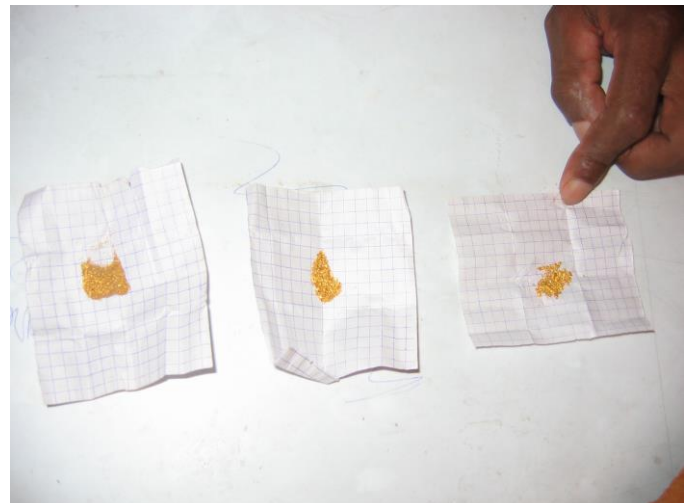


**Support Programme on Environmental Management**  
Support for the realisation of a multi-stakeholder dialogue workshop on the  
governance of the artisanal mining sector of Madagascar  
27th and 28th October 2016, Antananarivo, Madagascar  
**Analytical Report**



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## About Estelle Levin Ltd.

Estelle Levin Ltd. (ELL) is a specialist consultancy dedicated to responsible mining and sourcing. Working from concept to implementation, in all cases we help our clients transform their ideas, businesses and operations into something more sustainable not just for them, but for their stakeholders too. We provide world-class research, advisory and capacity-building services to leading brands and small businesses from along the value chain (mining, trading, manufacture, retail), governments, aid agencies, and NGOs. We stand amongst the world's foremost development consultancies with expertise on Artisanal and Small-scale Mining (ASM) and developing highly tailored and context-specific responsible sourcing systems for artisanal minerals, especially from fragile economies. Conflict minerals have been a core specialism for ELL since 2003; we investigate the issues, design the initiatives addressing them, educate stakeholders on these, and support companies in implementing conflict minerals management systems. You can find out more about us at [www.estellelevin.com](http://www.estellelevin.com) and [www.asm-pace.org](http://www.asm-pace.org).

## Acknowledgements

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This report is based on the author's participation in the workshop hereby mentioned, but the content of the report reflects solely the opinion of the author and not necessarily that of GIZ.

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## 1. INTRODUCTION

Since 2015, several dialogue series intended to achieve better governance of the artisanal and small-scale mining (ASM) sector have been initiated by GIZ's Program for the Support of the Management of the Environment (PAGE), with funding from the Australian Department for Foreign Affairs and Commerce, and in collaboration with the Ministry of Mines and Petrol at both the national level, and in the regions of Atsimo-Andrefana and DIANA. These dialogues bring the public sector, the private sector, and civil society round the table together, facilitating a better understanding of the realities at the local level, whilst reinforcing synergies and exchange between the different stakeholders.

The dialogue process is supported by:

- The International Institute for the Environment and Development (IIED), an institute based in London and who have been part of a similar dialogue in Ghana.
- The research group tasked with developing the themes identified by the core groups (national and regional) and bringing about technical solutions in relation to administration.

In order to initiate sustainable changes with regard to the challenges in the sector, it is necessary to capitalise on the results of the different dialogues and then to formulate activities and measures which will support the development of a responsible artisanal mining sector. A multi-stakeholder dialogue was therefore organised on the 27 and 28 October 2016 at the Ibis hotel in Antananarivo.

The implementation of the workshop was supported by the consulting agency Estelle Levin Ltd (ELL). The team have a world-renowned knowledge of the artisanal mining sector, particularly with regard to sustainable standards in the sector.

The objective of the support of ELL was to produce a presentation during the workshop which clarified the approaches to responsible production and sustainable development in the artisanal mining sector. The main supporting services provided were as follows:

- Present during the workshop on the journey from illicit ASM towards fully responsible, certified production across several interim stages in order to permit participants to locate the Madagascar ASM sector on the pathway towards fully responsible and certified production of metals and precious stones;
- Assist and participate in the workshop of two days (27 and 28 October), clarifying for participants how sustainable standards in the mining sector can be applied to the Madagascar context;
- Write a short analytical document (maximum 10 pages) within ten days of the workshop which details the recommendations for the responsible production of precious stones and gold in Madagascar.

## 2. METHODOLOGY

The methods adopted to perform the three identified tasks were as follows:

### Workshop presentation preparation

- Prepare an abstract of the planned presentation for consideration by GIZ
- Review international gold and semi-precious stone sectors and role of responsible business
- Adapt the ELL 'resilience pathway' for ASM to identify where Madagascar lies on this path
- Review information and literature on the gold and precious stones sectors in Madagascar
- Interview ELL Madagascar associates having recent experience of the two sectors
- Review Fairtrade & Fairmined gold certification and interview ARM Director
- Conduct discussions with ELL associate in Madagascar on gold and precious stones sectors
- Develop a brief history of ASM in Madagascar and analyse trends
- Review the official ANOR gold exportation process for declared stocks
- Review GIFF (Gold and Illicit Financial Flows) project and pilot implementation in Sierra Leone
- Do a comparative analysis of gold and precious stone sectors
- Develop the presentation with inputs from various members of the ELL team
- Revision and shortening of presentation in view of comments from GIZ
- Give presentation (approximately 30 minutes) and respond to questions

### Participation at the national dialogue

- Participate in all plenary sessions and presentations
- Give the ELL presentation and respond to questions
- Participate in working group sessions on social and environmental issues
- Join strategic discussions with facilitator, GIZ team and consultants (IIED, AMF Consulting)
- Have individual discussions with a number of workshop participants
- Debrief with facilitator, GIZ representatives and consultants

### Analysis

- Review notes and outputs of the workshop
- Review of UN Human rights rapporteur press statement on Madagascar visit
- Review of latest sapphire rush near Ambatondrazaka
- Analyse findings to develop recommendations
- Presentation of draft document to GIZ for comment
- Parallel internal review of draft by ELL personnel
- Finalisation of analysis document based on feedback received

### 3. RESULTS

#### ELL Presentation summary

The final presentation as given to the national dialogue will be included in the workshop proceedings. The key points of the presentation were:

- Madagascar has a strong ASM tradition (2<sup>nd</sup> largest rural employer after agriculture)
- ASM has the potential to contribute to sustainable development
- Madagascar lies somewhere midway on the “resilience pathway” (Fig 1)
- Demand for gold is a key driver of the expansion of ASM in Madagascar
- Precious stones are also very important, with a reputation for quality, quantity and diversity
- Making ASM contribute to sustainable development requires:
  - good governance
  - engaging responsible business
  - civil society involvement
  - public aid to sector development and
  - strong assurance and certification mechanisms
- Potential interventions for Madagascar might include:
  - **Good governance** - address the issue of gold and illicit financial flows (GIFF), including possible use of financial flows analytical tools such as those being piloted by GIFF; reinforced formalisation of the ASM sector to prepare it for working with responsible business and ultimately implement certification schemes
  - **Engaging responsible business** - businesses engaging in Madagascar should exercise due diligence, such as applying the OECD Due Diligence process or engage with Swiss gold refiners in order to participate in the Better Gold Initiative
  - **Assurance and certification** – develop demonstration certification systems (Fairtrade or Fairmined) in stable gold producing areas (following experience of Antanimbary)
- Certification of gold (Fairtrade, Fairmined) is considered a good opportunity by ARM provided required baseline conditions can be met
- Gem and jewellery businesses are becoming interested in responsible sourcing but certification schemes do not yet exist
- Development of responsible gem stone exports (and effective competition with countries like Myanmar) will depend on marketing Madagascar’s unique selling points, conformity with Responsible Jewellery guidelines and effective management of risks by producers and responsible businesses sourcing from Madagascar.

In sum, to connect with responsible supply chains, Madagascar must improve sector governance (formalisation, transparency, respect of the law, better environmental management and limiting illicit capital flows) and effectively market its ASM-derived products.

Fig 1 – ASM Resilience Pathway (refined version)

ASM TYPE > v RESILIENCE ATTRIBUTES	Stage 1 CRIMINAL ILLEGAL	Stage 2 ILLEGAL INFORMAL	Stage 3 LEGAL INFORMAL	Stage 4 FORMAL RESPONSIBLE	Stage 5 RESPONSIBLE ETHICAL
<b>Governance status</b>	ASM outlawed, bad enforcement and/or corruption	Governance focus on repression / eradication of ASM	Governance partial, anomalies with legal ASM	Stable governance virtually free of anomalies	Governance an example to other sectors
<b>Sector policy status</b>	Absence of or bad policy incentivises criminal behaviour	Policy incentivises non-responsible LSM	Policy incentivises legal LSM and ASM	Policy incentivises responsible LSM and ASM	Policy drives ethical LSM and ASM
<b>Human rights status</b>	Widespread human rights abuse, including worst abuses	Human rights status worse than the national trend, some worst abuses	Human rights issues mild but less good than national trend, may be some worst abuses	Human rights issues are rare, generally in line with national trend	Positive net contribution to human rights – better than national trend
<b>Sustainability status</b>	Negative for all SDGs	Negative for most SDGs	Negative for certain SDGs (e.g. social & environmental)	Generally aligned with SDGs – social, environmental and economic	Positive net contributor to SDGs
<b>Business involvement</b>	Exclusively illegal business	Both illegal and informal business	Mainly informal legitimate and legal business	Mainly legal compliant businesses	Significant responsible & ethical business
<b>Risk management</b>	Risks generated by sector; exploited by criminals for profit	Risks generated by sector; some criminal exploitation likely	Some risks mitigated; remediation unlikely	Risks mitigated; remediation of worst abuses; positive development outcomes possible	Risks mitigated; remediation across issues; positive development outcomes actively pursued

Secondary points highlighted while giving the presentation, and supported by the preparative research, were as follows:

- Experience shows that mining can contribute to sustainable development, but this is particularly challenging for ASM where the impacts are often negative
- ASM is at a particular disadvantage because of its lack of capacity to engage – the dialogue process supported by GIZ is intended in part to address this weakness of ASM
- Sector developments such as the Institute of Gemmology of Madagascar (for the case of precious stones) are positive, but much more is required
- The existing Mining Code, with its provision for gold corridors, is also a positive governance feature for future responsible gold production
- The gold and precious stones sectors have suffered from erratic governance interventions by the government, which need to be prevented through firm policy
- Gold and precious stones are very different sub-sectors and require specific treatment
- Engagement of responsible business is a key requirement for establishing a resilient ASM sector – responsible business has to be attracted

- In particular, responsible business should preferably be engaged before investing in more advanced assurance systems, such as Fairtrade or Fairmined
- Key requirements of Fairmined are:
  - Miners must be organised into a cooperative or other legal entity
  - The association must demonstrate a commitment to responsible mining
  - The mining operations must comply with national law and regulations
  - There must be no link to conflict, child labour or other human rights risk
  - Effective water management and commitment to positive environmental legacy
- Typically, the road to certification takes a minimum of 18-24 months of intense support to prepare mining communities for certification. Ongoing assessments help to ensure that mining communities continuously improve their performance.
- ARM considers that Madagascar would be a good candidate for Fairmined / Fairtrade or some form of precious stone certification provided underlying conditions are met
- ELL is working with multiple large jewellery brands to increase the availability of responsible coloured gemstones on the market. This trend has been pronounced in the past 2 years.
- In conclusion, ASM is a force for development, major opportunities exist but good governance is essential.

#### Main questions raised were:

- **How can Madagascar position itself to capture benefits from the mining sector?** – Begin with good governance, demonstrate positive progress along the resilience pathway, engage with responsible business and eventually establish certification of products
- **How to ensure traceability?** – the existing gemmology institute has a valuable role in certifying provenance – this is an important starting point for coloured gems; methods also exist for assaying the likely provenance of gold
- **Potential of low-value stones for certification?** - such as low grade sapphires, granites, jasper, agates, rose quartz etc. – many and diverse and lower-value stones of Madagascar potentially offered a better near-term opportunity for certification than the more volatile and risk-associated precious stones (sapphires & rubies)
- **Challenges for precious stones?** - certification of precious stones (sapphires, rubies) would be a major challenge (impacting Protected Areas, child labour, inadequate H&S conditions etc.).
- **The key is progress, not perfection** – responsible business will start to engage if it can see that serious efforts are being made to improve governance of the sector.

#### Key relevant points from other presentations relevant to responsible production:

- Local governance can make a positive contribution - the *dina be* has had definite positive impact on the security of ASM operations and can also contribute to other social issues
- A key relationship in the governance structure is between the mine site president (miners' representation) and the *fokontany* president (state, community)
- Other key roles include *sponsors* (who finance operations, buy mining & safety equipment etc.) and the *Businessmen*
- The 'businessmen' play multiple and opaque roles at the interface between producers and the foreign buyers, sometimes also functioning as sponsors
- Law enforcement officers make an occasional presence, but cannot provide sustained presence on the site
- There is a clear need for locally based permit mechanisms and production monitoring
- Incursion into protected areas is extensive and widespread and difficult to address in a general climate of non-application of the law (in 15 years, 150 hectares have been deforested at Ankarana, with 3,500 people in the park)
- For good governance, above all laws must be applied, and consistently – it seems the *dina* plays an essential role in security of the mine sites



- Government technical services participation is insufficient, ill-equipped and not focused

**Key further points arising from the working groups and one to one discussions with selected participants:**

- Miners' health is protected by written agreements with sponsors (gold) but not for gemstone mining
- Miners in protected areas want to be legal but have no incentive to leave the parks without viable livelihood alternatives – containment and exit strategies are needed
- Responsible production of gold has succeeded once previously in Madagascar, with the Antanimbary project in which ASM miners formed an association and sold gold legally on the market, paying royalties – prior civic rights education played a key role.
- Entire ASM 'ghost villages' off the official map are a human rights issue in some areas, e.g. Ilakaka, where communities have no official status, births not registered etc.
- Annual gold exports are informally estimated at 15 tonnes which is entirely unreported
- Assuming 0.125g/day for 200 days a year, this translates to an estimated 600,000 people involved in the panning and mining of gold
- ASM miners have excellent empirical exploration methods for locating stones, by following the *filons* – legal or legitimate mining tends to be well targeted to the resource
- It is important to prevent the introduction of mercury in gold panning before it starts

**Participation at the workshop:**

- Participation of the government and public entities was limited, with several notable absences (Minister, SG and Director of Mines, Director General of ANOR, Customs, head of EITI...)
- National level private sector involvement in the products of ASM was also limited (e.g. gold and precious stone traders and exporters)
- Significantly sized businesses purchasing, processing, exporting or buying/importing Malagasy stones or gold were also absent
- International stone buyers (generally Thais & Sri Lankans) or gold buyers were unrepresented
- Representation from international "responsible business" was lacking
- By contrast, participation of regional and local stakeholders was strong, allowing a good appreciation of the issues as they are seen at the local level

Strong participation at the workshop was limited mainly to ASM producers, local regulators and civil society. The weak participation of government may indicate a lack of political will to address the issues of ASM. The weak participation of business may indicate a perception that foreign (e.g. Thai, Sri Lankan) gem traders, or foreign gold traders (if any), should not form part of a 'national' dialogue. Alternatively, it may suggest that business is difficult to engage or simply does not wish to become involved.

Whatever the reasons for the weak participation of government and business, development of responsible production will require the full participation of all key categories of stakeholders - small-scale miners as interested producers, government to ensure the right regulatory environment and responsible business to ensure value capture.

Conventionally, efforts begin with the engagement of government, and then proceed to business. Given the current involvement of government in anomalous practices in the ASM sector (both gold and coloured stones) which are alienating foreign traders and indicate an ongoing disregard for good governance, conditions are not favourable for engaging either government or responsible business at the present time.

The situation in Madagascar can be contrasted, for example, with Liberia, where the Liberian government has actively driven the formalisation of ASM, or with Rwanda, where the government is promoting ASM at the national level and the establishment of regional support centres for ASM. This highlights that political will is really paramount if progress is to be achieved in the ASM sector.

**Further insights from current context:**

During the dialogue, fresh news emerged of a major new sapphire rush in the eastern rainforests in Bemainty near Didy involving an estimated 15000 miners (subsequently increased to an estimated 45,000 miners). Anecdotal evidence suggests that the rush followed discovery of sapphires and rubies by gold miners inside the protected area. Since Bemainty, we have been informed that half-a-dozen more sites have been discovered, yet the state did not arrive to control these sites.

The UN Reporter on Human Rights, John Knox, who conducted his visit during the week of the dialogue, highlighted that the mineral sector was a source of human rights issues (especially highlighting the illegal gold mine by a Chinese company at Soamamahanina) and recommended the establishment of a standing commission to hear community grievances about mines and the consideration of inclusive provisions in the new Mining Code. The UN reporter further highlighted that non-application of environmental laws could be considered a breach of human rights (as affecting the rights of future as well as current generations).

In early December, the PAPSP (Projet d'Appui à la Performance du Secteur Public) announced a feasibility study to evaluate a project to promote revenue capture and greater transparency in the gold sector by establishing a national gold refining company (SATO). The PAPSP is driven by high-level conditionalities for good governance imposed by the IMF and World Bank, rather than at sector level.

## 4. ANALYTICAL DISCUSSION

### Purpose of the analysis

The purpose of the analysis is to consider all the information assembled above in order to make recommendations for promoting the responsible production of precious stones and gold in Madagascar. The analysis will proceed in six steps:

1. Where does Madagascar lie on the ASM resilience pathway?
2. Where is Madagascar trending in relation to the pathway?
3. What opportunities are open to Madagascar to capture benefits of responsible business?
4. What examples exist elsewhere of responsible production initiatives facing similar challenges?
5. What responsible production initiatives have been undertaken or planned for Madagascar?
6. In conclusion, which responsible production initiatives might be feasible in Madagascar?

The analysis is followed by ELL's recommendations.

### Part I - Where does Madagascar lie on the ASM resilience pathway?

- What does this mean for promoting responsible production of ASM?
- Where does gold sit in relation to the resilience pathway?
- Where do gemstones lie?

Madagascar lies on average between stage 2 (Illegal-Informal) and stage 3 (Legal-Informal) of the resilience pathway, but with some elements of stage 1 (Criminal-Illegal), notably the non-reporting of gold exports and the widespread incursion of ASM into protected areas and negativity for most SDGs, but few if any elements of stage 4 (Formal-Responsible). The situation with regard to human rights is unclear, but likely to be poor in the south of the country and worse for ASM areas than the national trend.

What this means for responsible production is that **Madagascar would be considered a moderate or high risk country for responsible business to engage in**, which could not engage without applying rigorous due diligence procedures, and then only if there was prospect of business benefit.

For gold, there is no clear evidence in Madagascar of social trauma or human rights abuse, and because most gold comes from outside protected areas, but the non-reporting of exports is a clear indication of criminality in the supply chain, which is an obstacle to responsible business involvement.

For gemstones, there is a potential association with human rights abuse in the south of the country, where a context of cattle rustling and extreme poverty result in higher baseline levels of human rights abuse and other risks. The widespread incursion into protected areas means that precious stones cannot be guaranteed free of severe environmental impacts and criminality, which is unacceptable to responsible business. Based on the UN reporter's statement, not addressing incursions into protected areas could also be considered a human rights issue.

### Part II – Where is Madagascar trending in relation to the pathway?

- What positive trends can be identified?
- What negative trends are evident, in gold and precious stones?
- What does this mean for responsible business?

Madagascar appears to be trending negatively in more areas than it is gaining. Historic positive developments, such as the existing mining code which legalises ASM, establishment of the national gemmology institute and a successful responsible gold pilot project, have not been followed by significant further improvements. Furthermore, a general negative trend in prevailing governance conditions since the coup in 2009 does not favour positive developments.

The main positive trends revealed via the dialogue include the spontaneous initiatives for local governance, illustrated by the social pacts or *dina be* which help to ensure security of ASM operations and the consolidation of governance roles of miners and local authorities at mine sites.

The main negative trends are the evident high-level corruption and official complicity in the export of gold and the persisting, if not worsening, phenomenon of massive ASM incursions into protected areas. The negative trends appear to outweigh the positive, meaning that the trends at the very least have to be reversed before responsible business could be encouraged to engage.

### **Part III – What opportunities are open to Madagascar to capture benefits of responsible business?**

- What are the particular opportunities for gold?
- What are the particular opportunities for precious stones?
- What has to be done to capture these opportunities?

In general, Madagascar has strong stories to tell that could support country branding, especially in the exotic country image, the opportunity for transformative social impact and the very high diversity of its precious and semi-precious stones. But it is not without significant competitors, such as Ethiopia, Myanmar and several African countries.

For gold, the particular opportunities include robust gold prices, widespread production areas, limited mercury use, available labour and high quantity and quality of gold. However, current export practices and governance context render the establishment of responsible business and assurance schemes such as Fairmined virtually impossible.

The particular opportunities for precious stones are the country brand image and the wide diversity of stones, which appeal to a younger and increasingly diversified consumer base in the jewellery markets. In the case of precious stones, the exportation of the majority of stones is legally documented (with the exception of the rare, high value stones), while much of the production, in protected areas, is illegal.

In order to capture these opportunities, Madagascar must demonstrate real efforts and positive progress towards addressing the current issues (in particular it must stop illegal gold exports and illegal gem rushes into protected areas), undertake effective marketing and promote diversification and added value in the gemstone production sector (stone cutting etc.).

### **Part IV - What examples exist elsewhere of responsible production initiatives facing similar challenges?**

Examples of high risk countries include the states of the International Council for the Great Lakes Region or 'ICGLR' (Angola, Burundi, the Central African Republic, the Republic of Congo, the Democratic Republic of the Congo, Kenya, Rwanda, Sudan, South Sudan, Tanzania, Uganda, Zambia). Examples of moderate risk countries include Guinea, Sierra Leone, Liberia and Mali. In these countries efforts are being made to ensure the responsible production and sourcing through the following guidelines, standards and tools:

- Kimberley process certification of diamonds from all the ICGLR countries as well as Guinea, Sierra Leone and Liberia (since 2000)

- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-affected and High Risk Areas (2<sup>nd</sup> edition) (for the 'conflict minerals' i.e. 3TGs) (since 2010)
- Certification of 3TGs in accordance with the ICGLR Regional Certification Mechanism (RCM) (since 2011)
- Fairmined / Fairtrade gold initiatives launched in certain African countries (Tanzania and Uganda) (initiated in 2014)
- Swiss Better Gold Association (SGBA) is a Swiss non-profit established to promote responsible gold production in developing countries since (2013)
- Pilot application of the GIFF tools for analysis of financial flows relating to gold (case of Sierra Leone) (undertaken in 2016)

A recent evaluation in 2015 of efforts to established Fairmined or Fairgold in Kenya, Tanzania and Uganda showed that long time lines are necessary to bring ASMOs (ASM organisations) to the level needed to engage in certification schemes such as Fairmined. No working examples yet exist of Fairmined or Fairtrade certified gold production in Africa. The Swiss Better Gold initiative focuses on Latin America and has taken no initiative so far in Africa.

The case of Guinea is of interest. In Guinea, the government recently adopted a policy of cutting tax on gold exports in stepwise manner from 2% down to 0%. This resulted in a proliferation of exporters which diverted gold trade, traditionally and invisible trade across the border to Mali, to the capital, Conakry. Unfortunately, the majority of exporters, benefiting from the tax-free export, did not then comply with their obligation to repatriate part of their hard currency earnings and are being closed down, flows reverting to their former pattern.

#### **Part V - Which responsible production initiatives have been undertaken in the past or are planned for Madagascar?**

Only one initiative has so far been attempted in Madagascar, which was a demonstration of formalised gold production at Antanimbary in 2007, as part of a World Bank project to support improvement in the mining sector. Initially successful, the breakdown in good governance following the 2009 coup d'état resulted in a dramatic increase in the illicit exportation of gold, disincentivising the good practices established.

#### **Part VI – In conclusion, which responsible production initiatives might be feasible in Madagascar?**

Current conditions in Madagascar, in which demand for gold is driven primarily by its use by economic elites and the political establishment as a vehicle for exporting wealth illicitly out of the country, do not favour any form of responsible gold production. Gold resources are substantial but too widely dispersed to attract industrial mining companies or major buyers, such as the Swiss refinery houses. That said, the Antanimbary initiative proved that responsible gold production can be possible in the right conditions.

The priority in Madagascar should be to put an end to the illicit exports of gold. One possible opportunity, to be tried with World Bank support, is to establish a national refining company which should result in improved benefit capture from gold production and an incentive for responsible production and transparent export.

## 5. RECOMMANDATIONS

The recommendations are made taking account of the processes underway, and in particular the project to develop a draft national ASM governance strategy by the end of 2016. The recommendations address the ASM governance strategy development or GIZ directly.

### High level interventions

The regional and national dialogue and strategy process seeks to address many of the enabling conditions needed for responsible production and commercialisation of gold and precious stones and should be maintained. However, the process suffers two material weaknesses which are inadequate government engagement and absence of business engagement, especially responsible business.

- **ELL recommends that GIZ should take steps to ensure firm participation of the government in the ASM strategy process and to consult responsible business in the final phases of the strategy process.**
- **Responsible business entities willing to participate should be invited to undertake due diligence and risk assessment processes in order to determine the level of risk for responsible business considering engagement in the Madagascar ASM sector**

The dialogue is also weakened by the prevailing conditions of poor governance in the country which are likely to favour the persistence of corrupt practices, most notably in the gold sector where gold exports are still totally unreported, and the failure to address gemstone rushes in protected areas. Unless these problems are addressed, there is little prospect for responsible ASM production Madagascar that is certifiable and of significant volume.

The dialogue process is also weakened by GIZ's isolation and the lack of support from any other development partners, most notably the World Bank, which has resources to support good governance and ASM but which has so far hesitated to engage.

- **ELL recommends that GIZ should promote a collaboration of GIZ, ANOR and the World Bank, with appropriate technical support and working with Civil Society (e.g. Transparency International), to implement the GIFF process in Madagascar to highlight the illicit financial flows related to gold. The findings could then be used to leverage resolution of the problem of non-reporting.**
- **ELL recommends that GIZ engage immediately in strategic discussions with the World Bank to identify common objectives and complementary support for the ASM sector, including potential support from the World Bank's PROFOR program which has funds for case studies on responsible mining in forested landscapes.**
- **GIZ should also engage with the PAPSP (Projet d'Appui à la Performance du Secteur Privé) project in order to coordinate efforts to assess the feasibility of a national gold refinery. As a first step, GIZ should assist the consultants engaged for the feasibility study in obtaining good data on the areas in which GIZ has field-based programmes.**

### Effective local governance model for ASM

The dialogue highlighted the fundamental need for an effective local governance model for ASM in Madagascar, with some promising experience using customary by-laws for addressing security and other issues.

- **ELL recommends that GIZ should invest in the next phase of PAGE to support and demonstrate and perfect effective local governance models for ASM in the two project regions (Diana and Atsimo-Andrefana).**

The overall purpose of the governance model would be to establish the enabling conditions for ASM operations to progressively become a contributor to sustainable development, in alignment with the resilience framework.

The key performance indicators (KPI) for such a model would be absence of illegality, good governance, respect for human rights, responsible environmental practice, engagement with responsible business and effective management of sector risks. Key components of the model would include:

- A decentralised transparent permitting system (miners, sponsors, businessmen, collectors)
- A transparent production monitoring system
- A registered and lawful *dina be* to guarantee security and other social protections
- Formal constitution of miners' groups or associations (ASMOs) with legal status

It was noted that status of miners' groups under the Mining Code needs clarification, and whether they could serve as ASMOs. The proposed provision in the new Mining Code to limit miners' groups to groups of more than 100 individuals appears unsuited to responsible production.

- **ELL recommends that GIZ should rapidly commission a concise review of the status and potential role of ASM 'miners' groups' under the existing and proposed new Mining Code, to determine whether they would be suitable as ASMOs for equitable commerce.**

#### **Addressing ASM in protected areas**

While the precious-stones sector lacks the total opacity of gold exports, the fact that much precious stone extraction is taking place in protected areas, and the link with illegal gold mining as the entry point, needs urgent attention. There is a clear need for tools to address ASM incursions into protected areas and to reduce impacts of ASM on biodiversity and ecosystem services (BES) generally.

- **ELL recommends that GIZ should consider supporting within the next phase of PAGE the development of tools to address impacts on protected areas, such as ASM Containment and Exit Strategies (CES) and Frugal Restoration Methodologies (FRM).**
- **In particular, GIZ is encouraged to participate in ELL's BEST-ASM initiative and operate its projects as demonstrations within the BEST-ASM framework.**

#### **Demonstrating business opportunities for semi-precious stones**

The semi-precious stones, of which Madagascar has so many, represent an opportunity to develop responsible production and commerce with lower risk of failure due to the high levels of criminality associated with the gold and precious stone sectors, but which could serve as a demonstration for the high value stones.

- **ELL recommends that GIZ should evaluate the potential for developing with one or more business operators the responsible production and equitable commerce of semi-precious stones and consider including a demonstration project within the next phase of PAGE.**

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