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Nationalised large-scale mining, trade unions and community representation: Perspectives from Northern Madagascar

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A B S T R A C T

This article critically explores the nature and purpose of relationships and interdependencies between stakeholders in the context of a parastatal chromite mining company in the Betsiboka Region of Northern Madagascar. An examination of the institutional arrangements at the interface between the mining company and local communities identified power hierarchies and dependencies in the context of a dominant paternalistic environment. The interactions, inter alia, limited social cohesion and intensified the fragility and weakness of community representation, which was further influenced by ethnic hierarchies between the varied community groups; namely, indigenous communities and migrants to the area from different ethnic groups.

Moreover, dependencies and nepotism, which may exist at all institutional levels, can create civil society stakeholder representatives who are unrepresentative of the society they are intended to represent. Similarly, a lack of horizontal and vertical trust and reciprocity inherent in Malagasy society engenders a culture of low expectations regarding transparency and accountability, which further catalyses a cycle of nepotism and elite rent-seeking behaviour. On the other hand, leaders retain power with minimal vertical delegation or decentralisation of authority among levels of government and limit opportunities to benefit the elite, perpetuating rent-seeking behaviour within the privileged minority. Within the union movement, pluralism and the associated politicisation of individual unions restrict solidarity, which impacts on the movement's capacity to act as a cohesive body of opinion and opposition. Nevertheless, the unions' drive to improve their social capital has increased expectations of transparency and accountability, resulting in demands for greater engagement in decision-making processes.

Introduction

This article contributes to the debate on community development in the extractives industries, focusing on the challenges associated with the concept of stakeholder engagement in decision-making processes, as required by initiatives, such as the Extractive Industries Transparency Initiative (EITI). The EITI is an externally validated voluntary scheme aiming to nurture "good governance" through improved transparency and accountability in countries dependent on revenues from extractives industries.[1] One key principle is the engagement of a well-informed stakeholder group comprising governments, companies and civil society (Extractive Industries Transparency Initiative Secretariat, 2008; Department for International Development, 2006). The underlying question, however, is whether the trend towards community engagement in such processes is, in reality, effectively contributing to the desired rhetoric of good governance by improving accountability and demanding greater transparency?[2]

Moreover, the focus on mineral extraction as a vehicle for economic growth in resource-rich developing countries is controversial on account of questionable economic and poverty alleviation benefits, as well as the direct environmental and social impacts. Notably, reliance on tax revenues from mineral exports is associated with conflict, corruption and rent-seeking behaviour – a paradox, known as the "Resource Curse".[3] As a consequence, the World, Bank's ongoing support for mineral extraction as a vehicle

[1] The term "good governance" is subjective and complex to define, although it is typically described in terms of the mechanisms considered necessary to achieve a certain quality of governance, such as embracing participatory processes as an essential component to improve transparency and accountability in the extractive industries (Hobley and Shields, 2000; Hyden et al., 2003).

[2] In developing countries, "good governance" is commonly linked to the concept of participation as an essential component of achieving accountability (Hobley and Shields, 2000).

[3] In the context of resource revenues, rent-seeking refers to the impact of natural resources on the behaviour of private agents, groups of agents or agencies and the motivation for their actions. In other words, rent-seeking is motivated by the potential financial gain from large resource revenues and manifests as economically inefficient decision-making by government officials pursuing self-interests (Kolstad and Wiig, 2009).

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for socio-economic development has attracted criticism (see e.g. Auty, 1993; Karl, 1997; Pegg, 2003). Nevertheless, many resource-rich developing countries have embarked on a strategy of expanding the extractives sector, ostensibly to fund economic and social development plans. Associated mining reforms and relatively untapped mineral reserves have catalysed the growth of the mining sector in sub-Saharan Africa in particular. In addition to recent rapid sector growth, predominantly through trans-national corporations, Madagascar has a long-established chromite mine, which provides historical and parastatal perspectives to the controversy surrounding the impacts of the extractives industries on community development.

The fieldwork for this research was conducted in Madagascar in June 2009, shortly after violent civil unrest had precipitated the resignation of President Ravalomanana.[4] The circumstances surrounding his downfall included widespread concerns about land acquisition for both large-scale mining and agricultural use by foreign companies. For instance, the allocation of 1,300,000 ha of arable land to Daewoo Logistics to produce palm oil and corn for export was considered an excess and abuse of power (Vinciguerra, 2010; Andrianirina Ratsialonana et al., 2011; IRIN Africa, 2012).[5] Ravalomanana was accused of "selling off" ancestral land to the South Korean company without due regard for informal land ownership, particularly untitled unoccupied pastoral lands. Furthermore, the workforce was to be predominantly South African, fuelling concerns about the absence of employment opportunities for Malagasy people and equivocal added-value to local communities. In 2009, the Daewoo land lease was revoked by the *Haute Autorité de la Transition* (Transitional High Authority: transitional government) (after Pearce, 2012). Although President Ravalomanana's exit marked the end of a 7 years period of relative political stability, many citizens considered it the rightful deposing of a corrupt president.[6]

The circumstances surrounding land disputes are reflected in the literature regarding the country's governance systems and processes relating to forest management and biodiversity. Authors have identified imbalances in community representation that impact on the equity of access to common pool resources and which diminish respect for traditional governance. For example, often motivated by the privatisation and commercialisation of natural resources, rural communities are excluded from the resources that form the basis of their livelihoods (Ramamonjisoa, 2010). Furthermore, the powerful influence of external actors in policy-making decisions, such as private operators, non-governmental organisations, donors and the state, facilitates the exclusion of poor rural communities and the subordination of their traditional activities (Huff, 2010; Smith et al., 2012). Poor communication and a lack of information from policy-makers and implementers further marginalise the poor communities likely to be affected by those policy decisions (Talbot, 2010). In essence, community voices are rarely invited to the negotiating table and infrequently heard in policy debates on conservation governance in Madagascar where, increasingly, the "rich" have the power to marginalise the "poor's" access to resources (after Beck and Nesmith, 2001).

This paper aims to explore the validity and authority of community representatives selected to engage in decision-making processes, particularly in light of the growing global trend for community stakeholder engagement as a means of strengthening governance. For instance, a key principle of the EITI is the engagement of a broad stakeholder group – comprising governments, companies and civil society – with the aim of achieving greater transparency and accountability (Department for International Development, 2006; Extractive Industries Transparency Initiative Secretariat, 2008). The paper commences with an overview of mineral code reforms and an outline of large-scale mining in Madagascar to introduce the case study company and the union movement therein. Within the context of resource-rich developing countries experiencing political instability, the findings of the data analysis contextualise the challenges of community representation and the implications of using stakeholder engagement as a means of improving governance. The discussion explores influences within the interactions associated with the extractives industries, situating them in the broader literature to offer a global perspective on the findings.

Mining codes and reforms

The evolution of mining codes in sub-Saharan Africa is associated with the structural adjustment and trade liberalisation programmes advocated by the World Bank to attract FDI, in the climate of significant debt experienced by many developing countries in the 1970s. Much has been written about the impacts of structural adjustment programmes, but very little attention has been paid to the consequent trade liberalisation and privatisation of state enterprises, particularly in the mining sector. In effect, these liberalisation policies assume considerable importance, as they form the basis of the long-term relationships between resource-rich governments and trans-national mining companies.

Campbell (2003) notes that three generations of mining codes have developed in response to trends in governance and economic structural adjustment. The first generation reflects the World Bank's liberalisation strategy of privatisation and state deregulation of the mining industry. The accompanying reforms stimulated a mining boom; yet, in Ghana, positive impacts were limited at the local and national level, due to most foreign exchange earnings being invested, and remaining, offshore. Second generation codes emphasise capacity-building and good governance through institutional reforms, whilst retaining the earlier concept of state deregulation which places responsibilities largely on the private sector. Nevertheless, second generation codes fail to address the statutory control of environmental impacts or the allocation of revenues towards sustainable development. Moreover, the mechanism to effect self-regulation was unclear, particularly in a political, social and market environment with a weak institutional framework unaccustomed to intense public scrutiny. Guinea's code, for example, initially based on the principle that improved environmental management leads to social and economic development, subsequently evolved to prioritise economic growth rather than sustainable development. The underlying implication is that any negative impacts of mineral exploitation would be tolerated to accommodate economic growth (Campbell, 2004).

This combination of poor public scrutiny, limited state intervention and the pressure of competitive markets in the mining sector has been linked to increased poverty, which impedes progress towards the goal to achieve sustainable social and economic development (Campbell, 2004). Third generation codes aim to address such problems by incorporating the engagement of stakeholders in the consultative process and reintroducing state regulation. Although mining codes overtly aim to improve governance, the experience of most developing countries suggests that this aim is overshadowed by the drive for FDI. For instance, in Tanzania, driven by external financial pressures during a period of extreme debt, the code was heavily influenced by the objective to establish a risk-free investment

[4] In March 2009, Ravalomanana handed power to a military directorate who immediately passed the country's leadership to Andry Rajoelina, the former Mayor of Antananarivo, and a transitional government (*Haute Autorité de la Transition*: High Transitional Authority) (Ploch, 2009).

[5] The extent of the deal can be more easily contextualised when compared to the area of arable land currently exploited: Daewoo were to lease an area equivalent to more than half of the country's estimated 2,500,000 ha of exploited pastoral land.

[6] Presidential elections have been repeatedly postponed, although the first round was held on October 25th 2013 (BBC, 2013).

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