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The Impact of Structural Adjustment Programmes on Two Mining Communities in Ghana and Tanzania

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Abstract

This thesis is a literature review of the impacts of structural adjustment programmes on two mining communities in Ghana and Tanzania. The strategies adopted by the governments of Ghana and Tanzania to attract foreign investment in gold exploration and extraction activities, raise the question of how these multinational mining companies have approached the environmental and social impacts.

After experiencing extensive periods of depressed economic growth, Ghana and Tanzania were forced to implement Structural Adjustment Programmes as a precondition for obtaining adjustment loans from the International Monetary Fund (IMF) and the World Bank (WB). Prior to IMF's and World Bank's intervention, the mineral economies of these two nations were characterized by excessive state control. Consequently, the mining contracts have often been redrafted several times to a point where the risks of the projects (be they financial, social, or environmental) rest entirely on the countries. All that has been done in order to create an investor friendly environment.

The method used is a comparative method based on the Method of Difference by John Stuart Mill. The data is collected from published books, reports, policy papers, articles and journals related to the topic. The research questions are; what *are the impacts of the International Monetary Fund's and the World Bank's policies on the mining sector through structural adjustment programmes to the local people in Ghana and Tanzania?* And *are these impacts distributed equally in the economic social as well as environmental sustainability?*

In order to answer these questions and give a focused comparison of the two countries, five key areas have been analysed the effects of cyanide and mercury, delay in/unfair compensation, abuse of human rights, displacement and/or relocation of local residents, and the huge wage gaps between the local and expatriate employees. In analysing these areas, the similarities and differences among them have been highlighted.

The findings indicate that despite the success of structural adjustment programmes in attracting foreign investment to gold mining, Ghana and Tanzania have high levels of poverty, corruption, authoritarianism, government inefficiency, and poor social and environmental performance. Therefore, the World Bank's and International Monetary Fund's structural adjustment programmes have been of more detriment than benefit for the local populations.

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Chapter 1: Introduction

Despite the long history of foreign interest in Africa's mining sector, the activities of mining together with its monopoly have remained an enclave of the African governments. Ghana and Tanzania, like most mineral endowed African countries, were sceptical towards foreign direct investment and continued to control the transnational mining corporations by increasing nationalisation and regulation until the launch of structural adjustment programmes (SAP) in the early 1980s.

> *Structural adjustment programmes have resulted in an increase of the economic opportunities and welfare for the few (multinational companies) at the expense of the majority (the local people in the host countries). SAP's were presented as necessary but transitional periods, but their promises for the prosperity have not been fulfilled for more than a decade and the temporary suspension of the fundamental economic and social rights for the local communities have become a permanent deferral (Akermark 2001:518).*

Under the SAP's, Ghana and Tanzania reformed their mining policies with specific instructions and support from the World Bank. These reforms involved enactment of laws and restructuring of the mining sector to limit state participation and regulation, diminish standards of operations and obligations while offering protection and incentives for transnational mining companies (Third World Network 2008).

In this thesis, I will give evidence that the incentives and corporate protection measures offered under the reforms in fact do promote and catalyse the liberalization process but simultaneously undermine the net benefits expected by the host countries and their local people from mining. Liberalizations of the mining sector under the IMF and the World Bank have generated numerous negative consequences for those two countries and their communities commercial land tenure is strengthened, while land tenure of the poor remains weak, policies and institutions are reformed in favour of the large scale multinational companies and in turn create disadvantages for the small scale miners (Third World Network 2008).

While the whole process took place in the name of economic development through direct investments, the national governments of Ghana and Tanzania became weak through deregulation and privatisation, and hence unable to prevent negative consequences to health, livelihood, and environmental. It is obvious that the inability of these governments to regulate and guide foreign investment will make them continue to lose the potential benefits of increased investments for their local communities.

> *The IMF and the World Bank affect the lives of people not only through the projects they directly sponsor but more importantly as policy makers, their power are expanded and strengthened by their restrictive macroeconomic policies (Akermark 2001:517; Third World Network 2008).*

1.1 The relationship between the World Bank and the International Monetary Fund

Throughout my thesis the term structural adjustment programme will be used to refer to policy as well as institutional reforms. Both the World Bank and the IMF supported/advocated SAP's, albeit with different objectives, since each institution has a different mission.

Unlike the World Bank, the IMF is not a development institution. The IMF lends money only to member countries with balance of payments problems, (i.e. a lender of last resort) .The IMF also conditions loans on policy changes that are meant to increase the probability that the loans can be paid back - that is the main motive behind SAPs from an IMF perspective (Bøås and Mc Neill 2003).

First, the World Bank's structural adjustment programmes usually combine an IMF stabilization loan with its conditional ties for a long-term structural adjustment programme~~s~~ overseen by both institutions. Second, the presence of an IMF's programme in a country in question forms the basis~~,~~ as well as the qualifications for that particular country to get a loan from the World Bank. Third, the reform programmes are owned by the country in question, but approved by both institutions (i.e. WB and IMF). Therefore, the decision to favour economic rather than social and environmental sustainability is something that both WB and IMF claim not to have argued for, and hence does not receive much scrutiny (Gibbs 2003; Akermark 2001:519).

The World Bank's structural adjustment reforms claim to be aiming at promoting economic development and poverty reduction surrounding the mining sector, with the national governments of Tanzania and Ghana, as well as the private sector, as the principal players influencing the sector's development. This thesis will focus more on the specific policies, activities, and priorities of the World Bank's structural adjustment programmes, and less on those of IMF.

1.2 Research Question

Specifically, this thesis aims to answer two primary research questions for the World Bank's mining policy reforms in Tanzania and Ghana: *What are the impacts of the International Monetary Fund's and the World Bank's structural adjustment programmes on two mining communities in Tanzania and Ghana?* And *are these impacts distributed equally in the economic social as well as environmental sustainability?*

Chapter 2: Research Design and Methods

2.1 The Comparative Method

Comparative studies allow the researcher to study a larger number of cases than qualitative studies commonly do, but typically comparative studies deal with a smaller number of cases than quantitative studies. On the other hand, comparative studies allow the researcher to examine more variables than in quantitative studies of many cases, but commonly fewer variables are taken into account than in qualitative studies - that for instance concentrate on only one single case, but numerous variables (Ragin 1994: 107-8). Thus, the comparative method is particularly suitable for comparing a few cases, for instance countries. In this case, the countries serve as units of analysis (Chambliss & Schutt: 37-40).

Comparisons can be conducted in different ways, but often a common goal is to "explain the diversity within a particular set of cases" (Ragin 1994:105). For instance it is it the comparison between the specific similarities and differences that can unveil the common underlying factor(s) between countries which accounts for the observed political outcome (Landmann 2003:29).

According to John Stuart Mill, the comparative method can be distinguished into two opposite approaches which he called the *Method of Agreement* and the *Method of Difference* (cf. Landmann's (2003) distinction of the 'most different systems design', MDSD, on the one hand; and the 'most similar systems design, MSSD, on the other). Theda Skocpol and Margret Somers (1980) developed the following model that displays the patterns of similarities and differences in the two approaches respectively.

Table 1: The Method of Difference and the Method of Agreement

	Method of Difference			Method of Agreement		
	Country 1	Country 2	Country 3	Country 1	Country 2	Country 3
Independent variables (Features)	a b c	a b c	a b c	a b c	d e f	g h i
Key explanatory factory	x	x	not-x	x	x	x
Dependent variables (Outcome to be explained)	y	y	not-y	y	y	y

Source: Theda Skocpol & Margaret Somers (1980), The Uses of Comparative History in Macrosocial Inquiry. *Comparative Studies in History and Society*. 22 (2): (174-97) 184. Cf. Landmann (2003:30).

John Stuart Mill's argument is that comparisons can be conducted in two different ways. The first approach is the Method of Difference in which the focus is on a single, decisive difference that can explain why otherwise identical cases actually differ in the outcome. The second approach is the Method of Agreement in which the focus is on a decisive similarity (agreement) that can explain why otherwise diverse cases have a similar outcome (see table 1).

This ideal of a comparative research design turned out to be difficult to apply to the available cases of gold mining countries in Africa. Although a considerable amount of time was spent on the selection of cases (cf. Flyberg 2004:423-425), no optimal solution could be found. Applied to the model above, the cases of Ghana and Tanzania correspond to the pattern of variables for country 1 and country 2 in column to the left (Method of Difference). In these two cases the outcome to be explained (y) can be seen in the local impacts of mining policies (social, health and environmental impacts).

Both cases display what can be considered to be the key explanatory factor (x), namely the structural adjustment programmes. However, the theory of the comparative method prescribes that an additional, third case (displaying the key explanatory variable of not-x) is needed in order to find a causal explanation. In practice, gold mining in South Africa seemed at times to be a third case that fitted into this approach; however, and due to practical reasons, a detailed examination of this third case has to be left for future research.

2.2 South Africa: A possible case for further research

In this section, I will briefly mention a few aspects of the development of the gold mining industry in South Africa that as a hypothesis to be verified or falsified by future research might render as a decisive third comparative case for future research, and that might complete the logic pattern of the method of difference. However, there is at least one problem to be discussed critically.

South Africa holds a different position among the gold mining countries in the world than Ghana and Tanzania. In the list of top 20 global gold producing countries in 2004, South Africa was ranked first, while Ghana and Tanzania were ranked twelfth and thirteenth respectively *(Virtual Metals Research and Consulting Limited* 2006:28*).* If the countries' ranks are taken into account as an independent variable to the comparison, the gap between the ranks might be used as a forceful argument against any comparison of gold mining in South Africa on the one hand, and gold mining in Ghana and Tanzania on the other. In other words, a comparative research design that would include the case of South Africa would need a convincing argument to justify that the cases are in fact comparable (cf. Ragin 1987:168-169).

If this problem can be solved, South Africa might be regarded as a decisive proof to my hypothesis that the implementation of structural adjustment programmes in Ghana and Tanzania has had tremendous social, health and environmental impacts on the local populations. This is due to the fact that *no* structural adjustment programmes were introduced in South Africa (and its mining industry), and that there *is* certain evidence that working and living conditions of the miners and mine communities have improved considerably since 1994. Thus, the case of South Africa might display both a single independent variable (non-y) and a deviant dependent variable (y), and thus could therefore be seen as a logic proof of my hypothesis.

A second example of possible evidence for my hypothesis might be that local people in Ghana and Tanzania, who were victimised by large-scale mining investments either through evictions, ~~and~~ or unfair dismissal from employment, or some other ways, are bitter with anger. Examples include people associated with Maili mpya and Tulawaka in Tanzania, and unemployment in Tarkwa locality in Ghana after its privatisation. In contrast, in South Africa, the *Black Economic Empowerment* (BEE) legislation facilitated a diffusion of the mineral wealth, thus leading to enhanced living standards of the local population. It did not start as a legal entity and it had no legislative powers. "Its main role was to coordinate the consultative process out of which its recommendations are submitted to government" (Virtual Metals Research and Consulting Limited 2006:121).

So much to the challenges and advantages of South Africa as a third case of the comparison. When it comes to the introduction and implementation of structural adjustment programmes, it is important to point to certain, but minor differences between mining policies in Ghana and Tanzania. The major gold producing countries in Africa are South Africa, Ghana, Tanzania, Zimbabwe, Guinea, and Mali (Kumah 2006:318). But there are three types of mining codes in Africa which were introduced at different times, thus creating generations of mining codes. A first type of mining codes was introduced in Ghana in 1986, a second in Guinea in 1995, and a third in Tanzania (1998), Mali and Madagascar (both in 1999). The first generation of mining codes in the 1980’s - as illustrated by Ghana - provides an example of the initial extremely stringent forms of state withdrawal. Tanzania on the other hand is an example of the third mining code in 1990's in which the role of the state of facilitating and regulating increasingly has been recognized (Campbell et al. 2003).

Although Ghana and Tanzania display certain differences, they still display similar patterns of an open-ended and cumulative liberalization of the national mining codes. In addition, the role of the state administration seems to be sufficiently comparable in the two countries, especially now that Ghana's legislation is under review so as to be similar to that of Tanzania, while Mali's policy was explicitly modelled on that of Ghana (Campbell et al. 2003:9).

2.3 Five dependent variables to be compared

My hypothesis is that the introduction and implementation of the structural adjustment policies lead to a dynamic and open-ended process of change in the mining policies in Ghana in 1986 and in Tanzania in 1998. When analysing the existing literature on the impacts of gold mining in the two countries, it turned out that five independent variables can be isolated:

- Chemical pollution; where there have been incidences of environmental destruction through the use of mercury by small-scale and galamsey/artisanal miners and cyanide mismanagement in the case of large multinational mining companies.
- Delay in and /or unfair compensation to local residents who lose their land to mining projects.
- Abuse of human rights in the mining regions.
- Displacement and/or relocation of the local communities from their land of origin.
- Huge wage gaps between the local professionals and the expatriate workers.

Those five variables will be analysed and discussed thoroughly as independent variables in order to unravel and document their relevance in explaining the consequences of the World Bank involvement in the mining sector to the local people of Ghana and Tanzania. Nevertheless it is important to keep in mind that only the comparison with a third case, such as discussed above, actually can verify or falsify if the structural adjustment programmes are in fact key explanatory factors. All in all, the comparison undertaken in this thesis can seem to be anarchistic or at least little pre-planned. However, according to Martyn Hammersley (2004:549), the open-ended approach to data analysis is a key feature of qualitative research that distinguishes it from the more formal and completely pre-planned quantitative research. This corresponds to Denzin and Lincolin's description of qualitative research as a «bricolage»: it is an "emergent construction" which "changes and takes new forms as different tools , methods and techniques of representation and interpretation are added to the puzzle" (Denzin and Lincoln 2000:4).

2.4 Collection of Data

In order to have the reliable data for this thesis, information from books, reports, policy papers, journals and articles as well as home pages of different international, governmental and non-governmental organisations have been used. I have also made use of the primary data from public newspapers. I started searching quite broadly, with key words *Ghana, Tanzania gold mining* with the aim of finding out if there were some other researches that had compared those countries before. I found some but not in the exact same sphere as that of my thesis.

At this point I realized the importance of having clear research question under which the key searching words were *mining and structural adjustment in Ghana, Tanzania. The impacts of gold mining Ghana, Tanzania, Mining and poverty reduction Ghana, Tanzania, Gold mining and the environment in Ghana, Tanzania.* When I decided on the six key areas, mentioned earlier, key words relevant to them were included in the searching process.

I used BIBSYS, ISI Web of knowledge, Academic Search Premier, and Google Scholar as the main sources of literature. In very few instances, I used Google Search because it is an appropriate means of collecting data of organisations and private individuals that are affected by and fighting against the multinationals. To a considerable degree these documents cannot be found in academic journals, but in newspapers, journals and Internet pages; it is part of a public sphere rather than of the limited communication of the scientific communities. I also used the World Bank website (this is not a search engine like the rest in this category, but it is important because it is where all the publications concerning the World Bank and its projects are found).

It might be worthwhile mentioning that particularly the primary data was analysed critically i.e. who is the author in relation to the subject matter and the motives behind the text, because each text is the unique creation of a unique author. Facts and value judgments were separated as long as possible. The literature~~s~~ collected in were on the same issue from different sources so as to see if the results are the same.

As I have stated previously, my aim is to explain the impacts of the structural adjustment programmes on the two mining communities of Ghana and Tanzania. Therefore my thesis is explanatory and also inductive since I did not start with the theory but instead with the data from different literature.

Chapter 3: Ghana and Tanzania before structural adjustment programmes

In this chapter I present to the readers how the situation was before the implementation of the Economic Recovery programme / Structural Adjustment programme in these two countries. During colonial times, mineral policy concentrated on gold mining for export. After Ghana's and Tanzania's independence in 1957 and 1961 respectively, the basic framework of mineral rights was revised and a new regime established. State enterprises were involved in production and marketing of gold. We will see how and why the mining policies, acts, land and mining Laws changed with different regimes in these countries.

3.1 Ghana

In Ghana mining activities existed since the colonial rule. Large scale mineral production started during the British colonial rule and their mining policy aimed at ensuring the security of tenure for the grantees of mineral rights among others. After independence the government of Ghana passed an act in 1962 which "vested the ownership of minerals in the president on behalf of the Republic and in trust for the people of Ghana" (Tsikata 1997:10).

The Mineral Act, together with the Land Act 1962 (123) gave the executives powers of deciding the use and management of land in particular if the land was owned by the community, presided by a chief (known as a stool land) since most of the large scale operations happened to take place on the stool land (Tsikata 1997:10).

The State Mining Corporation was established in 1961. Soon after its establishment it acquired five gold mines from the British companies which were about to close down for the aim of protecting employment and the foreign exchange generated by those mines. By that time the gold mined from Ghana could only be sold to the Bank of Ghana or a buyer approved by it.
From 1966 to 1983 the ownership as well as the policy outlined above remained the same throughout different regimes until the introduction of the Economic Recovery Programme by PNDC in 1983 (Tsikata 1997:10-11).

In general, all the amendments made after independence and before the launching of the Economic Recovery Programme in 1983 were for the wellbeing of the Ghanaians as well as the economic benefits of mining for their country. In this case both the social and economic benefits of mining in Ghana existed side by side, which is contrary to the situation after the launching of Economic Recovery Programme.

3.2 Tanzania

Mining activities in Tanzania have been in practice since the pre-colonial era with gold among other minerals being extracted by the Arab traders. During the German colonial rule they introduced the concession system in order to be able to encourage private companies to exploit minerals by granting them exclusive mining rights to large areas. In the early 1920 there were no big mining companies in operation but only the artisanal miners (Chachage 1995:48).

Due to the government efforts to encourage large scale investment in mining in the second half of the 1920's mining was no longer perceived as a secondary activity but still these efforts did not yield much. Apart from the awareness about the presence of a reef in the Lake area in 1925, still the large investors were not so interested with Tanganyika's gold supply simply because it was not suitable for large scale production. So up to 1936 Africans who were the small scale miners constituted the permanent force in this sector (Chachage 1995:50).

Although gold became the most important mineral economically in the early 1940’s the government still did not earn much from it in terms of royalties, rents and fees because its price remained low and its demand as a commodity was also low. It was only purchased by the Bank of England.

Gold production for commercial purposes declined rapidly soon and after independence, i.e. 1960’s and early 1970’s, and officially ceased entirely in 1972. The government of Tanzania tried to re-open the gold mining sector in the 1970-1980’s by establishing the State Mining Corporation (STAMICO), which attempted to attract large capital in the form of aid or joint public-private investment. However their efforts did not materialize (Chachage 1995:53-54).

In the process of trying to re-activate the mining sector, the government passed a new mining law of 1979 in which the ownership of all mineral resources were under the public (state) control, but it set out the procedures of how to allow the independent mining companies to operate in the country. Surprisingly, none of the foreign companies which were granted the exclusive rights in mining development opened new mines. Instead, they were interested in recovery operations of the older mines. Consequently it was and still is the small scale miners who have been exploring and developing many parts of the country even with SAP’s (Chachage 1995:57, 61).

Chapter 4: World Bank and International Monetary Fund

In this chapter, the origin, structure, and functions of the World Bank and the International Monetary Fund are presented. The chapter also explains to the reader what was to be done if the mining sectors of Ghana and Tanzania were to be productive from the perspective of the World Bank and the International Monetary Fund~~,~~ and, finally, what prompted Ghana and Tanzania to follow the recommendations given by the World Bank and the International Monetary Fund.

4.1 What is the World Bank and what are its main activities?

According to Bøås and Mc Neill (2003), the World Bank, like the IMF, is a Bretton Woods Institution established in 1944, with its Headquarters in Washington, DC. By then it was known

as the International Bank for Reconstruction and Development (IBRD). The World Bank has 184 member countries. The views and interests of the World Bank's member countries are represented by the Board of Governors and a Washington-based Board of Directors.
Both recipient and donor countries are shareholders and they are therefore supposed to jointly exercise ultimate decision making power in the World Bank. The World Bank's capital comes from two main sources; *guaranteed capital*, or the paid in capital and the *callable capital.* Each member country is obliged to pay those two parts for its subscription. The paid in or guaranteed capital is a relatively small amount of money that each member country pays to the World Bank, while the callable capital is the larger amount of money which is not directly paid to the World Bank but each member country guarantees its availability to the World Bank once it is needed (Bøås and Mc Neill 2003:20).

The fact that a member country's percentage of votes is weighted based on the country's contribution to the Bank in terms of the callable capital and guaranteed capital makes the decision-making process to reach consensus artificial. Countries that contribute extensively to the funding, control a higher percentage of votes; those that contribute less, control a lower percentage. Therefore consensus is often achieved by poor countries modifying their policies in accordance with those of rich countries (Bøås and Mc Neill 2003:18).

Bøås and Mc Neill (2003) further argue that; the Board of Governors is the main governing body of the World Bank. It is made up of appointed governors from each member country. Each governor carries the total number of votes of the country he/she represents in the issues decided by the majority. The main functions of the Board of Governors are (1) to coordinate all the activities related to the Bank's presidential election, (2) to handle the changes in the World Bank's capital stock, (3) to establish the special funds and (4) to approve the annual financial statement of the Bank. In practice, most of these activities have been delegated to the Board of Directors because the Board of Governors summons only once every year.

The Executive Directors who serve under the Board of Directors are the residential representatives of the member countries in Washington. The Executive Director have the responsibility to supervise the general operation (5) of the World Bank, and to discuss the loan proposals, new programme initiatives, and policy papers.

The main activities of the World Bank are to provide long-term loans to governments for development project, short-term loans (1-3 years) for institutional policy reforms, and technical assistance in the form of advice to governments in borrowing countries. It is under the last activity that the new open-ended mining codes of Ghana and Tanzania came into being (Bøås and Mc Neill 2003: xi, 27).

4.2 What is the International Monetary Fund and what are its main activities?

The articles for the agreement of the establishment IMF were drafted and signed at the Bretton Woods conference in 1944. The headquarter is located in Washington DC. The IMF commenced operations in 1947, and has currently 184 member countries, each of which contributes a certain amount of money known as *a quota subscription or membership fees* on joining (Bøås and Mc Neill 2003:29).

According to Bøås and Mc Neill 2003, it is these quota subscriptions that form the pool of money from which the IMF draws and lends to member countries that are in financial difficulties. Moreover, it this money which determines the special drawing rights of a member country, since the more a member country contributes the more that particular country can borrow at the time of need. These quota subscriptions are set by the IMF based on each country’s wealth and economic performance and are reviewed every five years. In case of great stress in the world economy the money from quota subscription is usually not enough and therefore “general arrangements to borrow” have been put in place since 1962.

Like the World Bank, the IMF has a Board of Governors, and a Board of Directors; with residential representatives in Washington. Furthermore, in the IMF too there is an artificial consensus, which is reached on the basis of the distribution of power among the board members.

The main activities of the IMF are as follows. First, the IMF lends money to countries that spend more than they earn and to whom no other country is willing to lend. Thus the IMF serves as a last safety net for member countries supporting them financially for a short period of time. The conditionality behind this financial assistance is for the recipient countries to implement structural adjustment programmes approved by the IMF in order to reform and stabilize their economies. This is why many African countries in the early 1980's (Ghana) and late 1990's (Tanzania) had to undergo policy reforms and legal frameworks in their mining sector. Second, the IMF also provides technical assistance in the form of design and implementation of fiscal and monetary policies; institutional building, for example central bank, treasury, tax and customs departments as well as statistical services; and drafting and review of economic and financial legislation (Bøås and Mc Neill 2003: xii, 31-32).

4.3 IMF and WB policy reforms for the mining sector in Ghana and Tanzania

A Structural Adjustment Programme is a process whereby economic policies and institutions are reformed in order to enhance financial growth, improve resource allocation and economic efficiency, and increase an economy's resilience to changes in domestic or global markets (Hilson 2004).

These SAP's are designed by the IMF and the WB and then imposed upon debtor countries such as Ghana and Tanzania as a precondition for debt relief, acquiring subsequent loans and attracting foreign investment.

In the early stages of a structural adjustment, measures are implemented to reduce the short-term imbalances between demand and supply and to promote growth through devaluation, producer-price increases, trade liberalization, privatization and institutional change. After all this is done, an agreement is made between the receiver country and the IMF which enables the country in question to negotiate a loan from the WB in which both the WB and the IMF impose a series of conditions which should be met by the receiving country (Boas and McNeill 2003).

Though these policies may be applied to all the other sectors of an economy, they always claim the privatization of mines in areas such as policy making. According to the Bretton Woods institution privatizing the mining sector is the point of departure. Before the adoption of the Economic Recovery Programmes through the Structural Adjustment Programmes, the mining sectors of Ghana and Tanzania were characterised by excessive state control.

In Ghana when the government had to launch the Economic Recovery Programme (ERP), had a near-complete control of the mining sector. In 1960 the government had bought all the shares in the mining companies that were under the threat of closing down it also established Ghana State Mining Corporation, which owned shares in Ashanti Goldfields, the country's largest gold producer by then. In 1961 the government owned all the mines except Obuasi and Konongo, which were nationalized in 1972 and 1966 respectively (Hilson 2004:61). At the time of the inception of the ERP, all these state owned mine companies and enterprises were financially underperforming.

In Tanzania, stagnating gold prices in the 1960's forced many smaller foreign companies to close their operations. In 1972 (STAMICO) had taken control of eleven companies, leaving the property of Williamson's Diamonds Mining as the only independent large-scale mine. STAMICO's efforts to attract large capital in the 1970's and early 1980's in the form of aid or joint public-private investment also failed (Chachage 1995).

It was this prolonged inefficiency of most government-operated utilities and companies along with the widespread corruption and economic mismanagement that caused chronic economic decline in the mining sector in those two countries. According to the 1992 study *Strategy for African mining,* these countries, given their substantial mineral resources, had better chances of overcoming those difficulties and return to vigorous growth if they adopted policies such as follows:

- First, they should do away with excessive state control of their mining sectors and introduce policy reforms that will lead to private-sector-driven mining development, while promoting private investment and supervising the implementation of the established policies and regulations.

- Second, they should privatize the existing state mining companies in order to improve productivity of the operations and demonstrate to the investors their intention of following a private-sector-based strategy.
- Third, their trade regimes should not be restrictive and the economic adjustment programmes should be open-ended.
- Fourth, the taxation of mining companies should be consistent with the taxation of other sectors of the economy such as agriculture, and earnings related rather than output-or input-related.
- Fifth, mining institutions such as the Ministry of mines, the Geological Survey the agencies of environmental protection and mine safety should be strengthened to be able to perform their promotional, regulatory and monitoring functions.
- Lastly, mining legislations should reduce risk and uncertainty for potential investors and ensure easy access to exploration permits and mining concessions. Permits and concessions should be transferrable with minimum government interference.

4.4 What led to the inception of Structural Adjustment Programmes (mining sector reforms)

This sub-chapter explains to the reader the economic and financial environment that forced Ghana and Tanzania to implement the policies pioneered by the World Bank and International Monetary Fund in their mining sectors against their own free wills.

4.4.1 Ghana

According to Hilson (2004), in the 1970's and early 1980's Ghana experienced an economic deterioration because of the following reasons:

- There was a high inflation rate in Ghana which was over 50% average per year in 1976-1981. As a result of the high inflation rate the wages for the public employees declined. For example, the wages of clerical workers fell by 74% and the wages of senior managers fell by 90% in between 1977-1983. People lost morality to work, and it was at this period when many Ghanaians, especially the skilled ones, fled the country.

- Hilson (2004) further argues that the government became corrupt and increasingly non-functional. The bureaucratic procedures within the government provided the loopholes for those in power to sell the important licenses and goods to the black market for their own benefits.
- In 1982-1983 Ghana experienced drought, which resulted into serious food shortages~~,~~ and power rationing, both for the domestic and industrial use, due to the fall of the water level in the Akosombo Hydro electric dam. This drought also caused bush fires that destroyed both food and cash crops such as cocoa.
- Ghana had no oil reservoirs, so the rise of oil price in 1979-1980 made matters worse. At the same time Nigeria, the country that used to provide credits to Ghana, refused to lend money to Ghana (Hilson 2004). This intensified the balance of payments problem in Ghana's economy to the extent that neither the government nor the state could control. As such, the only way out of the deteriorating economic position was to opt for the IMF's and the WB's reforms

Between April and June of 1983, negotiations were made with the IMF and the WB for Ghana's financial assistance in which economic policy reforms under the Economic Recovery Program (ERP) took place (Hilson2004:59).

Many labour movements and student groups strongly contested the introduction of the ERP, but in 1986 Ghana's first Structural Adjustment Program was announced (Hilson 2004:60).

In Ghana, as it later happened in Tanzania, the priority behind the ERP was the privatization of the state owned mines which were financially underperforming. Between 1961-1972 the state had the total control of all the mining shares in Ghana, but the failure of the state to revive the sector necessitated the first reform in the mining sector in the 1980's, of which many scholars (Campbell 2003, Kumah 2006, Hilson 2002, and Anane 2001) argue that it facilitated a widespread and lasting economic growth, but detrimental impacts to the local people.

4.4.2 Tanzania

Tanzania’s economy in 1961 was based on cash crop production, in particular coffee, sisal and cotton. In 1967 it became a socialist state (after the Arusha Declaration). Economic policy was based on central planning and government control which brought about the improvement in social indicators and a building of a nation state (IMF 1999). However, in 1980’s Tanzania’s economy fell apart after experiencing several external problems which were of tremendous effect to the nation.

- The global economic recession of the 1970s, the demise of East African Community in 1977, the war with between Tanzania and Uganda in 1978/79 and the doubling price of oil in 1978/80.
- Today Tanzania’s economy is still dependent on agriculture which accounts for approximately half of the national income and as a source of livelihood for approximately 80 % of Tanzanians (GoT, 2002 b).
- Mining and tourism are the two fastest growing sectors of Tanzania’s economy, with 2.5% and 14 % respectively (GoT, 2003). The objective is for the mining sector to contribute 10% of GDP by 2025 (Lissu 2002).

In order to understand the present situation of the mining sector in Tanzania, one should analyse the past. It is in analysing the past that the World Bank’s (WB) and International Monetary Fund’s (IMF) engagement in Tanzania becomes a crucial starting point.

> *During the 1980s and 1990s, 35 countries of Sub-Saharan Africa implemented 162 Structural Adjustment Programmes with the World Bank/and/or the IMF. During the same period, 126 SAPs were introduced throughout the rest of the World* (Campbell et al. 2003:4).

In 1985, the World Bank mission went to Tanzania to assist the government in the preparation of an economic recovery program (ERP), which was adopted by the government of Tanzania in 1986 under pressure from the World Bank and the IMF (Bigsten et. al, 1999). The 1986 Stand-by Arrangement (SBA) between Tanzania and the IMF enabled Tanzania to get more loans from the World Bank.

The World Bank-guided Economic Recovery Program was aimed at a broad range of policy reforms including liberalizing internal and external trade among others. The World Bank has specifically supported mining for growth through a Mineral Sector Development Technical Assistance Loan, which focused on regulatory and tax reforms to attract foreign direct investment in mining and other mineral-based Industries.

> *World Bank's institutional reforms of 1990's were done from a perspective of a financial institution, privileging strategies, favouring short term fiscal redress and incentives to attract potential investors (Campbell et al. 2003:5)*

From the quotation above, policies to attract foreign direct investment by creating "*enabling environment"* and promoting export were of primary importance, as opposed to redistributive measures in order to achieve and maintain greater social cohesion, or regulatory measures by the state to monitor the use of non renewable resources, i.e. minerals and the environment.

The World Bank study of 1992 entitled "A Strategy for African Mining" clearly articulates the need to have a mining sector policy which emphasizes the role of the private sector as the "*owner"* and "*operator*". This is the reason why the government of Tanzania came up with a mineral policy, the new Mining Act of April 1998, which stressed on a private sector-led mineral development. The previous policy of 1979 emphasized more on government control of the mining sector. The mining act now also curtailed the role of the state; this was between the state and market, state and its societies and reducing the functions of the state when compared to the way they were previously existed (Campbell et al. 2003:3).

Therefore, from the WB and IMF perspective and encouragement, the role of the state shifted from regulatory functions to strictly promotional activities. They advised the government of Tanzania to reform its mining policy, privatize the state-owned mining resources, reduce royalty rates, allow the full repatriation of the profits and abolish duties.

Chapter 5: The impacts of the structural adjustment programmes to the local people

Since the onset of the reforms, the record of the mining sector (gold mining specifically) on the social and environmental performance has not been satisfactory. Different multinational companies continue to cause problems by damaging the health and livelihoods of the local people. The price of the mined products does not reflect the true costs of their production. As Abraham Kumah (2006) puts it, in many developing countries the costs of gold mining have largely been transferred to local people and their governments. Despite the fact that these reforms have been very successful in attracting foreign investment and raising the Gross National products of these two nations, the industry is not sustainable[1] (African Labour Research Network 2005:12). Mining has also externalised many costs in the shape of pollution or impacts on community environments and livelihoods. Some of these costs, like health costs for serious respiratory problems, are picked up by the state (African Labour Research Network 2005:9).

When arguing that large scale mining activities by multinational companies externalises the environmental and social costs, I do not want to express that other modes of production are more sustainable. An example of this is the use of mercury in artisanal mining in Ghana. It is estimated that 300,000 men, women, and children are engaged in artisanal activities in gold. Likewise, the Tanzania Chamber of Minerals and Energy estimated that there are between 500,000 and 1 million artisanal miners in Tanzania (FIAN International 2008; Anglo Gold Ashanti 2004).

As in many other mining communities, artisanal mining is mainly because of poverty. Mining is particularly taken up in the absence of other employment opportunities after large areas of land have been given out for exploration or eventually exploration. These artisanal (galamsey) miners use mercury to extract gold from the ore, while in the process posing major threat to their health~~y~~ and to the environment by polluting water sources. The case of *Nyamalembo dam (Geita district)* in Tanzania is a relevant example. The local authorities were forced to prohibit people from using water form that dam because it was contaminated with mercury.

[1] Sustainable development is defined as development that meets the needs of present generation without compromising the needs of future generations. It is associated with the precautionary principal, meaning that harm does not have to be proven before it is to be avoided (African Labour Research Network 2005:12).

In Ghana, the case of *I Trust My Legs* which is an illegal mining camp in Dumasi village, where artisanal miners continue mining even after the Bogoso Gold Limited took over, is a likely example of the effects of mercury to human beings and their environment. In their process of extracting gold, miners inhale mercury vapours. This occurs during the process of heating the substance to purify gold at the same time mercury is discarded into the steams and accumulates in the fish widely consumed by villagers (Harkinson 2003)

5.1 Chemical Pollution

Various chemicals such as cyanide and mercury are used during ore processing. These chemicals are the major causes of pollution on the surface and in the ground water. Mercury was used in the old days, but now it is only used by small scale miners, it has been phased out in bigger operations that now mainly use cyanide.

> *Cyanide is the chemical of choice for mining companies to extract gold from the crushed ore. Very low grade-ore, with minimal residues of gold, is crushed and piled on the ground, then sprayed with a cyanide solution. No mine has ever avoided leaking cyanide-laced water and waste into the ecosystem.*
>
> *They also argue that cyanide does not break down when water seeps underground under cloudy or rainy conditions or during winter in cold countries* (African Labour Research Network 2005:15).

Gold Fields environmental manager, Dr Andries Leuchner, argues that cyanide occurs in nature~~,~~ since it is constituted of carbon and nitrogen. He argues further that measures to combat cyanide pollution (like chloride) are often worse than the cyanide itself.

In Ghana, the gold mining industry has caused a large share of environmental problems. There have been cyanide spills and leakages, particularly in the Wassa West Region, between 1994 and 2001, during which period there were five major cyanide spills documented (Kumah 2006).
The first spill contaminated river Anikoko and river Bowire in a mine operated by Bogoso Gold fields Ltd. Because of this contamination, farmers were forced to abandon their farms and relocate to other unaffected areas (Kumah 2006:320).

On Tuesday, June 18th, 1996, between 2:00 p.m. and 3:00 p.m., there was a major spill at a mine operated by Teberebie Goldfields Ltd. This is what Thomas Akabzaa named "*the Teberebie Cyanide Spillage Saga*". There was a widespread contamination of Angonabe stream, a main tributary of the Bonsa River, and surrounding crops. It was reported that the contamination affected up to nine villages along the banks of the river (Akabzaa and Darimani 2001).

Akabzaa and Darimani (2001) further argue that after the spillage, Teberebie Goldfields Ltd. was much more concerned with clearing the physical mess and evidence of the pollution than of warning the surrounding communities not to use the water from the contaminated river. As a result into health impacts to the local population and a considerable loss of animals, crops and trees. After the insistence of the damage and effects the community had suffered by District Environmental Management Team (DEMT), Teberebie Goldfields Ltd agreed to compensate the affected farmers with 46,000 cedis each as a good will and not as the salvage value of the damage.

In 1998, another spill happened at a mine operated by AGC (Ahsante Goldfields Company) in Obuasi, resulting in the displacement of several communities such as Dokyiwa, Hia, Finaso, Penipa, Ewiase, Badukrom and Ntosoa (Kumah 2006:320).

A mine operated by the South African-based company, Gold Fields, in Wassa West district spilled cyanide into Assaman River in 2001.This was reported as the worst environmental disaster in Ghana. Assaman River is the source of drinking water for the five villages surrounding it. According to Anane[2] after the contamination, hundreds of dead fish, crabs and birds were seen littering the banks of the river (Kumah 2006:320; African Labour Research Network 2005:16).

Short time after, Gold Fields managing director, Richard Graeme, declared publicly that it was not cyanide but chlorine that was put into the water to neutralize the toxicity of the cyanide which killed the aquatic life as well as caused health effects to human beings. This can be regarded as an attempt to escape the blame of the disaster his company had caused to the community. The Environmental Protection Agency (EPA) could have made an official comment on the issue, but

[2] News report by Mike Anane, *Environmental News Service*, October 24, 2001.

it did not. This incidence offers a concrete example of the effects of SAP, where the government is expected to do and actually does everything in its power to provide an investor friendly environment for investors.

This protection offered by the government of Ghana had far-reaching and long-term effects. The reason a second spill occurred in the same area in exactly two weeks was, in my opinion, because there were neither legal nor financial consequences associated with the first spill. I will be right if I say it is business as usual, which is not fair for the Ghanaians.

Incidences of spills are not as common in Tanzania as they are in Ghana. Although on 04 July 2009, North Mara Gold mine, which is operated by Barrick gold Tanzania, was accused of discharging cyanide water into Tigite River, which is the major source of water to residents of Tarime District. The ITV news bulletin[3] reported that the spill was believed to have caused the deaths of 43 people and 200 livestock.

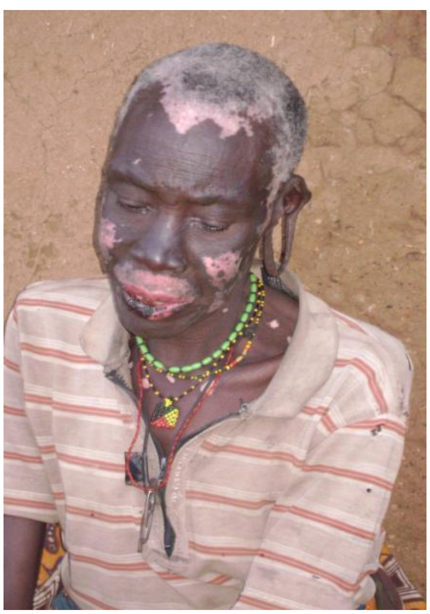

Figure 1: Ms Otiego Mseti, one of the reportedly infected villagers living at a section of the River Tigethe. The river's ecosystem is affected by allegedly contaminated water flowing from the nearby Barrick North Mara Gold Mine in Tarime District. **Source:** http://protestbarrick.net/img/original/main_1.jpg

[3] Independent Television News Bulletin of 8 o'clock of 4th July 2009

In response to the question of Mr Zitto Kabwe, a Member of Parliament (Kigoma North-Chadema), on 10 July 2009, who wanted to know the measures that would be taken against the mine, the government of Tanzania through its Prime Minister, Mr Mizengo Pinda , made an official statement through the National Assembly : *"The government of Tanzania will not hesitate to take legal actions against any mining company proved to have abused its contractual obligations that negatively impacts Tanzanians..... The case involving North Mara will be dealt with accordingly, after thoroughly investigations the legal actions will be taken where/ if required".*

This was the first incidence of a spill accident in Tanzania, and the government acted as a true representative of the people for the first time in a matter involving a mining sector investor. For the first time ever, the Foreign Investment Protection Agreement was put aside. So, although the reforms happened in Ghana and later in Tanzania, when it comes to environmental conservation and the proper functioning of the environmental protection agencies and government's role and interference in such issues, Tanzania has much more to learn if it is to escape what has become of Ghana today.

All of the above are in line with what Das and Padel (2009) call the *Real Price of Bauxite: Outsourcing the Externalities.* If the multinationals had to pay a fair price for pollution, environmental, social and health impacts of production, the price of bauxite would incline, and maybe production would not be efficient at all at this place (Das and Padel 2009). The same might be the case when it comes to gold production. The multinationals make a considerable part of their earnings from not paying the price for environmental damages, health and social impacts on the local people in Ghana and Tanzania.

5.2 Delay in and unfair compensation

In many cases, the land used for mining operations in Ghana was forcibly acquired from peasant farmers under ambiguous regulations, similar to what happened in Tanzania, where the land was acquired from small scale miners either by force or intimidation~~s~~ from higher authorities. Operating an open pit gold mine involves clearing a large tract of land, often hundreds of square kilometres in size.

In Ghana, as it is in Tanzania, the state is the owner of all the country's mineral wealth and the Ministry of Mines and Energy can grant mining rights to companies, excluding communities in the process. According to the Ministry of Mines and Energy, approximately 30 percent of Ghana's land is currently under concession to gold mining firms, which means arable farming land is diverted to mining (IRIN News 2009; Fisher 2007).

The entry of larger scale private interests in the gold mining sector~~,~~ have led the rights to minerals and land being defined in increasingly narrowing ways that lead to cumbersome and delayed compensatory packages awarded by the mining companies to Ghana's farmers and Tanzanian's artisanal miners[4] who lose their land to mining projects not to reflect the real value of their loss.

A case in point is Newmont Gold Mining Company, the world's largest gold producer. Its level of compensation to people potentially affected by its operations was low to the extent that it prompted 703 farmers from six communities in Asutifi District of the Brong Ahafo Region to petition against its procedure of payment for crop compensation (Darimani 2003). Only 70,000 cedis were paid for a mature palm tree, while the salvage value of a palm tree is 120,000 cedis, and only 50,000 cedis are to be paid in compensation for a mature teak tree, although its salvage value is in the range of 150,000 cedis (Hilson 2004:69).

In extremely worst cases like that of Bulyanhulu's forceful eviction in Tanzania, some families were not compensated at all. In his interviews Nambiza was told that only 58 out of thousands families and households were actually compensated. Forty-six families were from the namba mbili area and twelve families were from Bariadi. The payment for compensation ranged from TZS 10,000 (which, at the exchange rate of TZS 650 for 1 US$, is about 18 US$) to TZS 400,000 (about US$ 714)

[4] There is no internationally agreed definition of the term artisanal mining (ILO 1999). A commonly distinction is between artisanal miners and small scale miners, in which the former employs manual, low-technology methods, and the latter having some degree of mechanization. This distinction often refers not only to differences in technology or production but also to legality and illegality, where "artisanal miner" implies an individual without a mineral license (Holloway 1998).

In the same incidence there were other 14 families that lived at namba tisa whose huts were demolished in the process. The company offered them other huts of the same quality and size (built with poles, mad and thatch) in another place. These families refused to move in claiming that they deserved better houses once their original home were destroyed (Nambiza 2007:73).

While there are incidences where new projects like Geita Gold mine (for those who were fairly compensated to relocate) provide a better opportunity for people to improve their living standards, experience shows that in most cases after compensation people fail to maintain, let alone improve, the living standards they had before compensation and relocation. If they were farmers like in the case of Ghana, where cocoa is the major cash crop for small scale farmers, they stop farming because they are not given alternative land as a compensation in order to be able to continue farming, while at the same time the compensation they receive is grossly inadequate.

If they were artisanal miners like in the case of Tanzania, they lose their only source of income and living; and whether they are farmers or artisanal miners, if they have their houses demolished in the process; even if they are compensated they are often not able to build their houses at the same level due to low compensation regimes. In most cases they end up living in temporary shelters and thus homelessness becomes a chronic rather than a temporary problem.

There have been incidences where the government had to intervene and order the new foreign investor to compensate the villagers where they have been relocated for the establishment of the mine. The cases of Mwaluzwolo village in Nzega district and Buhemba Gold mining in Tanzania can be regarded as example of this (Minja 2006).

5.3 Abuse of human rights

The intensity and persistence of human rights violations in many mining communities like those in Ghana and Tanzania is a result of the expansion of the existing mines as well as the development of new mining operations by multinationals. Underlying these human rights violations are conflicts over access and control of natural resources like land and water between the local communities and the multinational mining companies (FIAN International 2008).

The deployment of military personnel, armed forces and the police, to mining areas has lead to a number of human rights violations in these two countries, although in many cases it is private security personnel of mining companies that take the lead. In Ghana, for instance, the military and police in 2006 conducted a country-wide operation known as *Flash Out*. In this operation an unknown number of artisanal miners were shot, beaten, and maimed by both private and state security forces (FIAN International 2008). In addition, mining-related human rights abuses involving the police and the military have been reported from the Wassa West District, Obuasi and the West District in Ashanti Region, Asutifi District in Brong Ahafo as well as the Birim North District in the Eastern Region. For example, on November 2, 2005 two of the farmers who went on demonstration against the Newmont's Akyem mine on compensation issues were shot dead (FIAN International 2008:3).

According to Daniel Owusu–Koranteng, a mining activist from Tarkwa, many people in Ghana have suffered beatings, imprisonment, and murder for standing up for community rights against multinational mining companies. For example, the Wassa Association of Communities Affected by Mining (WACAM) found evidence that between 1994 and 1997, the Ashanti Goldfield Company (AGC) security personnel in collaboration with Ghanaian police and the military killed three artisanal miners. In another incidence of January 1997, 16 artisanal miners were severely beaten while others were attacked by the security guard dogs (Criekinge 2008).

Likewise, in Tanzania, the abuse of human rights also goes beyond the involvement of private and state security forces; this is because even the top government officials are also involved. ~~In~~ Between July 2005 and June 2006 alone, there were six villagers from areas around the sprawling mine (in Nyamongo) who were shot dead. In these brutal killings the top government officials, regional commissioner for Mara Isidore Shirima, regional police commander Kapita Mwaruka and Tarime District commissioner Pascal Mabiti were accused of collaborating with the Canadian mine owners (North Mara Gold Mine owned by Barrick Gold Corporation of Toronto, Ontario) by covering up the killings of innocent villagers (Karega 2006).

Therefore, cases involving physical violence by police and military personnel during demonstrations, forceful evictions and /or illegal mining against artisanal miners or galamsey are very common in Ghana as well as in Tanzania. The worst part is that the indigenous peoples cannot claim for justice because the top authorities usually stay quiet on the pretext of not disturbing and/or creating conducive environment for the investors even though such an environment is being created at their (indigenous people).

5.4 Displacement and/or re-location

Mineral exploitation involves the appropriation of lands from indigenous people and massive displacement of settlements. Prevailing land acquisition procedures in Ghana and Tanzania give the state overriding powers to encroach on people's lands for any 'public purpose', including mining. In most cases, communities become aware of projects only at the time of eviction, when the bulldozers move in often supported by massive police forces.

In Ghana, Teberebie is a well documented example of how re-location reduced the quality of life of many indigenous communities in the Wassa Fiase area near Tarkwa. Before Teberebie Goldfield Ltd. (TGL) was given permission to extract gold in the Wassa Fiase area, the people of Teberebie were subsistence farmers. Illiteracy led their chief to sign an agreement with TGL, which did not materialize empirically. The Teberebie people were to relocate in return for more modern settlement both in size and quality built by TGL, something which TGL did not live up to (Hilson 2004:69-70).

More or less the same thing, but in an opposite way, happened in Tanzania where Nyamalembo and Nyamange villages in Mtakuja District had to be re-located for the re-opening of Geita Gold Mine (GGM). GGM paid US$ 5.06 million to the government-controlled bank account~~,~~ and left the Tanzanian government, through Geita district council, to deal with the formalities and procedures of compensating the villagers. Apparently out of 1800 villagers who were the rightful owners to be compensated at least 857 people where never compensated because the list of those supposed to be compensated contained fake names, and even among those who were compensated most did not receive the correct amount they were entitled to receive (Lange 2008:16; Kitula 2006:411).

Furthermore, multinational companies under SAP have intensified poverty conditions and in numerous incidences of families and communities which had improved their standard of living were thrown back to poverty through *displacement*. In such case they have done more to drive people into poverty than to lift them out of poverty. *This is done through forcing people out of their original land, mostly farmers, small scale and artisanal miners.* A good example of this is the Bulyanhulu controversial evictions of the small scale and artisanal miners in 1996 by Barrick with help from Tanzanian government. People lost their means of livelihood and during the process of eviction it is believed that some people were buried alive and hence lost their lives. (Daily News, 31 July 1996, "Government orders out Bulyanhulu miners", Majira, 30 August 1996," *Aliyenusurika kufukiwa Bulyanhulu ataja waliokufa*: *Adai wenzake wanne wamekufa"* [A survivor names the dead; Claims four colleagues are dead], Majira 17 September, 1996. *Hakuna waliofukiwa mashimoni Bulyanhulu-Kiwelu* [Nobody was buried in the mine pits-Kiwelu]).
Another example is the displacement of people from Maili mpya by Geita Gold Mine in July 2008, where the victims were living in the area which legally belonged to the mine. Up to date these people were still living in tents like refugees.

I have come to find out that in Ghana when you talk of displacement in most cases it falls under the abuse of human rights. Although there is a very close connection between displacement and abuse of human rights, it is the abuse of human rights in Ghana which is of much concern[5].

5.5 Wage gaps

As far as remuneration in the large gold mining companies is concerned, huge income inequalities between the locals and expatriates even, for the same job and same qualification is a common feature.

[5] According to the Oxford Advanced Learners Dictionary, displacement is when people are forced to move from their home to another place, re-location is when people move to another place without being forced. In mining context people usually re-locate when they are satisfied by their compensation. Whether or not the compensation under relocation agreement is/will be fulfilled is the future outcome.

In Ghana, the expatriate on the minimum pay scale earned US$ 3,000 compared to US$ 422 earned by his/her local Ghanaian counterpart (Herbert 2007). Tanzanian mine employees earn between US $ 200 and a maximum of US $ 4,000, whereas foreign workers earn between US $ 6,000 and US $ 20,000 (Curtis and Lissu 2008:39). The worst case scenario is that of Tanzania where there have been incidences even the foreign junior staffs were paid higher than senior experienced local staff (Chachage 2007:9).

This differential treatment between expatriate and local staff in some mines has triggered strikes. For instance, in Bulyanhulu mine, the Tanzanian Mines and Construction Workers accused Barrick of different discriminatory practices which resulted in a strike in October 2007 (Curtis and Lissu 2008:38).

Similarly, in Ghana, AngloGold Ashanti employees at Obuasi, Tarkwa and Idruapem mine went into strike for what the Chairman of the mine workers' union (Prince William Ankrah) said to be too much disparities as well as imbalances in pay and working conditions between them and their expatriate staff: "We are not demanding equal pay. All that we are saying is that the imbalances and disparities are too much and enough is enough" (quoted in Kwasi Kpodo 2009).

Generally, experience shows that when these workers go on strike, it is them who in most cases lose their jobs. They are usually sacked and replaced by new employees. For example, in Tanzania, when the Barrick employees at Tulawaka mine went on strike in demand for better pay and payment for medical expenses, they were sacked, and advertisement were published in the newspapers in order to recruit new workers. Ironically, the minister for mines was quoted saying that there is nothing wrong with what Tulawaka mine did since it is the Tanzanians who were sacked in the first place, and it is their fellow Tanzanians who are replacing them.

Chapter 6: Conclusion and Recommendations

Although the World Bank's endorsed reforms have stimulated a massive inflow of direct foreign capital into the gold extraction industries of Ghana and Tanzania, and resulted in an increase in gold production, they have failed to create jobs, promote economic growth and promote linkages between the mineral sector and the rest of the economy. This thesis indicates that rather than providing these two governments with advice on how to restructure their mineral economy to provide increased benefits to Ghanaians and Tanzanians, the IMF and the World Bank have been more intent on providing a stable investment platform for opportunistic multinationals. As any other financial institution, the World Bank has become very successful from the economic or business perspective, but has completely failed when it comes to socially and environmentally impacts. This means the rise in gold production in these two countries cannot be equated to the living standard of the majority of their people.

The Newmont Gold Mining company defines a *'social license to operate'* as a formal and informal approval any mining company needs from stakeholders to conduct its business, mining companies should establish on-going relationship with its stakeholders in order to obtain support from the people who are likely to be affected by their operations in those communities (Newmont 2003). This argument holds true only in developed countries where impoverished and marginalized societal groups are well represented and the new industries using more modern technology replace older units. In developing countries such as for instance Ghana and Tanzania, where the native people are underrepresented, enforcement agencies under-resourced, legislation is in a piecemeal state, and to which older technology and health risks are exported, this does not apply (Hilson and Haselip 2004; Scandinavian Journal of Public Health 2007:39).

Those factors, combined with the desperation of Ghana's and Tanzania's representative governments to promote foreign investment in their gold economies, provide little incentive for multinational mining corporations to engage in social and environmental best practices and contribute to local community development. This is where South Africa comes in as a third possible country for comparison for future research. There is evidence that mining companies in South Africa have embraced environmental management, and the country has managed to raise the living standards of the native population, especially those that have been marginalized by the country's apartheid practices.

Furthermore, there is a considerable research in management and economics on Corporate Social and Environmental Responsibility. It will be relevant to future research to link these empirical findings to theoretical insights and hypothesis from this research.

To minimize the adverse impacts of mining sector reforms, the governments of Ghana and Tanzania must focus on implementing new mineral policies and begin pressuring companies to assume greater environmental and social responsibility. More importantly, it is crucial to maintain an appropriate mixture of private and public ownership in the mining sector which will deliver maximum benefits to the people, unlike what is currently the case in these two countries. This will be on the contrary to the World Bank's view on the economic benefits associated with complete privatization of the mining sector, since *enclave mine development has done little to bring development to Ghana and Tanzania* (quoted in Maxwell 2004:28).

It is worth while noting that the idea of sustainable mining includes not only ecosystem balance but also the needs of people in the present and the future. Therefore, development activities that displace people, cause~~s~~ great inequalities, loss of livelihoods, environmental pollution~~s~~, as well as loss of access to public services cannot be recovered.

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Appendices

Appendices 1 – News paper articles

Business Times, June 23rd – 29th 2006

Canadian gold firm accused of killing villagers

Top Govt officials named in the brutality

By Victor Karega

HUMAN rights activists and leaders in Tarime District, Mara region, have asked President Jakaya Kikwete to sack and bring to justice top government officials in the region for collaborating with Canadian mine owners to kill innocent villagers who are artisanal miners in the area.

This followed a series of brutal killings of innocent civilians by Police and security guards of Barrick Gold Corporation, the latest victim of this brutality being Kieva Yahana. He was shot five times in the back by a mine security guard outside the North Mara Gold Mine in Tarime District two weeks ago.

The acting executive director of the Lawyers Environmental Action Team (LEAT), Tundu Lissu, Tarime MP Chacha Wangwe and Nyamongo Ward Councillor Augustino Sasi, said in a joint statement issued in Dar es Salaam last week the killing was "another example of uncontrolled human rights abuse."

The statement pinpointed top government officials allegedly covering up the minor as regional commissioner for Mara, Isidore Shirima, regional police commander, Kapita Mwaruka and Tarime District commissioner aschal Mabiti. The killer of the villager was identified as Chacha Meng'anyi, a Barrick Gold Corporation security guard.

The death of Yohana brings to six the total number of innocent villagers killed in cold blood by the mine security guards and the police force in the district since July last year.

Councillor Sasi explained that in April, this year, when the Corporation's security guards killed a villager, Shirima and Mabiti went to Nyamongo area and warned residents against any continued Opposition to the mining activities of Barrick Gold Corporation in the area.

LEAT has also called for the resignation of the director of criminal investigation, Robert Manumba, and the sacking of Mwaruka for "their involvement in this brutality."

Speaking on behalf of LEAT, Lissu said Manumba had been blaming "unnamed politicians for inciting the villagers who were opposing Barrick Gold's mining operations in the Nyamongo area.

He alleged that Manumba was part of the police team led by assistant commissioner of police Mahmoud Shomvi that tried to cover up the killing of dozens of artisanal miners at another Barrick mine at Bulyanhulu in Kahama District in August, 1996.

Lissu said LEAT, working in collaboration with other human rights NGOs in Tanzania, would soon launch an international campaign of solidarity with the Nyamongo people to press for justice, and bring an end to corporate and police impunity.

"We shall take this struggle for justice and for protection of human rights to the international arena. We shall demand action from the Canadian Government and seek solidarity, support from the Canadian people and around the world," said Lissu, adding that they intend to publish "the names of all those involved in the shedding of innocent blood."

He disclosed the six villagers from areas around the sprawling mine who were shot dead between July 20, 2005 and June 1 this year as Marwa Nyansinge, Bhoke Maseke, Kubyo Nyahegere, Chacha Bimo and Kieva Yohana.

Another unidentified resident of Mkomalilo village in Bunda district was also shot dead near the Barrick Gold airstrip at Kewanja village on September 5, 2005, and was buried in an unidentified location.

North Mara Gold Mine is owned by the Canadian mining giant Barrick Gold Corporation of Toronto, Ontario, which took over from Australia's East Africa Gold Mines/Afrika Mashariki Gold Mines Limited (EAGM/AMGM) in 1993.

Since the takeover by Barrick, there have reportedly been a number of local people killed in the struggle to control the mines, as well as forceful evictions, which also saw Sasi, the then village chairman and CcM Village Conference member, receiving a thirty-year prison sentence.

The Guardian, July 19th, 2006

...months time when harvests begin.

Msabaha orders compensation to villagers

By Guardian Reporter, Musoma

THE government has issued a seven-days ultimatum to Buhemba Gold Mining Company to compensate people whose houses were demolished by the company in the course of acquiring the Buhemba mine.

The Minister for Energy and Minerals, Dr Ibrahim Msabaha, issued the ultimatum during the weekend when he visited the gold mine.

The Minister had made a tour to the mine in order to resolve the simmering dispute between the villagers living around the mines and the mining company.

"I want you to convene a meeting with the villagers as soon as possible. I also want you to resolve this conflict within seven days," Dr Msabaha ordered.

He also directed the Commissioner for Minerals, Paul Masanja to make a follow up of the matter closely.

The Minister had issued the directive following a complaint from one of the affected villagers, who told him that their houses were demolished to pave way for construction of the gold mine.

The villagers said that they were yet to get compensation from the mining company.

Dr Masabaha urged the management of the mining Company to establish friendly relations with the villagers, because they were their host

The African, July 28th, 2006

2 *The African* Friday, July 28 , 2006

National News

Nzega villagers tighten noose on Govt

BY UPENDO MINJA

•They want compensation for their land

THE Group of small miners from Mwaluzwolo village in Nzega district, Tabora region have urged the Government to make an official statement concerning their compensation claims on their area that was given to a foreign investor.

Speaking to the press in Dar es Salaam yesterday, the Chairman of the group, Jumbe Kumega, said for sometime now they have made follow ups on promises given by Government leaders including former President Benjamin Mkapa, but to no avail.

He said Mwaluzwalo villagers were benefiting much since they discovered gold in 1987.

They started to mine the gold and earned their living from the activity.

He said villagers said since they where forced to leave the area in 1996, they have not received a single cent as compensation.

"We were about 1617 villages who were forced to leave that land and left our houses and farms and no one has received compensation since thenî he said.

He went on to say that the villagers do not benefit from the undertaking of the new investor despite the fact that the area is rich in gold.

They called upon the President to respond to their cry and issue a statement on whether or not they are going to be compensated.