



PRESS RELEASE

WHO BENEFITS FROM GUYANA'S EXTRACTIVE INDUSTRIES?

The Government's announced intention to seek investors in a new bauxite mine in the Corentyne River follows several statements from President Ali reinforcing the priority the new Government assigns to mining. In the same vein, the Guyana Geology & Mines Commission (GGMC) has just announced new procedures to allow river dredges to move from one site to another more quickly without waiting for official permission. This haste to extract raises fundamental questions in light of three factors: the colossal financial losses to the State experienced across the extractive sector; the irrevocable bio-diversity and forests losses; and the fact that the oil & gas receipts will satisfy all the conceivable financial requirements for Guyana's development.

The scale of losses in the extractive sector can be gleaned from Guyana's first Annual Report to the Extractive Industries Transparency Initiative (EITI) covering 2017. The combined value of declared production of gold and diamond for the year is recorded as G\$169.4 bn.(USD.85bn), while the Government receipts from the Gold Board, GGMC, EPA, NIS and Min. of Finance together amounted to G\$17.461bn (USD837.8mn.), less than 10% of the total value of what was declared. In other words, 90% of the value of gold and diamond production was lost to the real owners, the Guyanese people.

Since an estimated 50% of gold production is never declared, the above figures for lost value should logically be doubled. Moreover, the industry is also subsidized by small and medium-scale gold producers paying a flat rate of 2% income tax - compared to the 30% burden paid by other Guyanese workers.

Broadening the scope to all of the extractive sector for that year (gold, diamond, bauxite, stone and sand), the GYEITI Report notes that total receipts collected by Government [GDP] from the sector as a whole amounted to a combined value of G\$207.02bn(USD1.03bn). From that sum the amount accruing Government was G\$20.8bn (USD.100mn), a miniscule 10% of over-all value.

While the enormous losses illustrated above are shocking, they are not atypical or peculiar to Guyana, they are the norm globally in the extractive sector. World Development Report Indicators show that global energy and mineral losses between 1970 and 2013 totalled US\$27 trillion.

Sustaining these losses cannot be justified in terms of the benefits to the miners who do the work: the great majority of miners labour in hazardous conditions, without health or housing benefits or minimum safety standards. Nor are there well-appointed housing schemes, good roads or public recreational spaces in Linden or Madhia, testifying to the wealth generated in these communities over decades. The beneficiaries are the few Guyanese who own licensing rights to vast numbers of claims leased to many 'tributors'.

Environmental destruction to rivers and forests on a scandalous scale is being sacrificed for the benefit of a privileged few. The Benthik (bottom-dwelling) life of rivers, for example, has likely become extinct from decades of tailings over-lay, while the widespread use of mercury is poisoning rivers, miners and

indigenous communities. A recent international research team led by Guyanese scientist, Michelle Kalamandeen, has confirmed that restoration of tree life on worked-out mine sites can never flourish.

The 'Polluter Pays' Principle which ought to be enforced on every mine-site and be applied to the many impacts of each single mine has never been systematically enforced in Guyana. Ancillary costs to the environment such as access roads to mine-sites are accepted as a public subsidy rather than an investment cost to be absorbed by the industry. Since the Corentyne river is the gateway to the New River Triangle, the proposed bauxite investment threatens the most pristine bio-diverse region in South America.

The key to understanding why these losses are sustained is to be found in the phrase 'windfall profits'. This apparently harmless metaphor conjures up ideas of unpredictable, ownerless resources, found by luck and chance, costing nothing. President Ali used the phrase recently to justify support for mining on the grounds that 'windfall profits' allow the Government to invest in more productive enterprises in other sectors. He is not singular in this respect, it is the standard narrative by companies, consultants and others who thrive from the extractive sector in order to deflect from the enormous losses noted above.

Natural resources are more accurately understood as shared capital assets inherited communally by all Guyanese and handed down from generation to generation. They are held in trust for the population by the Government. As with private inherited assets such as land or jewels, shared assets should only be sold at zero loss of value in order to pass on the intact value of the asset to the next generation. Seen from this perspective, accurate accounting would record the value received from mining or petroleum as 'depreciation of assets' rather than 'windfall profits'. Assets sold for less than their real value can never be recovered by the next generation.

The fundamental obligations of the State in terms of inter-generational justice, as enshrined in the Guyana Constitution reads as follows: *"The State shall protect the environment for the benefit of present and future generations, through reasonable legislative and other measures."* (149J(2)).

How to respect and activate this provision demands a serious conversation framed by questions such as: should we be imposing annual caps on extraction of specific minerals? How can ownership of shared assets by Guyanese citizens be asserted more effectively? How are Guyana's commitments to the Paris Climate Accord to be harmonized with extraction? What are the relevant guiding principles for respecting the rights of current and future generations in this area? Until we address these questions the country will continue with the present course of transforming shared public assets into private wealth at a fraction of their value, under the illusion of 'windfall profits'.

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