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West Africa Trends

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Extractives and Sustainable Development

African Center for Economic Transformation
analysis. advice. advocacy.

Contents

The purpose of this newsletter is to monitor trends across the West Africa region for policy makers, researchers and other decision makers in the international community.

Introduction

The extractives industry is a major sector in the economies of the region as it makes a significant contribution to GDP and constitutes a large portion of exports. However, the sector's impact on the livelihoods of citizens has not been as positive. To the contrary, some argue that the industry has worsened the state of things in many nations, weakening effective governance by engendering corruption.

This issue explores trends in sustainable development and the extractives industry. The first article surveys emerging trends, the second article examines trends in local content, and the third article is a case study of the community-level impact of the mining sector in Sierra Leone.

Editorial

As defined by the Brundtland Commission report, sustainable development is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

However, trends indicate that the world may be quickly moving towards a sustainability precipice. The Global Footprint Network's (GFN) national footprint accounts show that humanity is currently using ecological resources and services at a rate that would take more than one and a half Earths to renew. And by the middle of this century, we are on track to require the resources of two Earths. While Africa as a whole may just break even in terms of average national footprint, there are seven countries in West Africa that are already unsustainable with an ecological deficit. The extractives industry is a major sector in the region and bears significantly on sustainability, as it not only extracts finite mineral resources but it has at the same time capacity to destroy the surrounding environment, making it unusable for any other purpose. Thus, the benefits of mining are increasingly being questioned and some communities are now actively resisting extractive activity in their areas.

For mining to benefit society, projects must maintain essential life support systems over the life of the mine. From exploration to exploitation, from closure and post-closure, measures must be made for the mining projects to justify themselves. In short, mining should maximize economic and social benefits to humans. There is little point in undertaking a mining project if it offers only minor economic benefit. It is even more superfluous if it undermines long-term productive capacities. From these two essential conditions, emerge a conceptual and decision-making framework: mining promotes sustainable development only when it generates net benefits—that is, when it maximizes human welfare subject to the constraint that essential life-supporting ecosystem services are maintained.

Unfortunately, this ideal has proven hard to meet as human welfare benefits are minimal and negative impacts are being felt by communities—most severely by women—as land or agriculture is withdrawn and water resources polluted.

All the same, efforts to make extractive industries a transformative force exist. Well-articulated policy documents like the Africa Mining Vision (AMV) and the African Transformation Report (ATR) provide a template for policy formulation. Civil society organization (CSOs) are also getting better at engaging industry with data rather than noise as has happened in Sierra Leone, and with good results. Efforts to strengthen civil society and government bodies are also being pursued, as effort by the Ford Foundation, Third World Network (TWN), Open Society of West Africa (OSIWA), IEDP and others attest. Sustainable development is at the end, a partnership between industry, government, and communities. Engagement based on informed positions is key to getting results.

However, extractives profits are proving to be a moving target, as new challenges become apparent calling for a wider lens in understanding them. Perhaps the biggest challenge right now is how to stem illicit financial flows that are a result of clever accounting by the extractive industry. These tricks are costing Africa close to US$38 billion in lost potential revenue per year. Stemming this flow will require better negotiation skills and tax administration capacity but also better international cooperation. This is happening as developing new tools to strengthen government capacity and curb illicit flows is becoming a global effort.

Efforts are also being made to increase local content in the extractives sector. However, lack of capacity continues to pose the biggest challenge. Indeed, it is skills that are the basis for local content, and efforts being taken by Guinea to build skills among its citizens are worth emulating. On the legislative side, effective mandates to nudge companies forward have had success in Nigeria.

All in all, it seems that there are trends toward making the extractives industry offer developmental impact, with a focus on the poor. However this is still a work in progress and sustained engagement supported by good research will continues to be the key to achieving the holy grail of sustainable development in the extractives sector.

Mining and Sustainable Development: What the Future Holds For West Africa

The story of Africa's resource curse is well known. Mineral wealth has not had a transformative effect, and it may have even caused resource rich countries to have worse outcomes than nations without natural endowments. The focus on extractives has not only shriveled other important economic sectors, such as agriculture, but has also eroded governance institutions and engendered conflict. And these issues have received much attention. What has not received enough attention has been the impact of mining on sustainable development. Mining is invariably associated with deforestation, loss of biodiversity, and ecosystem disruption. These impacts happen in many forms.

- A study of mining in Western Ghana found mining resulted in deforestation (58%), a substantial loss of farmland (45%) within mining concessions, and widespread spill-over effects as relocated farmers expand farmland into forests.
- Sierra Leone's rutile mining activities have eroded women's livelihoods by consuming land and polluting waters that they rely on.
- Cost is also long lived. For instance, hydrologists estimate that rain-fed groundwater sources – similar to the aquifer AREVA is tapping 150m beneath the desert for its uranium mining operations in Niger--can take roughly 200 years to replenish. Further environmental studies indicate that water radiation levels in the region are up to 110 times higher than World Health Organization (WHO) safe drinking water standards.
- Mining impact on the environment is not confined to the local area. Chemicals used in gold mining in Mali, including cyanide, have been found in the water in neighboring Senegal. The rainy season promotes the transport of toxic waste in the groundwater and the surrounding creeks.

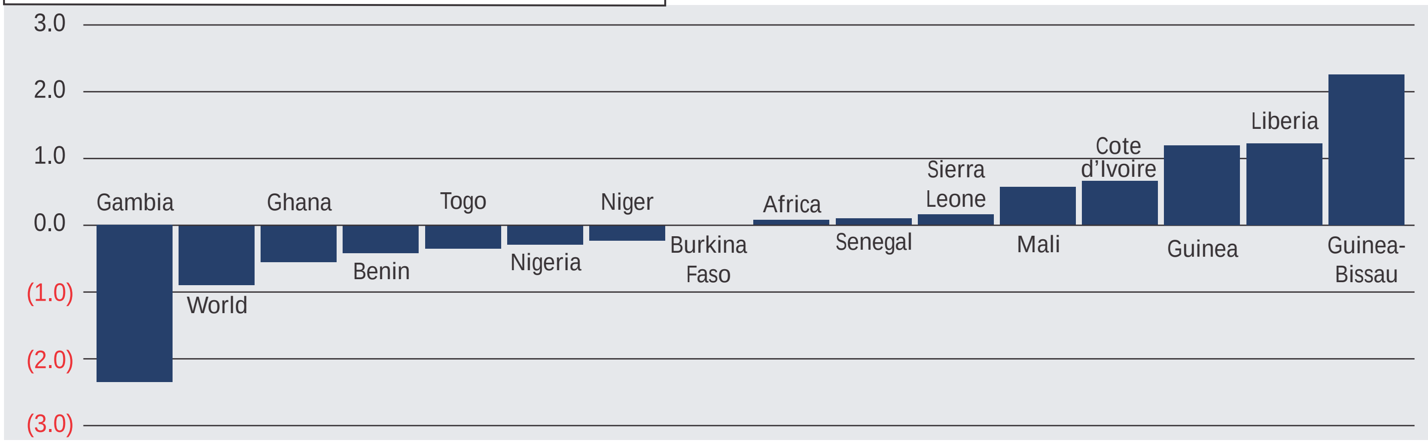
Yet, these costs are rarely counted when evaluating the benefits of mining. The potential negative impact on communities is now driving communities to resist mining activities all together. In Ghana, the Upper West Civil Society Coalition on Mining, Food, Water and Sacred Sites, has called for a halt to any process to open up the Upper West Region for mining activity based on the argument that the fragile nature of the ecosystem coupled with the weak legal regime, will deprive the people of their birthright. They point out that the net effects of mining would be much more disastrous than any potential benefits one could envisage in both the short and long term.

The fact that mining can rapidly erode livelihood foundations makes it imperative for the environmental and social costs of mining to be given greater attention. The issue of sustainability is especially pertinent given that many countries in the region have already passed the sustainability threshold based in the Global Footprint Index. (See Figure 1.)

The good news is that a more holistic approach to sustainability is becoming central as debate on natural resource management broadens and deepens. This is leading to a better understanding of the issues and hopefully to developing levers that can make natural wealth translate to better livelihoods for current and future generations.

While there is quite some distance to go before the extractives sector fully embraces the principles of sustainability and practices them, some trends towards that direction are apparent.

Figure 1: West Africa's Ecological Deficit or Reserve



Trends

I. From Economic Growth to Economic Transformation

It is now being acknowledged that the drivers of economic transformation are also drivers of sustainable resource exploitation. These drivers include good governance, skilled labor force, innovation, and wealth distribution. The role of extractive resources as a platform for economic transformation is now receiving much greater attention evidenced by strategies such as articulated in the Africa Mining Vision (AMV).

The AMV argues that governments in Africa have focused too much on getting revenue from mining and not enough on using the industry as a catalyst for development. The thrust going forward, is for the industry to do much more to encourage enterprises to develop around mining centers. The AMV envisages the development of spatial development initiatives (SDIs) through natural resource-based development corridors (DCs) as representing a particular regional approach to mining linkages within the region defined by economic potential rather than political boundaries. Preliminary studies have identified 13 possible DCs, such as the Coastal Gulf of Guinea, Coastal Maghreb, and Bas Congo, which could link a number of countries through investment focused in integrated economic development projects that encourage value added processing and optimize the utilization of infrastructure. This can also catalyze other sectors, including mineral production and value added processing, infrastructure development as well as the establishment of related industries. AMV also takes the view that the allocation of mineral revenues to communities in mining areas should be designed to ensure lasting benefits beyond the life of the mine. All the same, AMV acknowledges that favorable outcomes are however not guaranteed and much depends on how clearly African countries define their interests and replace competition for investments with cooperation.

The African Center for Economic Transformation (ACET), in its African Transformation Report (ATR) has also articulated how extractive resources can be a platform for transformation through improvements in governance, designing better fiscal regimes, finding opportunity for local content in the extractive value chain, and generally linking extraction to the rest of the economy.

The African Minerals Development Centre (AMDC)

The African Minerals Development Centre (AMDC) was started to help implement the African Mining Vision. The Centre is expected to guide the development of a highly skilled and knowledge-driven mining sector promoting the transformative role of mineral resources in the continent's development. Experts and researchers will be made available to help countries implement the vision, advising governments, businesses, and civil society organizations on issues such as licensing, geological and mining information systems, artisanal and small-scale mining, and investments in diversification. The center is co-sponsored by the Economic Commission for Africa (UNECA), the African Union Commission (AUC), and the African Development Bank (AfDB).

See more at: http://ecdpm.org/talking-points/african-minerals-development-centre-launch-milestone-making-good-use-minerals-africas-development/

II. Corruption and Illicit Flows

The past fifteen years has seen many initiatives to improve transparency and accountability in natural resource management. Such initiatives have included:

- Publish What You Pay (PWYP) Coalition
- Extractive Industries Transparency Initiative (EITI)
- Kimberly Process Certification Scheme
- Open Government Partnerships (2011)

To a large extent, the focus has been on accountability of African governments. While pressure for better governance through greater transparency continues to be the lens for viewing transparency, the parameters are expanding to include a focus on mining companies' management practices as well.

There is now a rising global interest in tackling the problem of illicit financial flows (IFFs). The UNECA states that only 5% of recorded IFFs are lost through corruption, while 60% is attributed to commercial transactions with multinationals. The remaining 35% is related to criminal activities such has drug, weapon, and human trafficking.

Natural resource companies cost Africa £25 billion (approximately US$42 billion) each year through tax avoidance and opaque business deals, according to the Africa Progress Report 2013. This is twice as much as Africa receives in aid. West Africa accounts for 38% of the continent's IFFs, making it an especially important challenge for the region.

The UNECA illustrates that the extractives industry accounts for the highest level of illicit financial flows from the continent. Furthermore, the Tax Justice Network Africa also states that the top 10 global mining companies have an estimated 6,000 subsidiaries, with many located in tax havens. Therefore, one of the difficulties facing African governments in their bid to secure a greater share of the wealth generated by their resources is that with the use of complicated corporate structures and tax havens, "it is impossible for any government to know how much profit is generated from its mineral wealth."

A number of initiatives to address this challenge are being undertaken. The key focus is to strengthen African tax and revenue governance to tackle illicit financial flows. Some examples include the following:

- The Capacity for Research and Advocacy for Fair Taxation (CRAFT) is a project of Oxfam Novib (ON) and Tax Justice Network Africa (TJN-A). This project mobilizes civil society forces in several countries including, Mali, Nigeria, and Senegal on tax justice, with a view to achieve accountable, fair, and pro-poor tax systems. This is supported by TWN-A's expertise in the area of mining and taxation. The International Budget Partnership (IBP) and Tax Justice Network-International Secretariat (TJN-IS) are also CRAFT affiliates.
- The World Bank, in partnership with the Centre for Exploration Targeting of the University of Western Australia has produced the first of its kind mining tax sourcebook that outlines approaches to strengthen administrative capacity of developing countries in mining tax design and revenue collection. It provides tools to build capacity and adopt procedures widely regarded as best practice in managing revenues from extractive industry. The publication also provides insight into royalty audit processes and the administration of penalties for delay or default of royalty payments. Tax administration authorities from countries throughout Africa will be participating in training workshops during 2014 to incorporate best practices from the sourcebook into their work.

In addition, there are many seminars and workshop being held to share and explore alternative options for stopping illicit financial flows and capital flight from Africa's extractive industries.

Mining Contracts: A Review

There is an increasing trend to revise mining contracts in order to boost fiscal revenues and improve the flow of benefits from the industry to mining communities. This has ranged from adjusting royalty rates (as seen in Ghana), to increasing corporate tax rates (Ghana); from demanding a greater share of ownership (Mali), to outright cancellation and fully renegotiating contracts (Guinea).

The Third World Network-Africa has endorsed efforts by African leaders to renegotiate mining contracts arguing that this will enhance transparency of revenue flows in the sector. The AMV also proposes a number of ways that African countries can capture more mineral revenue including: the application of methods for price discovery to set a fair market value for mineral resources, the use of various tax instruments including windfall taxes; caution in the use of stability clauses; closing channels of fiscal incentives abuses by firms; and vigilance on transfer pricing and tax havens.

III. From Adversary CSO to Engaged CSO

In many mineral-rich African countries, there has been a very visible civil society movement, protesting about the costs and questioning the benefits of the revitalized mining sectors. Engagement with government has tended to be adversarial and thus not very constructive. However there is a trend moving from finger pointing to constructive dialogue.

- The Ford Foundation has been running a Sustainable Resource Series in West Africa. The program, run in collaboration with the African Center for Economic Transformation (ACET), share policy briefs on challenges linked to sustainable development in the mineral, oil, and gas (MOG) sector. The policy briefs are used to convene dialogues with civil society groups, policymakers, and researchers. The goal is to strengthen the capacity of these actors to engage constructively with policymakers, using reliable information on issues that impact citizens of resource-rich countries in the region.
- The TWN-Africa, with support from the Open Society Initiative for West Africa. (OSIWA), have been actively building capacity for CSOs, and enhancing the growing convergence between critical voices in African society and new official policy directions.
- The media's role in fostering engagement is also being given greater attention. For instance, in Liberia a 7-day workshop designed to introduce practicing journalists to key issues surrounding oil, gas, and mining, thereby helping them to develop the knowledge and skills to stimulate and feed public debates was organized by the International Institute for ICT Journalism (Penplusbytes), in association with the National Black Programming Consortium, and Humanity United.
- To enable better resource monitoring, the United Nation's Institute for Economic Development and Planning (IDEP) provides short courses to public officials and parliamentarians on mineral resource policy and contract negotiation.

The role of CSOs in the extractives debate has grown over time. For example, CSOs had a strong voice in the 2011 AU Ministerial Meeting that approved the AMV Action Plan. The African Initiative on Mining, Environment, and Society (AIMES) is a network of African civil society organizations in the extractives sector. AIMES has representation in over 15 strategic mining countries across Africa. It offers a framework for collaboration to strengthen collective actions that advance community interest, environmental sustainability, and sustainable development in relation to the extractives sector.

The Resource Governance Index (RGI)

The RGI evaluates four key components of resource governance in each country: institutional and legal setting; reporting practices; safeguards and quality controls; and enabling environment. The index assigns a numerical score to each country, with the best possible score being 100.

Out of the 58 countries scored, only 11 countries earned a score above 70. The vast majority of countries exhibit serious shortcomings in resource governance. More than half the sample—32 countries—do not meet even basic standards of resource governance, performing weakly or simply failing.

In West Africa, Ghana (63%) and Liberia (62%) are the best performing countries. Their scores show promise when compared to South Africa's 56%. Guinea and Sierra Leone each scored 46%, and Nigeria scored 42%, indicating the need for more work and improvement in the categories in which they are performing poorly.

	Composite	Institutional & Legal Setting	Reporting Practices	Safeguards and Quality Controls	Enabling Environment
Ghana	63	79	51	73	59
Liberia	62	83	62	71	31
Guinea	42	86	45	43	11
Sierra Leone	46	52	47	59	24
Nigeria	42	66	38	53	18

Source: http://www.revenuewatch.org/rgi/report#fig1

IV. From Investor to Development Partner?

The mounting pressure from civil society and growing public expectations have made investors increasingly concerned about their public image and the need to address these expectations. Western governments are also asking for greater due diligence of mineral supply chains to ensure that minerals do not support civil conflict and does not violate human rights such as child labor. Some examples include the US Dodd-Frank Act and the proposed EU directive on ensuring conflict free supply chains.

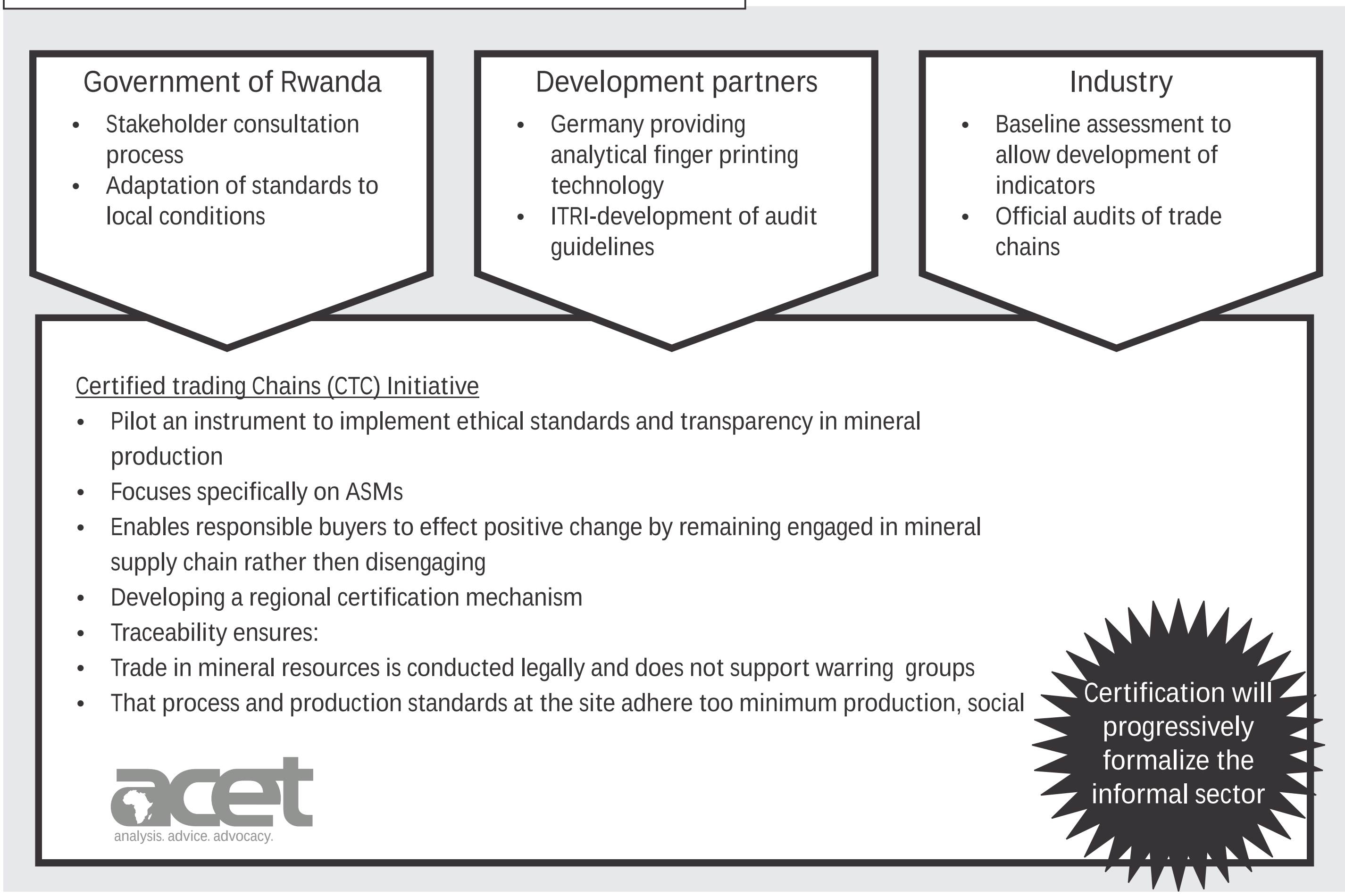
To comply with growing regulation, mining companies are starting to develop partnerships with mineral rich countries to develop conflict free supply chains and upgrades to improve working conditions. An example of this is collaboration between the government of Rwanda and the Trade Industry Body for Tin (ITRI) in developing Certified Trading Chains (CTC), a model that is likely to become widespread. (see Figure 2.)

Water and Mining

In 2009, the International Council on Mining and Metals (ICMM) established a water working group to consider water issues that the sector faces and ways in which the industry can respond. Drawing from experience of members in 62 countries and over 800 sites, ICMM has compiled water case studies of how mining companies are managing water responsibly at their operations. The aim is to promote dialogue and knowledge sharing both within the sector and other interested parties.

Source: https://www.icmm.com/document/3660?

Figure 2: Rwanda's Approach May be Worth Emulating



Looking Ahead

Getting the full promise of extractive resources continue to be a somewhat elusive quest dogged especially by issues of transparency. Political will and institutional capacity building to ensure proper structures are what it will take. Perhaps a pointer to what is feasible is the GIZ intervention in Mano River countries (Guinea, Liberia, and Sierra Leone). The project is advising the partner countries on how to manage their natural resources more efficiently and more sustainably by:

- Altering the political and economic incentive structures
- Targeted support for actors at local, , regional, and national levels to improve the state of public revenues and produce greater benefits specific to poverty reduction and sustainable development
- Using a comprehensive capacity development strategy that combines human resource development and organizational and network development measures with strategic government-level consulting services
- Working with local stakeholders in the extractive sector to transform potential conflicts between the mining companies and communities into development-oriented cooperation
- Starting a regional dialogue that encourages exchange on resource governance within the structure of the Mano River Union. The project promotes a human rights-based approach and cooperates with all the important actors in the public and private sectors, from civil society, and regional institutions.

Furthermore, with support from the project, Sierra Leone's Ministry of Mines & Mineral Resources has set up an IT-based license management system. Thus, it has been able to include 80% of all the mining concessions in a government database able to compare these with relevant payments made. The resulting Online Mining Repository has been made accessible to the public.

In Liberia, a national strategy has been developed for strengthening local supply chains in the mining sector, and the process of revising the country's mining laws has started. The project continues to support the successful activities of the Liberia Extractive Industries Transparency Initiative. Four resource centers have been opened in the project countries, providing access to academic publications on the mining industry. Roughly 12 local development plans have been compiled by communities located in mining areas with high potential for conflict. And following advisory inputs from the project, a number of development-oriented objectives for the mining sector have been integrated in the Mano River Union Strategic Plan 2010–2020.

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Emerging Trends in Local Content in West Africa

Local content has been highlighted as the way to leverage the extractives industry for economic transformation. Indeed value addition of locally mined materials can have significant benefits. For instance, the unit value for copper in a motor is 117 times that contained in cathode copper, and 38 times for iron in fabricated tanks.

However, value addition is not straight-forward. Many countries lack the electricity supply needed to transform ores to metals. A study has pointed that the local content multiplier effect to be 3 for the Norwegian economy, while Kazakhstan's was only 0.45, suggesting differences in the ability of the countries to provide the enabling environment investors need.

Local content policy therefore requires careful formulation. Challenges for many countries include absence of matured manufacturing and services sectors, poor infrastructure, lack of skilled manpower, inefficient regulatory processes, and high transport costs. For African countries, some key issues on how to use local content policies to spearhead economic transformation are:

- How to define the scope and focus of local content policies
- The need to promote shared value between governments and investors
- The gap between policy design and institutional capacity to implement
- The absence of strong political leadership to steward policies
- The lack of a thriving entrepreneurial class to respond to opportunities

Nevertheless, countries in the region are enacting local content laws. Countries have local content policies or laws either as standalone documents (e.g. Ghana, Nigeria) or embedded in the laws that regulate the MOG sector (e.g. Liberia, Guinea). A review of laws being implemented indicates that three main forms of local content inputs are addressed in the policy documents, namely, human capital, procurement of goods and services, and state equity participation. No country has provision for project finance. Table 1 summarizes the policy provisions in Ghana, Guinea, Liberia, and Nigeria.

While the focus of local content policies is still largely on human capital and procurement of goods and services, other aspects are slowly are growing in importance, namely research and development (R&D), finance, and insurance (e.g. Nigeria).

Project finance requirements in local content can have significant impact on domestic financial sector development. For instance, Rio Tinto's total investment at Simandou mine in Guinea is estimated at US$10 billion. Having local participation even at 1% can substantially develop Guinea's severely underdeveloped financial sector.

Table 1: Classification of Local Content Laws

	Human Capital		Procurement of Goods and Services		Equity Participation		Project Finance		Implementing Institutions	
Country	**M**	**P**	**M**	**P**	**M**	**P**	**M**	**P**	Board	Government Dept
Ghana	✓	✓	✓	✓	✓	✓	•	•	✓	✓
Guinea	✓	•	✓	•	✓	•	•	•	✓	✓
Liberia	✓	✓	✓	✓	✓	✓	•	•	✓	✓
Nigeria	✓	✓	✓	✓	✓	✓	•	•	✓	✓

•No provision; √ Some provision; *A standalone administrative body M=Mining; P=Petroleum

Local Content as a Way to Get Social License

Newmont's gold Ahafo Linkage Program (ALP) in Ghana is a program designed to support and develop micro, small, and medium enterprises (MSMEs) in the Brong Ahafo region to provide goods and services to Newmont. This program has not been prompted by local procurement laws but by Newmont's desire to engage and support local development.

The program has offered training in record keeping, business management, market diversification, finance facilitation, and technical capacity building to over 210 local small and medium-sized businesses. As a result, between 2007 and 2009, 99 suppliers from Ahafo host communities were awarded contracts by Newmont Ghana worth over US$14 million. Local businesses also generated US$6.8 million in new business contracts from other clients' operations in the country. IFC (2011) states that: "The ALP promoted the use of formal business practices to foster competition and established clear rules for accessing Newmont contracts through a Local Procurement Program and a dedicated local procurement office."

While it is too early to assess the impact of local content laws, Nigeria has made good progress in developing local content in the wake of the Local Content Act. Nigeria Content Development and Monitoring Board (NCDMB), the body charged with promoting local content claims that before the Act, more than 95% of the jobs in the industry were assigned offshore. According to them, US$214 billion in procurements, and US$9 billion in research and development were done in North America, while US$78 billion in technical services and US$39 billion in engineering works were carried out in Europe. NCDMB claims that due to the Act, US$191 billion investment could be retained in country adding that 300,000 new direct job opportunities are expected in such areas as engineering, sciences, technical services, and manufacturing.

The umbrella body of indigenous contractors, Petroleum Technology Association of Nigeria (PETAN) has also said that its members have doubled since the advent of the Act. These professionals now specialize in more than 200 areas of professional competence in the oil and gas industry.

Fabrication is probably the most developed manufacturing area in the Nigerian petroleum industry. Some examples include:

- Globestar's yards fabrication of the jacket for the Amenam platform
- Saipem yard's Okpoho platform
- ChevronTexaco'sMeren-X well jacket
- Ahelipad fabricated by Transcoastal Nigeria

Benefits have also extended to non-traditional areas. First Bank of Nigeria Plc. has increased participation in both upstream and downstream transactions in the industry. The financial support extended to upstream, downstream, and oil and gas infrastructure development is over US$3 billion.

Interventions

The African Minerals Skills Initiative

The key to moving up the minerals value chain is skills. However, "mineral skills" have been defined quite narrowly – generally as engineering and geology related. But as Africa moves into the future, the skills required to deal effectively with an increasingly complex extractive sector extend far beyond only engineering and geology. Thus adopting a broader and more holistic view of the skills needed to effectively benefit from extractive sector is critical. The modern minerals sector requires competency in areas such as strategic planning, law, finance, fiscal policy, environment, community affairs, and human rights. The African Minerals Skills Initiative (AMSI) aims to support the Africa Mining Vision by:

- Focusing on broad skills development in Africa in relation to the minerals sector
- Taking a holistic view of skills and institution building for the minerals industry
- Supporting locally-owned delivery of skills and opportunities through selected African mining schools

The African Mineral Skills Initiative also aims to be integrated with the African Mineral Development Centre. AngloGold Ashanti confirmed that it would contribute US$ 1 million for the integration.

Guinea Simandou Project

Guinea is in the midst of rolling out one of the biggest mining projects ever: the Simandou Iron ore-mining project. The project, which is a partnership between Rio Tinto, the Government of Guinea, and The International Finance Corporation (IFC), has begun a program to increase local participation that is fairly innovative in conception and design. The group's two interventions are"

- Private public partnerships (PPP) that includes Rio Tinto and Agence Francaise de Developpement (ADF) to build a training center. The goal is to train about 1,640 students in a range of skills in the next seven years. The government has provided the land, Rio Tinto has financed the construction, and ADF has contributed financing and provided the curriculum material. The curriculum is intended to balance basic technical skills with specialized qualifications that have immediate and practical application to industry needs. The center is further envisaged to carry out a gradual transition from a mobile training center to a permanent training center that will focus only on professional skill development within a period of three years.
- With support from the IFC, the government has been promoting the transfer of know-how from South African firms to firms in Guinea. Recently, a joint venture has been formed between a local Guinean company and South Africa's North Safety Products, a manufacturer for personal protective equipment and uniforms. The goal is that such joint ventures will be incubators for local firms to become equipped to successfully bid for mining procurement tenders.

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Extractive Industry and the Community – The Case of Sierra Leone Rutile

If extractives have failed to deliver the expected benefits to countries then the case is likely to be worse for the communities around mines that bear the full brunt of the cost of mining activities. First and foremost agricultural land that was previously a livelihood for many is lost to extractive communities, and for offshore mining, fishing is equally impacted. The extractives industry also requires significant volumes of water, second only to the agriculture sector. (In mining, water is used within a broad range of activities including mineral processing, dust suppression, slurry transport, and employee requirements). Mining thus competes with local communities for water. Beyond this, mining also has the potential to pollute the environment.

Sierra Leone Rutile Mining Company

A case study of two communities within the Sierra Leone Rutile (SRL)[1] operations conducted by YWCA illustrates that community impact is even more pronounced for women. Presented at a FORD-ACET sustainable resource roundtable, the study found that while SRL mining operations stimulated the creation and access to new services and amenities like banking, telecommunications, and libraries, with significant benefit on individuals and communities, women and men experienced direct and indirect consequences of mining operations in different ways. Men tended to capture the benefits (jobs and compensation for land) while women were disproportionately impacted by the activities. In particular, loss of agricultural land and the significant environmental damage that has been caused by activities of SRL impact women most severely. Other grievances particular to women include:

- Marginalization in community and company leadership and exclusion from the negotiations of mining agreements.
- Women use the land but don't possess land titles and are therefore not entitled to compensation. Compensation and royalties to men on behalf of families and communities denied women access to and control over resources and increased their dependence on men.
- Loss of agricultural lands previously cultivated by women has led to the loss of their livelihoods and impoverishment of their households. It is estimated that 3,000 to 5,000 women in the two case communities have been displaced, thereby losing their productive agricultural lands.
- Environmental damage and degradation further undermined women's capacity to provide food and clean drinking water for their families.
- Male employment in the mining companies has withdrawn male labor from traditional subsistence activities, increasing the workload for women.
- Women now often struggle to meet the nutritional needs of their children. Malnutrition threatens children under five, pregnant women, and lactating mothers.
- There have been rising rates of prostitution, teenage pregnancy, and school dropouts. Additionally, paid SRL employees have been known to entice impoverished women with material benefits in return for sex.

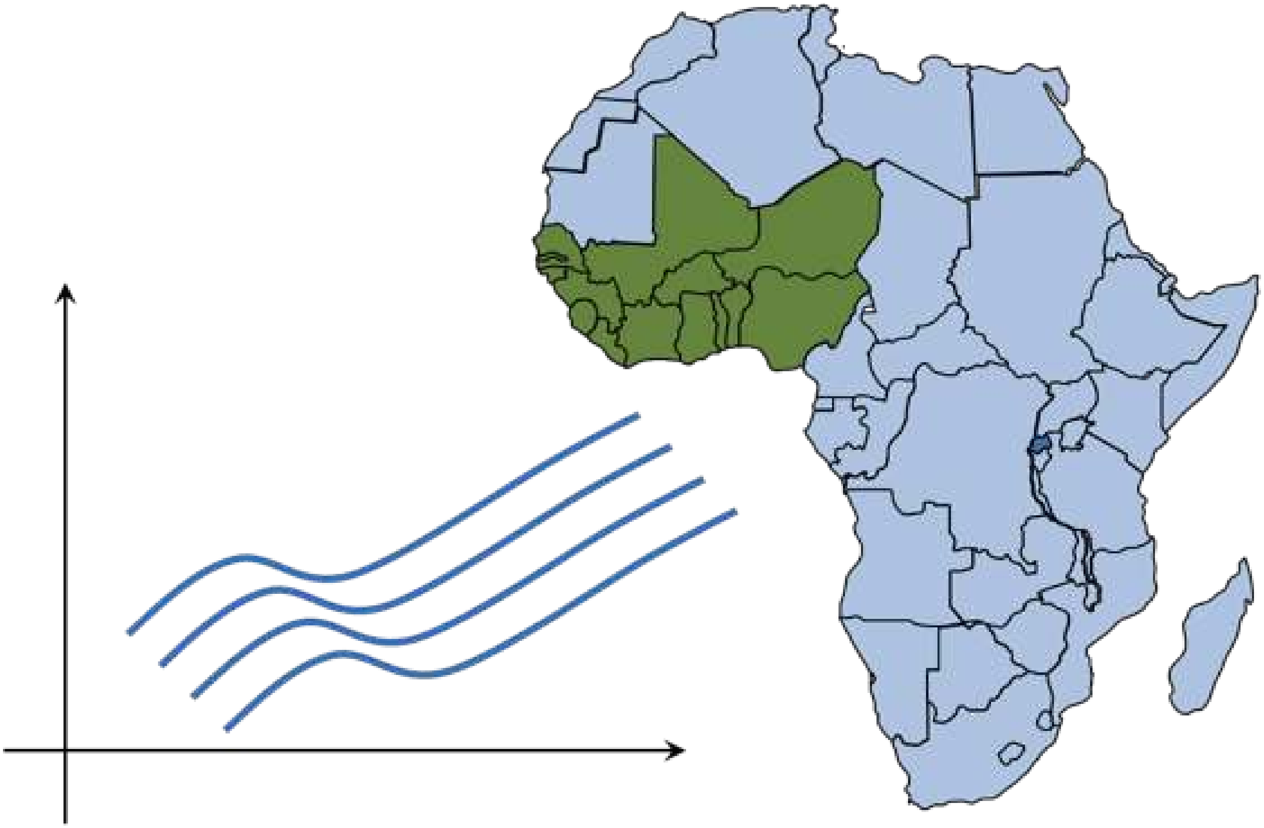
Although the company had a community social responsibility (CSR) program in place, the community was not consulted in the planning and management of the CSR efforts and therefore such efforts didn't reflect the overall needs of the community, nor those particular to women. Though there was an Agricultural Development Fund meant to improve output from available land, women were not aware of its existence, and as a result, did not take advantage of it.

A documentary video of the study drew the attention of top SRL management and a consultant of SRL largely verified YWCA's findings. In response, SRL has taken actions to ameliorate the situation. Such actions have included:

- Hosting discussions with the women and allowed them to lead the development of a community women's agenda.
- Starting a Livelihood Project. Women's backyard gardening and baking has been supported and patronized by SLR.
- YWCA has become an important link between the company and the women in the community.

[1] Sierra Leone exports 30% of the world's rutile, which is extracted by Sierra Leone Rutile (SRL)mining company.

- Going forward, the Sierra Leone Community Development Agreements (CDA) will guide the implementation of SRL's CSR initiatives.
- Planning a workshop on how to support women's participation and increase the benefit of community development drives of company.



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