustrates the diversity of interests at stake, as well as the extreme fragility of this model.

QMM is by far the most important economic operator in the region, and has access to financial and human resources that far surpass those of regional and local authorities. The company is under constant pressure to substitute the role of the state as one of few sources of (development) finance. QMM is constantly solicited to respond to funding demands that are not necessarily in its direct interests, yet may help keep the peace and contribute to its social license to operate or secure cooperation from local/regional authorities.

From a civil society perspective, partnering with QMM is not a neutral choice. Civil society in Fort Dauphin is deeply divided between those that work with (and/or receive funding from) QMM and organisations that make a clear and public point never to be on the payroll of the company. The narrative in the first case is often that in a cooperation relationship with the company, one can better work towards developmental outcomes. This is certainly the case for SFCG, which works with mining companies worldwide, but also for SAHA.<sup>32</sup> On the other side of the fence are organisations like Project TARATRA from the Catholic church that seeks to monitor governance in the mining sector country-wide, and association Fagnomba, the rights organisation that was behind the sit-ins and protests in 2013. Working with the company is therefore not simply a matter of receiving funding, it exposes organisations to widespread criticism, both nationally and in Fort Dauphin. Several interviewees explicitly mentioned that the balance of power in these arrangements strips CSOs of their independence and affect their legitimacy as developmental actors in the area.

While conflict drives change, it comes at a great cost for both the company and the communities involved. The cost of not producing for one or more days runs into the millions of US dollars for the company<sup>33</sup> and therefore constitutes an unacceptable risk. On the other side, the 2013 protests were dispersed by the police and military using tear gas and brute force; several arrests were made, including of members of the rights organisation Fagnomba. Activists face threats from state security forces and without the necessary support and protection they can even risk reprisals when they speak out. Open conflict in a volatile security situation is therefore not a desirable position to be in on either side.

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<sup>32</sup> See SAHA-QMM project page at [www.saha-mq.org/index.php/gouvernance-securite-alimentaire](http://www.saha-mq.org/index.php/gouvernance-securite-alimentaire)

<sup>33</sup> The 2013 protests cost the company between US\$400 and 500,000 per day, totaling around US\$2 million.



**Table 1. Short and long-term interest (drivers) of stakeholders that are involved in these partnerships**

<b>Stakeholder</b>	<b>Short term interests</b>	<b>Long term interests</b>	<b>Risks and Wildcards</b>
<b>QMM – Rio Tinto</b>	<ul style="list-style-type: none"> <li>• Provide a viable alternative to cash transfers</li> <li>• Regain confidence of local communities</li> <li>• Secure the surface rights to the concession while avoiding opposition</li> <li>• Services to facilitate community relations</li> <li>• Structuration of interlocutors at local level so as to have collective rather than individual interlocutors</li> <li>• Methods to diffuse conflict and manage expectations</li> </ul>	<ul style="list-style-type: none"> <li>• Stability and uninterrupted production (when profitable)</li> <li>• Reducing transaction costs for community engagement</li> <li>• Viable alternative income strategies in the mining municipalities</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Mineral price fluctuation: prices can remain low and affect QMM's long term resilience</i></li> <li>• <i>Social unrest and protests as the employment levels of the mine drop further</i></li> </ul>
<b>ONG SAHA “technical support” partner</b>	<ul style="list-style-type: none"> <li>• Financing for regional activities</li> <li>• Improved livelihood in the affected community</li> <li>• Sustainable use of private funding in communities</li> </ul>	<ul style="list-style-type: none"> <li>• Influence partner decision-making for better development results</li> <li>• Diversification of funding sources</li> <li>• Expanding the local governance component gradually</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Financial dependence for regional activities (currently ca. 100% for many of these organisations)</i></li> <li>• <i>Interference due to direct engagement of the company in the communities</i></li> <li>• <i>Adversity as beneficiaries resent the funding these organisations receive</i></li> <li>• <i>Further drop in CSR budget and/or discontinuation of annual financing agreements</i></li> </ul>
<b>International NGO Search for Common Ground</b>  <b>Contractor and prospective partner</b>	<ul style="list-style-type: none"> <li>• Conflict resolution through mediation and dialogue</li> <li>• Promote voluntary principles and company-wide commitment</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a longer-term partnership with QMM based on a commitment to dialogue</li> <li>• Introduce an element of public dialogue and strengthen interaction with local media</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Limited interest from companies to widen dialogue</i></li> <li>• <i>Further drop in CSR budget</i></li> </ul>
<b>Beneficiaries (local resource user associations, traditional occupant associations, professional associations)</b>	<ul style="list-style-type: none"> <li>• Receive payments from QMM</li> </ul>	<ul style="list-style-type: none"> <li>• Survival, ensure their livelihood in the long run</li> <li>• Regain full ownership or user rights to the territory</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Limited investment in productive activities</i></li> <li>• <i>Corruption and misuse of funds</i></li> <li>• <i>Social unrest and protests</i></li> </ul>
<b>Local authorities and administration</b>	<ul style="list-style-type: none"> <li>• Receive rents from royalties</li> <li>• Maintain position of power</li> </ul>		<ul style="list-style-type: none"> <li>• <i>Corruption and bad governance</i></li> <li>• <i>Social unrest</i></li> </ul>

Source: Author's own elaboration

CSO advocacy in Fort Dauphin is limited both in scope and means. Some organisations such as Fagnomba and Collectif Tany have partnered with the IndustriALL Global Union, a trade union movement, in their opposition against Rio Tinto's practices globally, and their representatives are a regular fixture at advocacy initiatives around Rio Tinto's shareholder meetings in London. The direct effect of these initiatives on government policy and company activities is rather limited and in some of

these organisations are little more than a one-man or one-woman show. The limited weight of these groups makes it easy for the state (both at national level and locally) to ignore their actions and exposes representatives to much greater security risks.

CSOs that wish to engage in advocacy also tend to be severely underfunded or depend on insecure project-based grants from foreign NGOs (e.g. TARATRA which is funded by the French NGO CCFD-Terre Solidaire<sup>34</sup>). The limited availability of funding to carry out independent analysis and advocacy in and with the communities pushes these organisations towards other thematic areas, and causes brain drain as members and staff accept positions in other regions of the country.

To summarise, the CSOs that cooperate with mining companies as part of CSR or community relations initiatives generally do so with a dual objective of receiving funding to work in the affected areas, and to influence company policy to better suit the communities' wishes and demands. In Fort Dauphin there is however a very thin line between cooperation and instrumentalisation. CSOs on paper may have a foot in the door with the company; the power relations of these partnerships however are such that QMM holds most of the strings. This is even more notable in the case of national NGOs who often depend almost exclusively on QMM funding for their operations in the region. International NGOs like SFCG tend to have more leeway to engage companies and try to influence their behaviour, while juggling different sources of funding. They do however face similar reputational risks when doing so.

## 6. Formal agreements and governance structures

The major change that was introduced with QMM's new 'community partnership approach' is that after facing oppositions in the past, the company no longer relies on a delegated approach in which NGOs are financed to administer development initiatives. Instead, QMM directly signs 'engagement agreements' with the community associations in order to accompany them reportedly based on mutually agreed indicators. The cooperation arrangements with NGOs, through partnerships, service contracts, projects, etc. are there to make these engagement agreements work - QMM lists these as critical 'technical support' to their community engagement (as illustrated in Figure 5).

In addition to the specific partnerships set up, the company funds a number of CSOs and NGOs for their activities in the affected communities, often through short-term service contracts, to perform specific activities. With a number of organisations, the company also engages in multi-annual partnerships with annually renewable financing conventions.

From the NGO's perspective, a partnership with a renewable financing convention allows for more sustainable funding, as opposed to working on the basis of service contracts. For the company this is one of the modalities it has at its disposal, which makes sense to ensure continuity of its activities in the affected communities.

The existence of clearly spelt out principles and objectives, outlined in Box 1, could suggest that the partnership structure adds a stronger dialogue and exchange dimension to the relationship, and opportunities for both sides to influence the partner's activities and behaviour. In reality, however the actual activities financed under these partnerships are clearly defined and geographically concentrated in the communities that are affected by the mining operations. This means that even

<sup>34</sup> <http://ccfd-teresolidaire.org/projets/afrique/madagascar/un-projet-de-4909>



though the partnership in itself does recognise the value of a certain CSO's activities, the way in which the partnership is funded does not allow for any expansion of these activities outside the designated communities. The partnership arrangement has all the features of a project, which is regularly renewed, including the reporting obligations for the beneficiary.

Day-to-day governance of these arrangements is highly informal, with the exception of ceremonial events. Fort Dauphin is a small town and the company is represented by its local community relations branch, which makes coordination easier. A side effect of the direct engagement model is that the partnership structures depend very much on personal relations. On the side of QMM, the main contact point is the Community relations manager who maintains strong relations with the local and national leadership of its partner organisations. The company also tends to personalise the relationship, and can insist that one particular person is responsible rather than adopting a business-to-organisation approach. CSOs tend to comply with these specific demands, which shows that informal relations can be more important than formal business-to-CSO structures for cooperation. It also shows that the company as a stakeholder wishes to be directly involved in the implementation of partnership activities.

### **Box 1. SAHA partnership principles and objectives**

The partnership between QMM and SAHA is a five-year strategic partnership based on six agreed principles, four explicit partnership objectives and a series of expected results.

#### **Principles:**

1. Shared vision on sustainability and 5 years action framework
2. Shared principle of 'maîtrise d'ouvrage locale'
3. Contribution by SAHA to the costs of the activities
4. Flexibility, adaptive management and results-based management
5. Respect for subsidiarity
6. Coordination and synergies between interventions

#### **Objectives**

1. 'Maîtrise d'ouvrage': resource users associations and traditional occupants associations
2. Local governance at the municipal level: planning, participatory budgeting, transparency and accountability
3. Elaboration of DINA and land management plans at the level of local management committees
4. Local economic development through value chains such as apiculture, red peppercorn, yam and handicrafts

#### **Expected results:**

1. Technical capacity and 'maitrise d'ouvrage' of local stakeholders and municipalities are strengthened
2. Spaces for continuous dialogue between stakeholders are put in place
3. Participation and ownership of stakeholders increases
4. The jointly elaborated DINA processes regulate access to natural resources
5. Vulnerable households impacted by the mine benefit from the valorisation of natural resources
6. Good partnership practices are taken up

Source: SAHA poster 'La responsabilité sociétale de l'entreprise: partenariat avec SAHA'

Several interviewees mentioned the tendency of the company to deal with the communities in a manner that can interfere with project activities. Interviewees also mentioned that there can be tensions between the partnership objectives - "what is written on paper" - and the actual business practices of company agents on the ground, which are not always fully aware of the community relations activities of the company. The company is very present in all aspects of public life in Fort Dauphin and the mining municipalities, and the way that company agents pay compensations can undo a lot of things.

To sum up, structuring CSO-business cooperation as part of a formal partnership based on mutually agreed principles and objectives is often a way to counteract the obvious power imbalance that exists between multinational companies that have the resources and CSOs that depend on these funds.

This is also the intention of QMM's partner organisations that feel more comfortable engaging the company within a stable structure. The practice, however, suggests that QMM - Rio Tinto remains firmly in the lead given the sole presence of the company in the economic sphere, regardless of the formal arrangement in place.

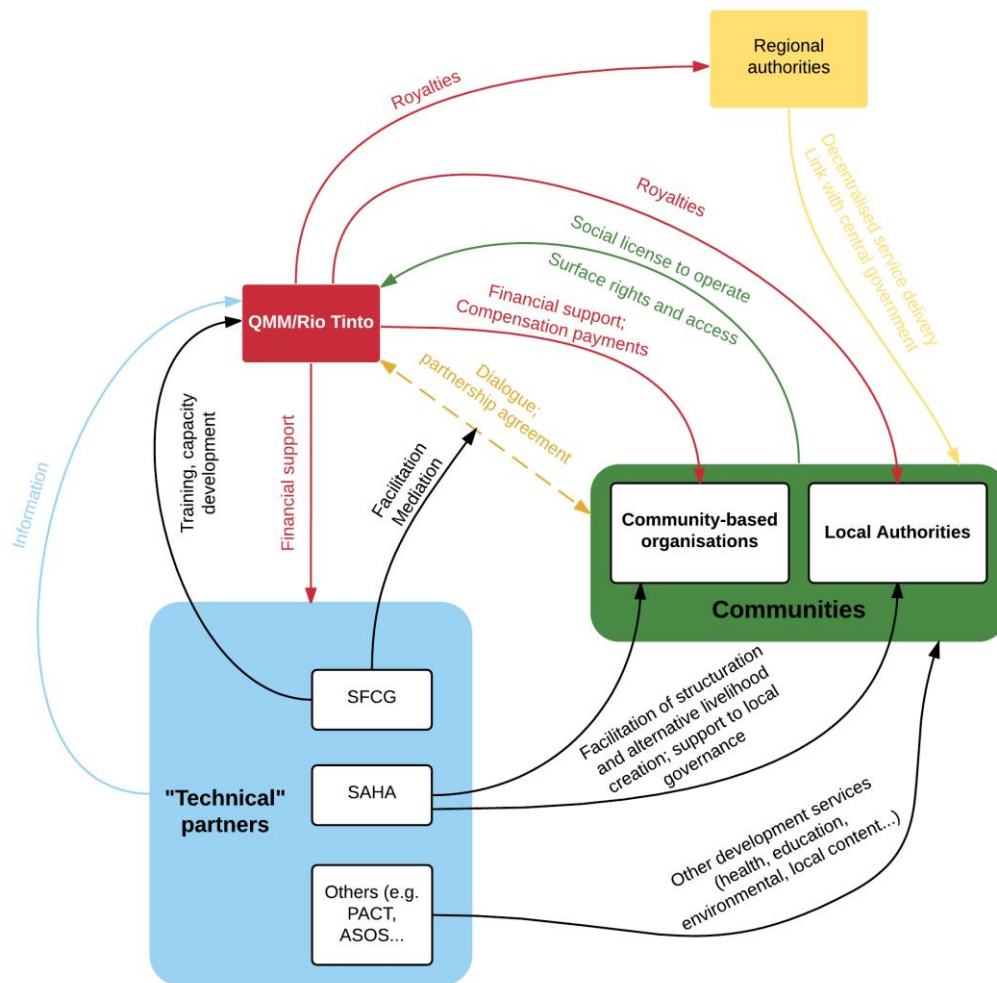
## 7. The degree of engagement of the partners: transactional partnerships

QMM only has a limited number of employees present in Fort Dauphin, and community relations are fully decentralised, which means that the company can act relatively flexibly with its community and NGO partners in the region. The Community Relations department enjoys a high degree of independence, and is mainly bound by its annual budget. In previous years this budget amounted to US\$3 million per year before the drop in mineral prices meant that this had to be halved for the year 2016.

The degree of engagement between QMM and its partners goes far beyond a mere exchange of funding for activities. The company has a strong presence in the partnership activities, as it seeks to get a stronger grip on its community relations. According to Rio Tinto, they “cannot delegate the relationship with communities” because these are “the real partners” of the company (e.g. natural resource user associations, associations of traditional occupants, and professional associations like fisherman associations, and agricultural associations). These local, community-based associations are seen as the primary focus of Rio Tinto's community partnership strategy and the company engages with them directly in order to reach a mutual agreement. The company also provides direct funding, both financially and in kind (e.g. engines for canoes or pirogues to allow fishermen to cover greater distances).

This direct engagement model means that the company and its ‘technical’ NGO partners interact both at the level of Fort Dauphin (coordination) and on the ground (implementation). This can lead to difficult situations when “immediate priorities and demands from partners” interfere with developmental activities. The company in general tries to keep close tabs on the developments in the communities. This is a matter of securing the company's social license to operate; however, miscommunication at times leads to confusion and can affect the outcomes of cooperation activities.

Figure 5 illustrates the exchange of resources between different actors that come in contact with QMM through their community partnership system. While this is not an exhaustive mapping of community relations, it illustrates the complexity and multiplicity of relations and exchanges that take place within the communities affected by the mine. In the majority of these instances, the company is represented by its community relations department, which is a key actor in the region and the primary entry point for communities as well as authorities. The variety of resources (financial, knowledge, skills, facilitation, etc.) that are exchanged between the company and its ‘technical partners’ also show that there is a strong *transactional character* to these partnerships as opposed to co-creational partnerships.

**Figure 5. Exchange of various resources within and around QMM's community partnership approach**

Note: This chart illustrates the complexity of community relations in extractive industries in isolated contexts, based on documentary analysis and interviews carried out in 2013 and 2015.

## 8. Conclusions and key lessons

While the QMM - Rio Tinto partnership with CSOs in Madagascar may be highly specific, the above analysis leads to a range of findings that are important for understanding partnerships in the extractive sector, and potentially also beyond. This concluding section summarises the main findings before laying out some potential implications for policy-makers.

### 8.1. Main findings on QMM - Rio Tinto partnerships with CSOs

In a context of surface mining operations it is **difficult to distinguish between strategic activities linked to core business and broader development cooperation** with communities and civil society related to more general CSR considerations. Although QMM's community engagement clearly serves their core business interests (stability and social license to operate), the activities covered by the partnership are directly linked to the environmental and social legal obligations. All activities of the

mine are closely monitored by the communities, and it is the full picture that determines whether or not a company attains its *social license to operate*.

**Conflict is an important catalyst for change.** Protests and community opposition can threaten the stability of operations and the protests in 2010-2013 showed that things can escalate quickly and violently in the region. These events are at the basis of an important change in the approach by the company. Following these events, QMM changed the way it engages with local communities. It introduced qualitative changes, by interacting and partnering with external expertise (e.g. SIF, SAHA and SFCG), and adopted a much more hands-on approach to working (and making deals) with the communities.

**Uneven leverage.** The mine is by far the most important economic entity in the region. The company has access to financial and human resources that rival many donor agencies and far surpass that of the government. It is also the only reliable *local* source of funding for many civil society organisations in the area. Besides funding civil society, QMM also finances regional and local authorities, both in the form of royalties and other forms of support (projects, equipment, etc.). Civil society and local authorities in turn are weak, divided and lack credibility to act on behalf of the communities. CSOs therefore have little leverage to address concerns with the company. Even though there are formal mechanisms and the frequency and level of engagement is relatively high, CSOs feel they have little influence on the orientation or the day-to-day activities of the company.

**Unrealistic expectations are difficult to overcome.** The start of the project created unrealistic expectations, which the company alone has not been able to meet. First, this is partly the result of how the project was initially presented by the government, Rio Tinto and the World Bank (through PIC). Secondly, the 2009 *coup d'état* and political turmoil coincided with the opening of the port and the first exploitation of ilmenite, which did not benefit the development of Fort Dauphin as a regional hub. It was in fact a weak assumption that the existence of a deep-sea port linked to a special economic zone and the presence of a mine would be enough to attract major investors to a remote part of the country. In the absence of a critical mass of other sustainable economic activities, QMM remains the only operator of size in the region. The demand for jobs (or rents) however remains the same, raising major challenges for QMM to engage in relations that do not perpetuate or worsen these demands.

**The arrival of QMM had a dividing effect on civil society in Fort Dauphin.** Opposition against the mining operations (in particular resettlement and environmental management) and general dissatisfaction with the limited economic progress in the region has resulted in a split between organisations that work with QMM and organisations that don't. QMM has funded dozens of CSOs in Fort Dauphin, including many of the regional platform members. Opponents often see these organisations as opportunistic and "only following the money", while some organisations tend to steer clear from engaging openly on topic (e.g. Azafady, ALT-MG). All this limits civil society's ability to be a credible and unified interlocutor. The unique situation in and around Fort Dauphin, in which one company finances regional and local authorities, communities, as well as a slate of civil society organisations leaves little scope for the development of a critical mass of independent civil society.

**Cooperation in and around the affected communities intensified.** As QMM - Rio Tinto reviewed its approach in the communities it set up a number of partnerships to facilitate mediation, dialogue and the implementation of community engagement agreements. As discussed in Sections 4 and 5, there is an intense exchange between QMM and its partners. Community associations are the

ultimate beneficiaries and a series of 'transactional', 'strategic' partnerships service the community engagement needs of the company.

**The scope for economic transformation in the communities however remains limited.** In terms of value creation (commercialisation of new value chains) partners work on a micro scale within the communities and try to address direct concerns such as the role of middle men, transport costs, etc. The community-based smallholder model however faces serious structural and contextual constraints that limit opportunities for commercialisation of agricultural production on a larger scale.

**Partnerships or services?** In order to avoid future conflict and misunderstandings, the company made a qualitative leap from "simply paying those who ask for money" to keeping close track of real demands and concerns that live in the communities. This level of engagement requires external expertise. QMM's first approach was to contract experts directly through service contracts with individuals or organisations. NGOs tend to lobby for longer-term partnerships, which offer more financial security, and the promise of a stronger say in their activities with the mine. The company is in a position to respond to this demand since it needs long-term services to work with and in the communities. As a result, organisations like SAHA have moved from service contracts to signing multiannual partnership agreements. As the case of SAHA illustrates, on paper these partnerships are based on mutually agreed principles, objectives and a shared understanding; in practice however, the modality does not necessarily change the relationship between the company and organisation, and more efforts are needed to ensure a balanced relationship.

**Different organisational cultures affect partnerships.** Community relations are in a constant state of flux. A key driving force behind QMM's engagement strategy is the need to avoid conflict at any cost. It therefore seeks to manage expectations on a day-to-day basis and responds when tensions may come up. On the ground, this sometimes leads to incoherence between the direct, managerial approach of the company, and the more developmental, process-oriented work of an organisation like SAHA. This is a common issue of different organisational cultures between private sector and civil society.

Community relations in most mining contexts in Africa are barely regulated. In the absence of a clear state-driven framework, companies have to find their own way to win the support of local communities. QMM learnt the hard way that responding to compensation requirements without adequate livelihood restoration (e.g. with cash transfers) does not necessarily yield the best results, and therefore opted for a strategy that keeps much closer links with the communities.

QMM's direct engagement through community agreements is a relatively common strategy in the sector.<sup>35</sup> Specific to Fort Dauphin, however, is that Rio Tinto operates in a context of minimal governance and highly unequal power relations. At every stage of the process therefore, it is Rio Tinto holding most of the strings (negotiation with the communities, implementation of activities). Local and international civil society organisations are associated, however primarily as service providers or strategic partners of the company, which puts these organisations in a rather uneasy position, and tends to dilute their representation function *vis-à-vis* the communities. Local and regional government on the other hand does not play a proactive role, and has been known to take an even less favourable position for the communities than the company to sensitive topics such as surface rights and displacement.

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<sup>35</sup> A similar approach can be seen in the case study that looks at Golden Star Resources in Ghana.

If anything, the context of Fort Dauphin reveals a whole **series of missing links in the current model for resource-driven growth** in Madagascar: the absence of an equitable legislative and regulatory framework; the sclerotic state of local and regional authorities; the invalid assumption that economic infrastructure investments alone (Ehoala) can kick-start the regional economy; and the profound representational deficit of civil society in the country.

Against this background of chronically weak governance and perpetual fragility, the likelihood that largely bilateral community partnerships will produce durable results is rather low, regardless of the particular course of action of one company and its CSO partners. Fort Dauphin instead exemplifies the need for more structural reforms, and perhaps adjusted aspirations of what mining can do for the country in the short and medium term. The need for an independent and authoritative facilitation/brokerage of mining operations is therefore all the more important.

## 8.2. Implications for policy-makers and donor agencies: towards an integrated territorial strategy

Development partners can help **counteract the balance of power** and work with civil society to overcome competition and animosity between civil society organisations over QMM - Rio Tinto. In order to do so, it is important to not simply see the company as a potential source of co-financing or investment opportunity, but as a political and economic actor in the region. In Madagascar in general, independent civil society organisations that can engage in a complex environment such as Fort Dauphin are in very short supply. The European Union (EU) and other development partners can support coalition building and capacity development so as to strengthen civil society to become a credible and representative interlocutor in the area of mining. In order to do so it must address the question of conflicts in the sector of interest and work very selectively with the current actors in the region.

At local level, the case of QMM - Rio Tinto above all highlights the **importance of a clear understanding of the territorial context of extractive industries**. The donor community is deeply invested in the project. The World Bank in particular has supported the mine as part of a regional economic growth pole. The reality, however, turned out to be dramatically different from the aspirations. A realistic and context-driven strategy is therefore crucial before any major donor investment in mining.

A key question is how to develop legitimate structures and a level of representation that can deal with the challenges of a region like Fort Dauphin and Anosy. Extractive industries tend to have no shortage of dialogue mechanisms, and there is a distinct risk of reinventing the wheel without addressing the root causes of instrumentalisation. In a context of extreme poverty, CSOs resort to a survivalist strategy that easily pushes the ethics of a partnership to the background. Companies are subject to market movements first, and QMM latest round of layoffs illustrates how this affects the sustainability of major operations. This illustrates first and foremost the need for independent and democratic oversight over these partnership operations, carried by accountable local and regional authorities with broad popular support.

The South-East of Madagascar is still on the radar of many donor agencies, not in the least because of its perceived potential to become a regional economic hub, and many major donors (including the EU, GIZ, USAID) already have a host of mainly sectorial programmes in the area. Development partners and programmes tend to focus on sectorial and thematic issues (e.g. food security, education, health). In fact, a good part of the basic services in the country are foreign funded. What is

missing, however is a real territorial strategy that brings together these initiatives in a way that strengthens the local governance dimension in those sectors.

The fact that **Fort Dauphin's 'regional hub' aspirations continue to attract and inspire donor agencies** may offer opportunities yet. Late 2015, the EU identified the South East and Fort Dauphin as a concentration zone for its national support under the 11<sup>th</sup> European Development Fund (EDF), and will roll out its new programmes in the course of the next months. European development partners in fact tick all the thematic boxes that could enable such a territorial strategy. The EU will focus on governance and public policy; infrastructure and economic development; and rural development. At the same time the EU and its member states will continue to support civil society at national level, and agreed to focus their efforts in the areas of extractive industries and public finance.<sup>36</sup> It will also concentrate its thematic support to local authorities and local governance in the same areas as have been identified for the 11<sup>th</sup> EDF. All this gives the European donor community a rather **extensive toolbox to work on the abovementioned 'missing links'** within the specific regional context of Fort Dauphin and Anosy. However to do so it will have to break free from the traditional sectorial silo-approach of international cooperation and adopt a solid regional approach that brings together the different components of local governance and development.

Multi-stakeholder partnerships can be a strong driver for development but only in a context where the power imbalances and governance deficit are being addressed. Direct engagement can create a more conducive local dynamic, especially when the partners' independence and representation is assured. They are however not a magic bullet nor are they simply a financing modality. In a remote and sensitive area as Fort Dauphin, perhaps the biggest question is who can facilitate and broker such a process. For donor agencies, the shift from a fragmented, often instrument-driven approach to a more coherent vision in an area outside the capital is a painstaking process rife with institutional and procedural difficulties. Neither local/regional authorities nor civil society is currently equipped to perform this role of convener and champion the process. As the EU draws closer to the operational phase of its new programmes it seems that all will hinge on "how to connect the dots".

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<sup>36</sup> See the priorities of the EU Roadmap for engaging with civil society in Madagascar (2014-2017): [http://www.eeas.europa.eu/delegations/madagascar/documents/eu\\_madagascar/support\\_nsa/fdr\\_osc\\_fr.pdf](http://www.eeas.europa.eu/delegations/madagascar/documents/eu_madagascar/support_nsa/fdr_osc_fr.pdf)  
[http://www.eeas.europa.eu/delegations/madagascar/documents/eu\\_madagascar/support\\_nsa/fdr\\_osc\\_fr.pdf](http://www.eeas.europa.eu/delegations/madagascar/documents/eu_madagascar/support_nsa/fdr_osc_fr.pdf)

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### About ECDPM

ECDPM was established in 1986 as an independent foundation to improve European cooperation with the group of African, Caribbean and Pacific countries (ACP). Its main goal today is to broker effective partnerships between the European Union and the developing world, especially Africa. ECDPM promotes inclusive forms of development and cooperates with public and private sector organisations to better manage international relations. It also supports the reform of policies and institutions in both Europe and the developing world. One of ECDPM's key strengths is its extensive network of relations in developing countries, including emerging economies. Among its partners are multilateral institutions, international centres of excellence and a broad range of state and non-state organisations.

### Thematic priorities

ECDPM organises its work around four themes:

- Reconciling values and interests in the external action of the EU and other international players
- Promoting economic governance and trade for inclusive and sustainable growth
- Supporting societal dynamics of change related to democracy and governance in developing countries, particularly Africa
- Addressing food security as a global public good through information and support to regional integration, markets and agriculture

### Approach

ECDPM is a “think and do tank”. It links policies and practice using a mix of roles and methods. ECDPM organises and facilitates policy dialogues, provides tailor-made analysis and advice, participates in South-North networks and does policy-oriented research with partners from the South.

ECDPM also assists with the implementation of policies and has a strong track record in evaluating policy impact. ECDPM's activities are largely designed to support institutions in the developing world to define their own agendas. ECDPM brings a frank and independent perspective to its activities, entering partnerships with an open mind and a clear focus on results.

For more information please visit [www.ecdpm.org](http://www.ecdpm.org)

### ECDPM Discussion Papers

ECDPM Discussion Papers present initial findings of work-in-progress at the Centre to facilitate meaningful and substantive exchange on key policy questions. The aim is to stimulate broader reflection and informed debate on EU external action, with a focus on relations with countries in the South.

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