

Impacts of Activities of Canadian Mining Companies in Africa

Abdulai Darimani
Third World Network - Africa Secretariat

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1.0 Introduction

The history of mining in Africa has been an history of exploitation of Africa's mineral resources to serve the interest of metropolitan Europe and North America. Today in the 21st century the pattern of mineral resource expropriation, which denies African economies and peoples equal benefits as well as clean and diversified environment, has continued. Despite huge foreign direct investment in Africa's mining sector there has not been any significant change that enables the translation of mineral wealth into building the productive capacity of individual African states and the local communities who sit on the mineral resources. The only fundamental thing that has changed during the last few decades is the legitimacy national governments give to increased and accelerated expropriation of Africa's mineral resources through the revision and promulgation of national mining laws that offer protection and incentives for transnational mining companies operating on the shores of Africa.

This paper discusses the impacts of the activities of Canadian mining companies in Africa with specific reference to Ghana. The discussion is done in relation to the effects of the activities of these companies on the environment, local communities, human rights, and the national economy. The discussion covers four main areas: Firstly, the paper broadly outlines the strategic importance of Africa as destination for transnational mining companies. Secondly, the paper discusses in much detail the impacts of Canadian mining activities in Ghana and parts of Africa. Specific practices, behaviours and incidences of Canadian mining companies that impact negatively on the environment, human rights and the national economy are illustration as examples. The paper highlights a broad framework that guarantees and perpetuates the operations of transnational mining companies in Africa and the strategic role of the Canadian government. It concludes with proposals for the Canadian government and Canadian civil society for regulating Canadian mining companies operating internationally.

It is important to point out that the paper is not oblivious of some positive initiatives, marginal though, that Canadian mining companies in Africa may be making pertaining to economic and social development but emphasises the more pervasive negative impacts resulting from the activities of these companies.

2.0 The strategic importance of Africa in mining.

Mining has a long history in the developmental process of many African countries. The continent as a whole holds proportionately high potential reserves of minerals resources gold, diamonds, bauxite, manganese, and salt among others. This places the continent in an enviable position with respect to the geographic distribution and potential of mineral resources. Unfortunately, most African countries have not yet been able to diversify their economies from primary production neither have they been able to develop their small-scale mining or artisanal mining sector to generate the needed foreign exchange earnings. In this regards, most African governments turn to foreign direct investment (FDI) as the main catalyst for mineral-led economic growth and development. They do so by revising and formulating

national mining and environmental laws to lower standards and offer Africa's mineral resources at pittance.

Therefore, despite the long history and importance of mining in the developmental process of mineral endowed African countries, the principal beneficiaries of the mineral wealth have been largely colonial adventurers, transnational foreign companies, and the apartheid regime in the specific case of South Africa. The current process of extensive economic liberalisation has contributed to further deepening the imbalance in the distribution of the benefits of mining in favour of transnational foreign mining companies as African governments deregulate and privatise their mining sectors offering further incentives and protection for corporate investment. The further incentives and protection of corporate interest comes with heightened environmental degradation and community concerns.

As a result of these incentives and on the back of structural adjustment launched almost two decades ago, Africa has been the prime destination of multinational mining corporations mainly from Europe, North America and Australia. Canadian mining companies, in particular, have in the last fifteen years played a strong in the new scramble for Africa's mineral resources. Statistics available indicate that Canadian mining companies are among the leading foreign mining companies in Africa today. Between 1992 and 1996, the number of properties held by Canadian mining companies in Africa increased by 75%. By the end of 1996, there were more than 170 Canadian mining companies in Africa with interest in over 440 mineral properties, located in 27 countries. By the end of 2002, Canadian mining companies increased their dominance on the continent with 530 mineral properties in 35 countries in Africa.

3.0 Impact of Canadian Mining Activities

The increased participation of Canadian mining companies in Africa's mining sector is characterized by heightened concerns for environmental degradation, destruction of community livelihoods and human rights abuses. In fact the activities of Canadian mining companies in Africa have resulted in various negative economic, environmental, and human rights impacts. The direct recipients of these impacts are the local communities living on the fringes of mining projects and the environment which constitutes the bedrock of their livelihood. In fact one would hardly have any difficulty presenting a glimpse of the cocktail of these impacts of selected African countries.

3.1 Canadian Companies in Ghana

Ghana has strong presence of Canadian companies, engaged in both grass roots exploration and mining activities. Many of these companies are relatively junior, by Canadian standards. It is widely acknowledged that such junior mining and exploration companies are traditionally tagged as poor environmental and human right performers. These perceptions have largely been vindicated, in the light of gross negative environmental and social impacts of some Canadian companies in recent times in Ghana. Two such companies, whose operations have caused serious negative impacts, are the defunct Bonte Gold Mines Company and Golden Star Resources. In addition, the involvement of Canadian mining companies in the campaign to mine in the country's threatened forest reserves are discussed.

Bonte Gold Mines Limited reckless liquidation

In early 2004, Bonte Gold Mines Limited (BGM) an 85% owned Canadian Mining Company went into liquidation leaving behind un-reclaimed degraded land, unpaid compensation and a debt of about US\$18 million. The victims of the closure of the mine were and still are the workers of the defunct company, the environment and the local communities as well as the national economy.

Incorporated in 1989, Bonte Gold Mines Limited is 85% owned subsidiary of Akrokeri-Ashanti Gold Mines Inc., a Canadian company listed in the Toronto Stock Exchange (TSXVE: AKR). Bonte owned and operated a 30-year lease alluvial mine along river Bonte at Bonteso in the Ashanti Region of Ghana. The company operated for about 15 years until March 2004 when it took just about one week to complete its liquidation process. A high court order for the liquidation was given on 25th March 2004, which was subsequently executed on the 30th of March 2004.

The company closed without notice to its workers who number over 400 let alone to have their entitlement paid. Even though three month notice was a requirement in the policy manuals of both the workers and the company, the company did not fulfil this requirement. The workers reported to work on 30th March, 2004 for their usual routine work only to find that the gate to the premises of the company was sealed off. The workers were told there and then that the company had been liquidated. As expected, this sparked strong protest and agitation from the workers. To date, the value of the severance package for most of the workers has not been determined.

The company closed without reclaiming the environment. An area of over 8 kilometres has been degraded by the activities of the company. This area littered with hills of heaped stones and sand interspersed with settling ponds. While the ponds became breeding grounds for mosquitoes and other water-borne diseases the hills of heaped stones and sand not only impede vegetative regeneration but also prevented the local communities from using the area for farming. In addition to failure to reclaim the land, the company also failed to post the statutory reclamation bonds valued US\$2.6 million.

The closure of Bonte in such a reckless manner was a triple loss to the local communities living on the fringes of Bonte concessions. First, they not only lost the diversity of their environment but also bore the negative effects of environmental degradation created by the company. For instance, the ponds created by Bonte became breeding grounds for mosquitoes and other water-borne diseases. This has negative consequences for the health of the local community members. Also, the hills of heaped stones impeded the local communities from using the area for farming. Secondly, local farmers affected by the operation of the company have not been compensated for their destroyed farms and land acquired for the mines. The company had issued cheques to the farmers at the time that the court decision was made, however the liquidation decision was communicated to the company's bankers who froze their accounts. Farmers who were issued cheques for their destroyed farms could therefore not cash the cheques. Finally, the communities have not benefited from any social responsibility projects executed by the company. For the entire 15 years of its operation Bonte Gold Mines Limited did not provide a clinic, a school block or open up a road for the any of the communities near its concession.

Meanwhile the defunct company has left behind a debt of about USD18 million owed to various state institutions and private companies. This amount includes US\$2.6 million reclamation bond which they were suppose to lodge with the EPA towards rehabilitation of the mine after closure which they never paid, and workers' entitlement of over ₵18 billion. The rest of the debt constitutes outstanding payments to the Internal Revenue Service (IRS), Electricity Company of Ghana (ECG), Total Ghana Limited, among others. It is very unlikely that the debt can be recovered as the company operates largely on leased equipment. Apart from the operating plant, its own machines and equipment are almost at scrap value. Many of the lessees have come for their equipment. Yet this was a company which retained about 60% of its total earnings in off-shore accounts and that it justifiably did so like most mining companies in the country in order to purchase equipment that are non-existence in the domestic economy.

The mirage of problems arising from the closure of Bonte is a typical case of how the nation is being raped of its natural resources only to be abandoned after they are completely exhausted.

Prestea and Himan vs. Golden Star Resources

Prestea and Himan communities are faced with serious environmental problems and human rights violations arising from the operations of Bogoso Gold Limited (BGL). This project is owned by Golden Star Resources of Canada. The communities complain of vibration from the blasting activities, dust and noise pollution, vehicular traffic and harassment from the state military that have been deployed to Prestea to offer protection for the company

Prestea and Himan have a long history of gold mining dating back to 1929. However, the activities of mining remained largely underground. Under various agreements and arrangements, Bogoso Gold Limited (BGL) assumed management and control of the operation of the Prestea concession which covers an area of about 129.05 sq km. BGL has both surface and underground right on this concessions but has so far concentrated or restricted its operations to surface mining. The concession literally covers portions of the two communities and their adjoining surroundings.

Golden Star Resources Limited is a Canadian gold and diamond company listed on the Toronto and American Stock Exchanges under the symbols "GSC" and "GSR" respectively. In September 1999 Golden Star Resources Limited acquired 70% equity interest in BGL. GSR sees the acquisition of BGL a major shift of focus from pure exploration company to production, development and advanced stage exploration.

The surface mining activities of the company, in an area that has traditionally lived with only underground mining activities, have created serious negative environmental problems such as vibration from blasting which affect their safety, health, buildings and other property; noise pollution; dust pollution; and vehicular traffic. The communities complain of lack of access to farmlands due to the operations of BGL. The concessions of BGL have taken lands hitherto used for farming when the mine was operated underground. In a letter dated June 15th, 2005 addressed to the District Chief Executive, Wassa West District, the Chiefs and members of Himan and Prestea communities stated that "the inhabitants of Prestea and Himan suffer adversely from the intensive blasting and activities of the company". The letter continued, "Many inhabitants have had their personal and landed properties damaged through blasting. The situation is becoming intolerable".

The environmental problems have also resulted in the abuse of the rights of the communities. In the first instance the environmental destruction and pollution deny the communities their fundamental right to a healthy and safe environment. Secondly, when they express dissent about the problems of the environment they are met with repression, harassment, and intimidation by state military. On June 13th, 2005 Himan and Prestea communities took to the streets in protest against Bogoso Gold Limited for lack of concerns for the environmental problems arising from their operations. In the process of the demonstration the state military that have been deployed to the area for about three years to offer protection for the company shot at the demonstrators and about seven of them sustained gunshot injuries. The company did not condemn the shooting nor did it show willingness or commitment to address the complaints raised by the communities. For instance, even though the communities have shown that they are suffering from the activities, in particular the blasting effects, the company continues to make rapid advances into the Prestea Township. The only fuel pumping station in the adjoining communities has been excavated in order to mine. The communities now get their fuel supplies from neighbouring towns. BGL has also mined to the walls of the Prestea Government Hospital. The football field of the town has been cleared for mining and the electricity sub-station might not be spared but for the power requirement of the company.

Canadian Mining Companies and Ghana's forest reserves

Canadian mining companies are in the forefront on the destruction of some of Ghana's rich forest reserves.

Forests reserves have important environmental and ecological linkages. They are linked to water and soil resources, genetic resources of plants and animals and to food production and food security. In particular they constitute a major source of fresh water bodies for domestic and industrial use and enhance local climatic conditions for agricultural production. In Ghana most freshwater bodies take their source from forested areas. Fresh water has now become a globally scarce commodity. Forests are also important to the economic and social-cultural relationship of rural communities as they create jobs, provide health and food security and help in the cultural identity of a people.

Despite their significance, Ghana's forest reserves have been undergoing qualitative and quantitative deterioration over the years. Ghana's total forest cover has reduced from 8.2 million hectares in 1900 to less than 1.6 million hectares as at now, which is less than an initial 1.76 million hectares reserved as permanent forest estates. Out of the 1.6 million hectares, only 32,000 hectares representing 2% of the remaining forest reserves is said to be in excellent condition.

With intense corporate lobby and influence the Government of Ghana decided to open up the remaining forest reserves for surface mining. Three out of five mining companies who were the architects of this deal were Canadian mining companies. They are Nevsun Resources, Satellite Goldfields and Birim Goldfields. The other two companies are Newmont and Chirano Goldmines with parent homes in the United State of America and Australia respectively.

Currently none of the three companies participate directly in surface mining in the forest reserves. Birim and Satellite sold their properties, part of which are in forest reserves, to Golden Star Resources, also a Canadian company. Similarly, Nevsun handed over management of its forest reserve property to Ashanti Gold Fields (Anglogold-Ashanti) from which it will also receive production royalties.

In spite of the fact that the three companies do not directly carry out surface mining in the forest reserves they have contributed to a decision that has adverse consequences for the sustainable management of Ghana's forestry sector. Birim Goldfields particularly has a concession in an area proposed for a hydro power dam the Bui Concession. The full-scale development of this concession as surface mine will adversely affect the national energy policy through adverse impact on the proposed site for the Bui Dam project.

Canadian mining companies and transfer pricing, tax avoidance and offshore retention of earnings

Transfer pricing involves the conversion or manipulation of tax liability into profit through accounting entries. The more frequent mergers and acquisition take place the higher the potential of manipulative transfer pricing. This is because it is very difficult for the national tax authorities to detect every transaction taking place within the mergers and acquisitions.

All the foreign transnational mining companies operating various mines/concessions in Ghana and parts of Africa also have their parent companies registered in their home countries. This enables them to have political leverage both at home and offshore. Through tax breaks, offshore retention, export of raw ore, and accounting principles for calculating royalties they funnel the mineral wealth out of the national economy denying the domestic economy the benefit of increased mining production.

Although Canadian mining companies are not exception in this practice their huge presence in Ghana and on the continent as well as the frequency of mergers and acquisitions involving these companies calls for some surveillance and vigilance. Canadian mining companies operate as juniors and so they easily merge or are taken over by another mining company. For instance, within a space of less than five years five Canadian mines have either merged or been taken over by another mining company.

3.2 Examples from other African countries

Canadian mining companies are also visible in many parts of Africa operating various concessions for different types of minerals across. The activities of these companies have equally resulted in high profile cases of environmental degradation, economic and social strangulation of local communities and gross human right abuses. This concluding section profiles a few of the numerous negative impacts in selected mineral endowed African countries.

Tanzania: In the last 15 years, Tanzania has experienced an explosion of mineral exploration and mining activities, with Canadian mining firms taking the centre stage. However, civil society organisations and local communities have decried the activities of these companies, accusing them of a variety of environmental pollution, forced eviction, massacre of communities and a host of other human right abuses. Specifically, high profile allegations of human right abuses have been levelled against Canadian companies such as Kahama Mining Corporation and Barrick Inc. for reported brutal killings and mass illegal eviction of small-scale miners in Bulyanhulu.

Mali: TWN-Africa sponsored research in Mali revealed environmental and socio-economic problems arising from the operation of Sadiola and Yatela mines. The opening of Sadiola and Yatela mines dislocated about 8 villages and has since been a source of water pollution for their livestock. The mines have also constrained their ability to practice their traditional way of shifting cultivation as there is no longer sufficient land. A Canadian mining company IAMGold has major stake in these mines. The company has 38% interest in Sadiola and 40% interest in Yatela.

Mano River (West Africa Union): Alcan, Golden Star Resources, International Gold Resources, and Mano River Resources, all Canadian mining companies, are carrying out exploration work for various mineral commodities around the Mano River. The Mano River area known as the West Africa Union is very important for its rich biodiversity. It is called the West Africa Union because it is an area where Guinea, Sierra Leone and Liberia converge. Due to its rich biological diversity the area has been a source of contestation between the three neighbouring countries. Unless properly and adequately managed the discovery and production of minerals in this area is a potential source of inter-nations conflict. The presence of Mano River Resources in particular has already heightened concerns among many environmental groups who feared that the biodiversity would be destroyed.

Congo DR: Canadian mining companies have been linked to resource conflicts in the Democratic Republic of Congo. Anvil Mining a Canadian operating in Kilwa has been accused of providing logistical support to the DRC army, whose soldiers are reported to commit widespread human rights abuses including rape of women and girls. In 2001, an expert UN panel investigating the illegal exploitation of Congo DR's resources alleged that eight of the twenty-nine companies associated with the resource conflict in DRC were Canadian. These are American Mineral Fields, Banro, First Quantum, Hrambee Mining, International Panorama Resources, Kinross Gold, Melkior Resources, and Tenke.

4.0 Framework for transnational mining corporations

These problems are clearly the result of the inadequate regulatory framework which has been re-written by multinational institutions such as the World Bank and the IMF and the home governments of transnational mining companies to lower standards and diminish obligations on foreign companies. The World Bank and the IMF have been very instrumental not only in framing the various national mining policies but also determining the fiscal regimes.

The Canadian government has been instrumental in influencing regional and national policies for Africa. During the processes leading to the World Summit on Sustainable Development (WSSD) the Canadian government played a lead role in re-writing the section of the WSSD outcome on *Mining, Minerals and Metals*. The revised text which was finally adopted by the summit in Johannesburg, South Africa clearly diminished issues of regulation, obligations and rights. The Canadian government was one of the few northern governments to offer political and financial support for NEPAD at a time citizens of Africa knew very little about NEPAD. NEPAD's vision for mining is narrowly limited to the development of geo-physical and scientific information. This is something that transnational corporations need to plan their capture for Africa's mineral resources. The foreign missions of the Canadian government are believed to be stop-shops for corporate lobby and it is now an open secret that CIDA has been playing the role of clearinghouse for negotiating investment deals through technical and financial support. Politically, therefore, the Canadian Government can bring some leverage to the development of mining sector policies and institutions that have the potential and capacity to maximise the net returns from mining domestically while ensuring adequate protection for the environment, community interest and human rights.

It is thus not by accident that national mining laws across Africa have common features such as high protection and incentives for foreign companies, huge discretionary powers for political elites, pervasive rights for communities and national interest. These laws have been constructed in this way due to the narrow focus of expanding the frontiers for free flow of corporate capital.

5.0 Conclusion and Proposals

Canadian Government

1. In the specific case of Bonte Gold Mines the home government should develop mechanism for ensuring that mining companies give early notification before liquidation.
2. The Governments of Canada and Ghana should set up a clear cut policy that prohibits Canadian mining companies from mining in national forest reserves.
3. The Canadian Government should develop mechanisms for detecting tax avoidance, transfer pricing and the size of offshore retention. In addition, mechanisms for imposing sanctions on companies that fall foul should be developed. Both mechanisms should be made public documents and accessible to all citizens and the local communities.
5. A comprehensive social policy should be a requirement for Canadian mining companies. This will compel them to develop clear understanding of the social context of their areas of operation. It will also compel mining companies to demonstrate that their presence in a particular community and country really does provide value to the local communities and national economy in which they operate.
6. The Canadian Government should establish legal norms within Canada to hold mining companies accountable for human rights violations outside the country. Perhaps, one of the approaches would

be to establish bi-lateral treaties that specify the human rights obligations of mining companies and enforcement mechanisms.

7. Closely related to 6 above the Canadian legal system should be made accessible to local communities to contest cases of environmental destruction and human rights abuses by Canadian mining companies.
8. Canada's bilateral support could be:
 - a. conditioned on a comprehensive assessment of potential human rights impacts, particularly in high risk areas, conflict zones in Africa.
 - b. Meet the criteria and principles of common but differentiated responsibilities.
 - c. Should build in funds to support advocacy by civil society in Canada as well as those and communities in the countries of operations.

Canadian Civil Society

1. The people of Himan and Prestea want resettlement and a stop of the militarization. Canadian civil society needs to develop specific campaign themes on Bonte, Himan/Prestea, and Ghana's forest reserves. "Spare the forest in Ghana" could be an example.
2. Public access to information is a big challenge to transparency, accountability, compliance to environmental quality standards. Canadian Civil society can develop specific projects for providing information to support communities and NGOs in Africa, eg. information on company profiles, rules, regulations, and procedures for companies at home, etc.
3. Joint publications on specific cases and experiences.
4. Creating platforms for dialogue, naming and shaming at different forums of the home country of specific companies the cause atrocities internationally.
5. Facilitate access to by victims of Canadian mining companies overseas to Canadian court/legal system.
6. In recent times, court actions against companies have been one of the successful instruments for holding mining companies to respond to community concerns. The reality is that many local communities find it extremely difficult to bear the legal fees even when they are pro-bonus. This is an area that could be developed as a project to provide support for legal action against companies overseas.