

## Social Outcomes of the Project

QMM, a case study of a private investment project that grew into a local development project

### WHY SOCIAL INVESTMENT?

Even though Rio Tinto/QMM is a mining company whose main goal is the extraction of ilmenite, we like to position ourselves as fully committed actors maintaining neighbourly relations with the populations directly affected by the implantation of our industrial complex.

Rio Tinto QMM cares for its implication in sustainable development by establishing itself in a region falling behind on an industrial level.

Apart from purely exploitation related issues (facilities, logistics, human resources), the various studies carried out since the establishment of the company in the region, among which the Etude d'Impact Social et Environnemental (EISE) (Social and Environmental Impact Study), have identified several public issues that need to be addressed in order to meet the development targets: education, employment, local business development, community health, water, HIV/AIDS, deforestation among others.

Those principles led the company to adopt measures that would contribute to enhance the Project's positive impact on the communities while decreasing the risk of negative outcomes, and to set the ground of a development that would go on even after the mine's operating life.

These measures are in line with investments in socio-environmental sectors and the extension of public infrastructures. Since 2006, investments of more than USD 14 million have been allocated by Rio Tinto/QMM to various development programmes/projects or activities in Fort Dauphin.

For the company, this social partnership goes beyond legal requirements and does contribute to address some of the challenges linked to local development while durably improving the quality of life.

### SUSTAINABLE INVESTMENT THROUGH RESPONSIBLE APPROACHES

The company does not act as a closed community and its support to the

development of the host region becomes a strategic investment. As a partner, Rio Tinto/QMM assumes that certain criteria will have to be taken into account so that its social investments have a chance to bear fruit in the long run:

- . • Consultation and participation. The groups primarily concerned have to actively take part in the identification, conception and the implementation of the operations;
- . • Partnership. The company acknowledges that it cannot undertake the social and economic development projects on its own. They require at least one partner officially representing the local authority (women or fishermen association, FIMIRA, city hall...). When the theme will come under the Government (for example the DREN and CISCO for education matters), it will have to be represented;
- . • Strengthening of the capacities. The projects and processes through which they are designed and implemented have to contribute to the strengthening of the local capacities, at the level of the civil society and NGOs on the one hand, and at the level of governmental and communitarian structures on the other hand (ex: training of fishermen, support to the CRD for the production of the regional development plan...);
- . • Strategic coherence. The operations implemented by QMM have to be in line with a broader strategic priority scope. In that sense, the development scope and priorities (ex: national fisheries policy and “education for all” programme) established by the governmental or communitarian structures (PCD, PRD) will serve as reference, if need be, and will be referred to and used when necessary.

The USD 14 millions have been shared between several partnerships between various institutions, establishments and associations working in different fields. In the end, the clients are either the authorities or the government.

## ACHIEVEMENTS IN 2 YEARS (2006-2008)

### Employees:

Training of all the employees in several sectors;  
health and safety programme for the employees and their families (private clinic, strict medical follow-up, training, preventive measures...);  
building housing for the employees.

### Communities:

#### 1) Contributing in the enhancing of basic community facilities:

Educational and Professional training institutions (public and private);  
Health facilities (Basic Health Centre (CSB), hospital, doctors' housing);  
Energy (electricity generator) and drinking water (wells, water treatment plants);  
Public safety (police station, road safety and work equipment);  
Housing for people concerned by the resettlement scheme;  
Rural strips;  
Waste management (landfill site);  
Economic infrastructures (market, rice storage), football stadium rehabilitation....

fishing ground

.....

2) Development and improving of income generating activities for rural and urban populations:

Support to the creation of income generating activities for people affected by the resettlement scheme;  
HIMO approaches for certain rural and urban infrastructure building work (town cleaning, building of schools and rural strips, markets rehabilitation...);  
Support to market, apiculture and handcrafted operations;  
Support to the fishing operations (training and equipment allocation);  
Monetary compensations and restitution in kind;  
Development of entrepreneurship in green services (lawn production, vetiver, gardening...);  
Development of ecotourism in the areas of conservation managed by the communities;  
Significant contribution to the wealth of the region with the rehabilitation of the mining site through the creation and the management of a renewable resource: fuel wood, lumber, mahampy, swamp regeneration;

3) Support to education and training:

facilitate the access of young local holders of the Baccalaureate to third level education through the allocation of higher education scholarships  
allocation of school scholarships in a French high school

4) Public health:

financing of HIV/AIDS, malaria and diarrhoea programmes  
school nutrition programme

5) Promotion of the culture and sports of the region:

cultural and sports programmes: KATREHAKY, football school...

**LOCAL BENEFICIARIES:**

Urban municipality of Fort Dauphin;

Rural municipalities affected by the project: Mandromondromotra, Ampasy Nahampoana, Manambaro, Sarisambo, Soanierana, Mahatalaky.

**IMPACTS:**

Improvement of educational facilities;  
Improvement of children education and literacy;  
Improvement of the energy and drinking water facilities;  
Improvement of health facilities;  
improvement of human resources (skills in mining and port construction, mining safety and operation);

opportunities for the development of income generating activities;

Fort Dauphin, city of lights. The current electricity needs of the city are 1.5 MGW. The energy provided by QMM will be 3.8 MGW. A good example of P3: State, JIRAMA, PIC and Rio Tinto/ QMM

The financing of QMM in the construction of the CSB and the doctor's housing in the town of Mandromondromotra contributes to the improving of the community's public health.

In addition, the support for the development of market-related activities made it possible to diversify the source of income of thousands of farmers, not only in Mandromondromotra but also in other rural municipalities, and to provide the town of Fort Dauphin with vegetables.

The ilmenite project has acted as a catalyst of public and private investments. For example FNUAP, in collaboration with the Anosy region, took care of the rehabilitation of the road leading to the CSB of Mandromondromotra; The Governance Project for Mineral Resources (PGRM) stepped in the institutional strengthening of the municipalities benefiting from mining compensation.

## TESTIMONY

### PROFILE



Marie Agnès is a farmer in the rural municipality of Mandromondromotra (RN 12.15 km from Fort Dauphin). She is a 54 year old single mother who has 8 children to support. Her status of President of a local association earned her to be asked to become a member of the Comité de Gestion de Mandena (COGE) (Mandena Management Committee). She has been elected Vice-president of the COGE. Her associative activities made her benefit from various trainings: financial management, awareness and mobilisation strategy. We have met her and asked her about her activities.

Have you always been a nurserywoman? M.A.: No. I used to collect and sell Mahampy since 1977. My father –a former nurseryman from the Water and Forests Services – had a small tree nursery of vetiver. He only had 10 feet. The job did not interest me because my father had to suffer the irony of all the villagers until he died. For them, my father was crazy to waste his time planting rice that cannot be eaten. I therefore decided to carry on with my activities and at the same time became President of a Mahampy transport association started by the women from my village.

How did you become a nurserywoman yourself? M.A.: I was earning 10,000 Ar per week through the sale of Mahampy. Even at the time when I only had 4 children to support, I could barely feed and clothe my family. In 2006, an employee from Rio Tinto QMM introduced me to a manager from Hydromulch. The latter asked me if I wanted to become a vetiver plantation provider for his company. The income I was promised greatly exceeded the weekly 10,000Ar I could hope for with the Mahampy. I saw an opportunity to improve my family's everyday life and this helped me stand my neighbours' irony. I have not however stopped that activity. That remains a supply I cannot overlook.

Did you manage to, like you said, improve your everyday life? M.A.: And beyond! At the beginning, I only had 3,000 pots. But Hydromulch wanted 9,000 pots for the first delivery. I made use of my children and we have worked hard to honour the contract. I must say that the techniques I learnt from my father also helped a great deal. Within 2 weeks, we could provide the number of pots requested and earned 280,000 Ar. Later, the price of the pot increased by 50%, which ensures a minimum of 600,000 Ar per week for the household.

What have you done with those earnings? M.A.: I was able to give my family a little comfort. I was able to send my younger children to school. And mostly, I have bought materials little by little to build a house. Within a year, I could move into my new house.

To conclude? M.A.: I might not have made those earnings directly from Rio Tinto QMM, but it is thanks to the company's building works that I could sign that lucrative contract. As I suppose Rio Tinto QMM will still need vetiver plantations for its own environmental activities, I hope I will figure among the provider.

The COGE is a community organisational structure that gathers the representatives of the Mandena Mahampy usufructuaries: sort of rush used in handcrafting for basketwork. HYDROMULCH is a Rio Tinto QMM contracting company during the construction phase (20062008)

### Recognition of the positive impact on the community of Rio Tinto's work

Rio Tinto QMM is recognised as a responsible corporate citizen by the NGO Action Sans Frontière, partner of the UNDP (United Nations Development Programme) and the Malagasy State for the implementation of literacy programmes. Rio Tinto is a development partner of the World Bank in several mining projects outside Fort Dauphin, such as in Guinea (Simandou), in Peru (LA Granja) and in Mongolia (Oyu tolgoi).

Rio Tinto as also been nominated in the "elite list" for the companies the most respectful from an ethical point of view, selected by the "Ethisphere Council", a discussion circle based in the United States.

Ethisphere declared that "the Most Ethical Companies" are the ones that go beyond the minimum legal requirements, bring on innovative ideas for public development and work to reduce their "environmental mark" and "carbon risk". They are the ones which distinguish themselves from the competition in their respective industry.

Rio Tinto is recognised as a leader in terms of sustainability according to the Dow Jones Sustainability Indexes (DJSI). The DJSI indexes include companies considered leaders with regards to sustainable development in each sector.