

# APERIO

## A Message from the PWYP-Canada Coordinator

It has been two years since the creation of the PWYP Canada Coalition. Since that time, hard work has been put into creating an effective and efficient coalition that is able to assert itself as a relevant advocacy group in the Canadian extractive scene. Relationships have been cultivated with the key players involved in the extractive sector in Canada, such as fellow NGOs, government agencies and private sector members, in order to develop a successful campaigning base off which we can continue our efforts in promoting transparency in the extractive sector.

There have been several successes over the past two years. The coalition produced its first report entitled *Lifting the Veil: Exploring the Transparency of Canadian Companies*. The report examined disclosure requirements for Canadian companies in the extractive sector. In addition, PWYP Canada hosted the PWYP International Conference in Montreal this past November. The conference saw participants from 50 countries come together to discuss OECD countries' efforts in promoting transparency at home and abroad as well as a large variety of experiences in the global South. It aimed to offer a forum for dialogue and engagement between civil society from around the world and a chance for such groups to exchange information and experiences with Canadian actors, including government agencies, the private sector, CSOs and regulatory authorities. The overall success of the conference alone is testimony to the ability of the coalition and what it has the potential to achieve.

Several goals have been developed by the coalition for the next year and beyond with the objective of achieving mandatory disclosure in the Canadian extractive sector, including stronger regulations for companies listed on the TMX. First, the coalition will continue its advocacy work with the Canadian government, especially in promoting the Canadian government to become an EITI candidate. Second, capacity building for NGOs in developing countries is crucial for the successful international campaign, and has become an important part of PWYP Canada. Thirdly, efforts to encourage Canadian companies to publish what they pay will continue to be of great focus to the campaign. And lastly, the coalition will seek to broaden its membership, as well as to raise awareness regarding the importance of the coalition.

Aperio is a Latin word meaning to reveal or to make clear. It was chosen as the name for the PWYP Canada Newsletter because it symbolizes the very intent of the coalition – to clarify the landscape of the Canadian extractive sector in order to create a more open and transparent society where citizens can demand accountability from their government and the companies based in their country. Your interest in this first edition of Aperio, as well as in the mission of our coalition is greatly appreciated. We look forward to engaging with all of you on important challenges that face the Canadian extractive sector today and in the future.



## PERSPECTIVES

The PERSPECTIVES section of the newsletter features diverse view points of guest editorialists from various constituencies relating to Canadian extractive operations in Canada and abroad.

### **Multinational Mining: Looting Strategy from the Developed Nations**

*By Evans Rubara, Policy and Advocacy Advisor for the Council of Churches in Zambia*

*Evans Rubara attended the 2009 PWYP International Conference, where he engaged with various participants on issues affecting developing countries hosting Canadian extractive companies. Following the conference, Evans provided PWYP Canada with this article, based on his experiences in monitoring Canadian company activities in Zambia and Tanzania.*

Gold mining is the fastest growing sector in both Tanzania's and Zambia's economies. While it has been reported that there have been tremendous improvements in exports from the extractive industry in these two countries, little improvement has been seen in development and sustainability.

In a report entitled ***A Golden Opportunity: How Tanzania is Failing to Benefit from Gold Mining***, published by the Christian Council of Tanzania, the National Council of Muslims in Tanzania and the Tanzania Episcopal Conference, it is stated that "[b]etween 1997 and 2005, Tanzania exported gold worth more than US\$2.54 billion. The government has received around \$28m a year in royalties and taxes on these exports, amounting to just 10 per cent over the nine year period. The 3 per cent royalty has brought the government only an average of US\$17.4m a year in recent years. Raising the royalty rate to, say, 5 per cent would have increased government revenues by around US\$58m over the past five years." The report goes on to say that overall, Tanzania has lost approximately 265.5 million dollars in revenue as a result of the low royalty rate.

Additionally, David Cronin, writing for the UK Guardian, claims that Zambia has extracted

approximately 2 billion pounds worth of copper in 2006, yet the government only received 12 million pounds in taxes from the companies extracting the metal.

Efforts by both the government of Zambia and Tanzania to raise the royalty rates, enact laws that will ensure that optimum benefits are received from the extractive industries, and ensure socioeconomic stability and environmental sustainability, have met with frustration from the international community. This is particularly the case for the home states of the companies. Unfortunately in this respect, Canada has taken the lead.

Repercussions of this opposition have included the continuous postponing of discussions for a mining bill proposed in the Tanzanian parliament, as well as the abolishment of the windfall tax in Zambia following complaints from investors.

While Tanzanian and Zambian interest groups promoting responsibility in the mining sector continue to advocate for change, progress continues to be slow. The two countries remain poor economically, with allegations of human rights violations and environmental abuse continuing as their natural resources continue to be exploited.

### **Upcoming Project**

- PWYP-Canada has engaged with the project Progress & Opportunities for Women's Equality Rights / Africa-Canada (POWER) at the University of Ottawa focusing on gender and the extractive industries in conflict/post-conflict contexts in Africa. This research project recognizes the lack of information in this area and hopes to bring greater understanding of the impact that the extractive sector has on the lives of women and girls in developing African countries. The project is being led by Joanne St. Lewis, a member of the Faculty of Law at the university.

### **Recent Activities**

- From January 29<sup>th</sup> to February 2<sup>nd</sup>, PWYP-Canada supported a workshop in Cote d'Ivoire for PWYP francophone coalitions where the recently released report *Lifting the Veil* was presented, along with a training module to accompany the report.
- On February 22<sup>nd</sup>-23<sup>rd</sup>, PWYP-Canada hosted a workshop on the Kimberly Process and the EITI in Bamako, Mali.
- The PWYP-Canada Coordinator participated in an outreach session in Vancouver on March 25<sup>th</sup> in order to discuss successes and challenges associated with the EITI. The event was hosted by Natural Resources Canada (NRCan).

## MEDIA WATCH

- On March 8<sup>th</sup> Marketa Evans, newly appointed Corporate Social Responsibility Counsellor for the extractive sector, held an open house event to inaugurate her new office in Toronto. The position was created in order to provide Canadian companies with assistance when dealing with social and environmental issues related to their international operations. While PWYP-Canada recognizes that providing companies with assistance in relation to their operations abroad is important, the appointment of a Counsellor was not one of the recommendations of the National Roundtables on Corporate Social Responsibility. In addition, therefore, PWYP-Canada encourages the government of Canada to take the next step of creating an ombudsman for corporate social responsibility as discussed at the national Roundtables.
- The Canadian Government recently released the 6<sup>th</sup> edition of its CSR E-bulletin. To receive a copy, send an e-mail to [csr-rse.bts@international.gc.ca](mailto:csr-rse.bts@international.gc.ca).
- On January 5<sup>th</sup>, the Centre for International Policy Studies (CIPS) released a policy brief by Madelaine Drohan. The policy brief, entitled **Regulating Canadian Mining Companies Abroad: The 10 Year Search for a Solution**, criticizes the effort made by the Canadian government to establish a CSR framework for its companies operating abroad. To access the article, visit the CIPS website at <http://www.socialsciences.uottawa.ca/cepi-cips/eng/>.
- The government of Canada has uploaded information on the EITI and the Canadian government's involvement with the EITI on its website. This information can be located at <http://eiti.nrcan.gc.ca/faq-eng.php>.
- Inter-Pares recently published a report prepared by MiningWatch Canada and CENSAT-Agua Viva that focuses on Canadian extractive companies operating in Colombia. The report, entitled **Land and Conflict - Resource Extraction, Human Rights, and Corporate Social Responsibility: Canadian Companies in Colombia**, can be accessed online at [http://www.interpares.ca/en/publications/pdf/Land\\_and\\_Conflict.pdf](http://www.interpares.ca/en/publications/pdf/Land_and_Conflict.pdf).
- The Dutch Parliament recently approved a motion to set up a fund providing legal assistance to citizens in developing countries who are negatively affected by the operations of Dutch companies working in the extractive sector. For further information, visit <http://www.africafiles.org/article.asp?ID=23393&ThisURL=./resource.asp&URLName=Resource%20Extraction>.

## ***EITI Board Comes to Decision***

The EITI Board of Directors met in Berlin on April 15<sup>th</sup>-16<sup>th</sup> to discuss the failure of 20 EITI candidate countries to meet their validation deadline on March 9<sup>th</sup> 2010. The board deliberated on the 17 countries that had applied for extensions to the deadline for submitting their validation reports. This decision was complicated by the fact that the amount of progress made differed from each country, and they all continue to face a variety of obstacles that include lack of political will, low capacity and lack of resources. Following the meeting, the board announced that all requests for extension had been granted except for that of Equatorial Guinea. In addition, the board denied the request of Sao Tome and Principe for a voluntary suspension. Both countries are therefore no longer considered to be candidate countries of the EITI.

Following the announcement, several NGOs expressed frustration that only two of the extension requests were denied, and argued that the EITI rule requiring countries to demonstrate that they experienced exceptional and unforeseeable circumstances when attempting to meet the deadline was misinterpreted. In a Global Witness press release, Diarmid O'Sullivan stated that "the EITI board has interpreted this rule so broadly that only two countries failed to meet it, even though there are serious concerns about several other countries such as Peru, Democratic Republic of Congo, Sierra Leone and the Republic of Congo". Additionally, Oxfam America released a statement by Senior Policy Manager of Extractive Industries Ian Gary, which requested that the EITI board of directors "fully disclose the rationale for accepting the extension requests of 16 countries, including the 'exceptional and unforeseen circumstances' that were accepted as valid".

The passing of the validation deadline had led to much discussion regarding the EITI as whole, including its successes and challenges. For example, the government of Canada hosted an outreach session on the EITI in Vancouver on March 25<sup>th</sup> 2010. The session included a range of stakeholders including NRCAN, DFAIT, CIDA, as well as representatives from the private sector and civil society. The session saw discussion on the many ways in which the EITI has promoted positive changes in developing countries when it comes to transparency in the extractive sector, as well as challenges related to the EITI validation period and the process as a whole. Canada continues to be active in the process as an EITI Board member but has yet to join as a candidate country.

# Legislative Landscape

## **Bill C-300**

On February 9<sup>th</sup>, 2009 the proposed Bill C-300, entitled *An Act Respecting Corporate Accountability for the Activities of Mining, Oil or Gas in Developing Countries* was read for the first time in the House of Commons. Since this time, the Bill has undergone a second reading, after which it was passed and sent on to the Standing Committee on Foreign Affairs and International Development.

PWYP-Canada supports Bill C-300, as it offers a greater opportunity for the Canadian government to demand responsible business practices and accountability for Canadian companies operating abroad. Some examples of the proposed requirements include increased regulation of the relationship between Canadian government agencies and Canadian companies in the extractive industries, the creation of eligibility criteria for companies in the extractive industries receiving political or financial support from the Canadian government, the inclusion of international best practice guidelines that articulate corporate accountability standards and the creation of a complaints mechanism that would see complaints accepted by the Ministers of Foreign Affairs and International Trade investigated and reported on within eight months of the original complaint.

## **US Legislation**

### ***Extractive Industries Transparency Disclosure Act (EITDA)***

In 2008, a bill was introduced in the United States Congress that would require companies to publish the payments they make to foreign governments for oil, gas and minerals. The information would be included in financial statements that are already required by the SEC. This would apply to both American and international companies listed with the SEC, covering the vast majority of the largest oil, gas and mining companies in the world.

### ***Energy Security through Transparency Act of 2009***

On September 23<sup>rd</sup>, 2009, the “Energy Security through Transparency Act of 2009” was introduced by a bipartisan coalition of Senators Richard Lugar (R-IN), Ben Cardin (D-MD), Charles Schumer (D-NY), Roger Wicker (R-MS) and Russ Feingold (D-WI). The bill would require energy and mining companies to reveal how much they pay to foreign countries and the U.S. government for oil, gas, and other minerals.

**\*For more information on both pieces of US legislation, visit**

[http://action.openthebooks.org/t/2217/content.jsp?content\\_KEY=351](http://action.openthebooks.org/t/2217/content.jsp?content_KEY=351)

## **Ontario Legislature Review**

On April 16<sup>th</sup> 2009 the Ontario Legislature unanimously passed a motion proposed by Liberal MPP Laurel Broten that called for a review of the current reporting standards of the Ontario Securities Commission (OSC), one that was to include both comprehensive stakeholder consultations and recommendations for enhanced disclosure. A report on the review, along with next steps to be taken, was presented to the Minister of Finance on December 18<sup>th</sup> 2009.

PWYP-Canada encourages the efforts to review the current reporting standards of the Ontario Securities Commission (OSC) but would like to highlight that the report was created with the intent of increasing protection for investors. As a result, the recommendations listed in the report do not sufficiently address the ethical component of responsible investing. Further analysis of current reporting standards should continue, and should include additional consideration relating to ethical investing.

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