16

**Mining in Ghana**

**Critical Reflections on a Turbulent Past and Uncertain Future**

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**16.1 Introduction**

This chapter reflects critically on the impact the mining sector has had in Ghana since its independence. There is little disputing that mining has a special place in Ghana’s history: the country’s fate, economically, has long been tied to the performance of the sector’s activities.

What is becoming increasingly apparent, however, is that Ghana’s vibrant mining sector—dominated by large-scale gold exploration and extraction—is failing to deliver lasting development. The chapter identifies two reasons for this, the first being the form that mining operations have taken in the country over the past three decades. Most are ‘enclaves’ which, despite producing significant quantities of gold, operate in relative isolation, and are disconnected from other areas of the economy. Section 16.2 of the chapter chronicles the rise of these enclaves, explaining how policy has nurtured their growth. In section 16.3, the second reason is outlined: the failure to reinvest mine revenues responsibly, a problem which was fairly predictable, given the ‘rentier’ nature of Ghana’s institutions. In section 16.4, the chapter concludes by reflecting critically on the future of Ghana’s mining sector.

**16.2 State Intervention and Rentier Politics: The Emergence of Ghana’s Mining Enclave**

The ideas underpinning discussions on extractive ‘enclaves’, a term which Ferguson ([1999](#Ref14), [2005](#Ref15)) has popularized in contemporary development discourse, have particular resonance here. Ferguson ([1999](#Ref14)) initially–and admittedly–struggled to find an appropriate term that adequately described the appalling living conditions he observed whilst conducting research in Zambia’s Copperbelt. He eventually settled on the word ‘abjection’, which he defined as ‘a process of being thrown aside, expelled, or discarded’.

Bush ([2010](#Ref10)) attempted to articulate more clearly how these ideas apply to extractive industries-led development in sub-Saharan Africa. ‘Abjection’, the author contested, was a term which Ferguson ([1999](#Ref14)) believed captures effectively ‘the consequence of the way modernity failed to deliver the promise of … moving forward or joining up with the world’ (Ferguson, 1999: 254). Bush ([2010](#Ref10)) argued that in sub-Saharan Africa, ‘[one] consequence of extractive industries is the reproduction of ways in which communities bordering mines are abjected’ (Ferguson, 1999: 254), a direct result of the latter being ‘insulated’ from the former by ‘barriers and fences’. Ferguson (2005) would later elaborate on his initial diagnosis, arguing that, ‘Usable Africa gets secured enclaves—noncontiguous “useful” bits that are secured, policed, and, in a minimal sense, governed through private or semiprivate means’ (Ferguson, 2005: 379), and as a result, ‘capital “hops” over “unusable Africa,” alighting only in [these] mineral-rich enclaves that are starkly disconnected from their national societies’ (Ferguson, 2005: 380).

Resource ‘enclavity’ has been examined in the literature, albeit disparately, for many decades. Ferguson’s work is largely a repackaging of scholarship that emerged in the 1950s, mainly, of ideas presented in three landmark works. The first was a United Nations text (Prebisch, [1950](#Ref35)) which reflected on the general development trajectories of Latin America and simultaneous emergence of the United States as the world’s dominant economy following the Second World War. It highlighted, *inter alia*, that ‘the enormous benefits that derive from increased productivity have not reached the periphery [developing countries] in a measure comparable to that obtained by the peoples of the great industrial countries [the core]’ (Prebisch, [1950](#Ref35): 1). The second, by Singer (1950), very importantly segregated developed and developing countries according to perceived function, articulating, for the first time, the notion of ‘core-periphery’ in a globalization context. On this point, the author observed that ‘the industrialized countries have had the best of both worlds, both as consumers of primary commodities and as producers of manufactured articles, whereas the underdeveloped countries had the worst of both worlds, as consumers of manufactures and as producers of raw materials’ (Singer, 1950: 479). The final piece, by Hirschman ([1958](#Ref28)), calls on developing countries to ‘do what they were good at’, and to develop ‘linkages’, which, it argued, were keys to facilitating economic development.

These ideas had emerged and were being debated at a time when developing countries were struggling to free themselves from the shackles of colonial rule, and when World Bank and the International Monetary Fund (IMF) lending and influence were nowhere close to what they are today. But at the same time, the context was, in certain respects, similar to the situation which Ferguson ([2005](#Ref15)) would describe some five decades later. In fact, the very phenomena identified in these early works in part explains *why* the resource enclaves which today, dot the landscape of sub-Saharan Africa, exist altogether.

Much like a handful of other African countries at the time of their independences, Ghana was riding a wave of nationalism in the 1950s, a euphoria which led the state, headed by its inaugural president, Dr Kwame Nkrumah, to seize control of a number of assets, including mines. In hindsight, it was a rash decision, one which was clearly more emotionally-driven than calculated. Mirroring, to some degree, events at the time in Zambia, where President Kenneth Kaunda was working tirelessly to gain control of the Copperbelt (Auty, [1991](#Ref3)), Ghana sought to nationalize its mines. During colonial rule, naturally, little emphasis had been placed on nurturing local skill-bases with a view to equipping indigenous leadership with the technical know-how to manage effectively complex mining sectors post-independence. To his credit, Nkrumah recognized Ghana’s disadvantage early on, and championed education as the solution to the country’s skills deficiency. He made his intentions known during the last meeting of the old legislative assembly, on the eve of country independence, 5 March 1957:

Our whole educational system must be geared to producing a scientifically-technically minded people…The University will be the coordinating body for education research, and we hope that it will eventually be associated with Research Institutes dealing with agriculture, biology, and the physical and chemical sciences which we hope to establish… (quoted in McWilliam and Kwamena-Poh, [1975](#Ref31): 94)

Nkrumah began to implement his plans in 1952 when, under the ‘limited self-rule’ granted by the ruling British colonialists, free primary education was introduced. Educational facilities soon began to expand rapidly nation-wide. By 1954, the number of trained teachers in the Gold Coast Colony had risen from 420 to 1108, and within four years of presidential tenure, the Education Act was passed, which made primary school and middle school both fee-free and compulsory (Thompson and Casely-Hayford, [2008](#Ref37)). But whilst commendable, Nkrumah’s efforts were largely in vain, failing to nurture the breadth of skill and expertise needed for Ghana to operate a mechanized industrial complex such as a mine autonomously.

Nkrumah’s well-intended actions would, ironically, steer Ghana toward economic crisis which, as recent history has shown, has proved to be the ideal setting for enclave development. Although most of the 11 mines operating at independence were deteriorating, the government made a decision, in 1961, to acquire all of the equity shares in each; formed the Ghana State Mining Corporation, subsequently reincorporating it in 1964 as the State Gold Mining Corporation; and obtained shares in Ashanti Goldfields, which, at the time, operated the country’s largest gold mine in Obuasi (Acquah, [1995](#Ref1)). Neither of these operations, however, was profitable. In 1969/1970 alone, the State Gold Mining Corporation incurred a loss of 6.75 million cedis (Leith and Söderling, [2000](#Ref29)) and by the 1980s, following years of mismanagement and undercapitalization, ‘The sector was characterized by worn-out and run-down infrastructure, obsolete plant and equipment, production costs not matched by revenues due to overvaluation of the local currency, as well as an exodus of skilled personnel, among other things’ (Government of Ghana, [2009](#Ref18): 4). The technology being used in the diamond mining locality of Akwatia, for example, was said to be so inefficient that it reportedly cost the company more to turn on the electricity than it did to leave the machines idle (Nyame and Danso, [2006](#Ref32)).

In the early 1980s, Ghana’s precarious economic situation–described in *The Economist* (23 September 1989) as ‘an extreme case even in Africa’ (Crook, 1989, p. 40)–forced the government to turn to the World Bank and IMF for assistance. Predictably, both called for the liberalization of the country’s economy, their discussions with the government culminating initially in the launch of an ambitious Economic Recovery Plan (ERP), and subsequently, a series of Structural Adjustment Programs. The changes made under adjustment, however, would produce an economic climate in which state-owned mineral assets and certain geological terrain suddenly became ‘auctionable’ assets; most would be awarded to opportunistic foreign multinationals. Ghana would, in the process, become a major cog of what Breckenridge ([2008](#Ref9)) labelled ‘a new era of enclave mining’ in sub-Saharan Africa which, by the late-1980s, ‘had become entrenched, where the development of mineral resources was radically isolated from the wider economy and society’ (Breckenridge, 2008: 247).

**16.3 Mining for Development in Ghana: 1980s–Present**

Although not stated explicitly in the literature, it is fairly obvious that certain institutional ‘behaviour’ tends to be associated with enclave development. Ghana’s mining sector is no exception.

Ghana is rarely ascribed the label ‘rentier state’ (Mahdavy, [1970](#Ref30)), and has certainly not been plagued by the scale of corruption which, today, impedes development in the likes of resource-rich Nigeria and Angola (e.g. Ovadia, [2013](#Ref33); Pérez Niño and Le Billon, [2014](#Ref34)). But the country’s policymakers have not been particularly responsible when it has come to managing mine revenues, showing very little desire to reinvest these monies prudently. This cycle of complacency began under the leadership of Kofi Busia. Working within the framework that predecessor Nkrumah had established, Dr Busia’s decision ‘to retain a large number of state-owned enterprises created a considerable opportunity for the distribution of rents in the political process, which plagued the economy in the next decade, and which would subsequently form a significant drag in the reform program’ (Leith and Söderling, 2000: 28–9). The negligence which plagued Ghana’s mining sector in the 1970s caused it to deteriorate further. By the 1980s, the excitement over government ownership of the country’s mines, which was overflowing at the time of independence, had vanished.

This is the context in which mining has developed in Ghana in recent decades. Since the launch of the ERP in 1983, Ghana’s fate has been inextricably tied to the performance of this industry, particularly large-scale gold extraction and exploration. The reforms prescribed by the World Bank and IMF called for a systematic ‘makeover’ of the mining sector, which culminated in the passing of the Minerals and Mining Law(PNDCL 153). In an attempt to attract foreign investors, the law put in place a number of generous tax reductions and breaks: variable royalties (3–12 per cent); a reduced mining tax; and removal of import duties on designated mine ‘goods’. Significantly, however, the World Bank and the IMF placed very little emphasis on strengthening the institutions responsible for overseeing management of mine revenues. The path down which the International Finance Institutions would ultimately steer Ghana’s mining sector has not necessarily been in the best interests of the country’s impoverished masses.

Until the launch of the ERP, the Government of Ghana was extracting a substantial share of its revenue from a moribund cocoa industry. In the mid-1970s, cocoa accounted for as much as 75 per cent of the country’s foreign exchange earnings, even at a time of declining world prices for, and domestic production of, the crop (Williams, [2009](#Ref38)). Initially, Colonel Ignatius Acheampong, who seized power from Busia in 1972, offered competitive prices to farmers because of the high world price for cocoa. But its value soon declined which, along with a progressively worsening balance of payments in the country—by the mid-1970s, inflation had accelerated to 116 per cent and the budget deficit had risen to 127 per cent of total government revenue—brought about an economic crisis. Total government revenue from cocoa dipped from 23 per cent in 1979 to negative figures between 1980 and 1981, at which point the cedi was devalued again.

To a certain degree, Acheampong’s NRC Government inherited the makings of a ‘rentier’ state. In the late-1960s, Busia did offer cocoa producers a 30 per cent increase in price, although this was substantially less than the 43 per cent rise in the official price of foreign exchange. He seemed intent on ‘taking a larger slice of the cocoa pie’, even if it meant ‘increasing its [Ghana’s] dependence on cocoa revenue’ (Leith and Söderling, 2000 24). Acheampong and his two successors, General Frederick Akuffo (SMC) and Dr Hilla Limann (PNP), were unmoved by the decline in cocoa revenue, possibly because of the supplementary earnings provided by diamond mining. The government held a majority (55 per cent) of shares in the Akwatia mine, which it operated jointly with CAST, a British company. In 1983, however, CAST officials had grown tired with the government’s disinterest in investing in new equipment and its contentedness with earning ‘quick money’ from the sale of rapidly-depleting reserves of near-surface diamonds. The company sold its remaining shares to the government, and the Akwatia mine came under the full control of Ghana Consolidated Diamonds, a parastatal. Ghana’s leaders focused on maximizing gains, in the short term, from Akwatia, the centrepiece of a deteriorating diamond mining sector, at the same time disinterested in making the investment needed to bolster revenue over the long term. Leith and Söderling (2000 reflect on the general behaviour of the government at the time:

…the NRC/SMC government was proceeding as if it could ignore incentives and run the economy by command…The most important feature of the system was the enormous discretionary economic clout it placed in the hands of officials, now mostly military officers. Valuable rights could be acquired for far less than their true market value, and resold, thus generating significant rents for the owner of the right. Those rents, in turn, were used both for personal enrichment and to purchase political support for the regime. Rent creation and distribution became the central feature of the NRC/SMC government. (Leith and Söderling, 2000: 36–7)

This is the context—a policy environment characterized by weak institutions and rampant corruption—in which the World Bank and International Monetary Fund provided assistance to Ghana in the early 1980s.

The country’s current preoccupation with oil production is a telling sign of how deeply entrenched this institutional behaviour is. Ayee et al. ([2011](#Ref5)) elaborates further on why, helping to put the ambivalent attitude of past regimes toward declining cocoa and diamond production, and *hitherto*, the unresponsiveness of policymakers toward disappointing development ‘returns’ from a large-scale gold mining sector which has flourished post-ERP, into perspective:

The president and the ruling party face few obstacles to abuse incumbency for personal as well as partisan electoral gain. At the same time, there is low transparency in the management of public assets, such as forests, mines, and state enterprises, and the executive rarely reacts as it should to poorly performing boards of state and parastatal organizations…A combination of factors, including the weak system of checks and balances, poor institutional recordkeeping and access to information, power imbalance between the government, mining companies, and communities, and a particularly investor-friendly regime for mining, have created a situation in which vested interests influence sector governance and increase the risk of corruption. (Ayee et al., 2011: 35)

Revenues from oil are now supplementing the monies generated from gold mining which, in the mid-1980s, rapidly filled the void left behind by declining profits from cocoa and diamonds. The Minerals and Mining Law(PNDCL 153) would, as predicted by the World Bank and IMF, transform Ghana’s mining landscape. Between 1983 and 2011, US$11.5 billion was invested in the sector, pumped mostly into gold prospecting and extraction. It is widely known that only a small share of the revenue generated from this ‘booming’ gold mining economy has reached the government in the form of taxes and royalties. As Awudi ([2002](#Ref4)) explains, despite being the source of over 56 per cent of total foreign direct investment (FDI) inflows to Ghana, mining’s contribution to national GDP was, on average, a paltry 1.5 per cent between 1993 and 2000. The situation has since improved slightly (Table 16.[1](#Tab1)) but for a ‘booming’ sector, its contribution is still nevertheless underwhelming (GSS, [2014](#Ref17)). Other countries in sub-Saharan Africa have suffered similar fates.

But whilst the gap between total mine revenue and the government’s share is, undoubtedly, sizable, the latter sum is still substantial: since the mid-1980s, the government has received hundreds of millions of dollars in royalties and income tax from gold mining companies (Table 16.[2](#Tab2) presents data for the period 2004–2013 alone). Why, then, has reform of the mining sector not led to positive development ‘outcomes’ in Ghana? The main reasons are identified here, the first being that the sudden inflow of mine royalties proved to be exactly what policymakers operating in a rentier ‘space’ would welcome. Ghana would quickly become over-dependent, economically, on gold mining. At the turn of the century, mining contributed to 41 per cent of Ghana’s foreign exchange earnings, with gold accounting for 90 per cent of the country’s mineral output (Awudi, [2002](#Ref4" \o "Awudi, F. 2002. The Role of Foreign Direct Investment (FDI) in the Mining Sector of Ghana and the Environment. Paper Presented at the Conference on Foreign Direct Investment and the Environment, 7–9 February 2002, OECD, Paris.)).

In fact, proponents of the resource curse would argue that Ghana currently exhibits all of the symptoms of Dutch Disease, manifested most clearly by the dominant position gold has occupied in the country, economically, for the past 30 years. Referring, once again, to Table 16.[1](#Tab1), although a small sample size, the contribution of mining to national Gross Domestic Product (GDP) has risen sharply, whilst the shares of both agriculture and manufacturing have declined precipitously. The latter is virtually non-existent, the data revealing that, between 1987 and 1989, during the heart of adjustment in Ghana, the country’s manufacturing workforce fell in absolute terms by 50,000 employees or 64 per cent of the total workforce.

The data also reveal that there was a sharp contraction in the four main branches of the manufacturing industry–that output levels in each were higher pre-adjustment than those achieved in 1990 (Table 16.[3](#Tab3)). Many of Ghana’s manufacturing hallmarks have long disappeared: the Pwalugu Tomato Factory was closed in 1990, unable to compete with the influx of imported tomato preserves from the European Union (EU), a chief beneficiary of the ‘relaxed’ trade restrictions implemented under adjustment (Clottey et al., [2009](#Ref11); Donkoh, Tachega, and Amowine, [2013](#Ref12)); the Aboso Glass Factory, which, in the 1970s, could not even produce enough bottles for the country’s own breweries and distilleries, has yet to be revived; and the Bonsa Tyre Company which, as Adei ([1990](#Ref2)) reports, produced only 69,393 tires or 16.5 per cent of its projected capacity in 1983, the year the ERP was launched, and by 1990, had dipped even further to 15 per cent. By 1987, manufacturing output was 35 per cent lower than that of 1975. The lack of emphasis placed on developing other industries extends to the mining sector itself: as noted, gold accounts for over 90 per cent of Ghana’s mineral output, largely a reflection of a lack of desire to intensify efforts to mine other commodities and expand other revenue streams (Figure 16.1).

Second, the complacency that typically accompanies ‘rentier’ behaviour has long been evident in Ghana, especially in three areas, the first being the level of creativity shown by the government when it has come to spending mine revenue. There is an elaborate formula, enshrined in the law, followed for mine royalty dispersion. All mine revenue is paid to the Large Tax Unit of the Internal Revenue Service, which then dispenses the monies into the ‘Consolidated Fund’. Of this sum, 80 per cent is retained by the government (for unspecified purposes), whilst the remaining 20 per cent is earmarked for development directly. Half is dispensed into the Mineral Development Fund, established to facilitate economic development in mining communities, although to date, there has been no clear strategy for spending these monies. Thus far, it has been used to finance the occasional intervention, including the government’s endowment to the University of Mines and Technology, the rehabilitation of mined lands, and microcredit schemes for advanced small-scale mine operators.[[1]](#footnote-1)

It is the spending of the remaining 50 per cent, awarded to the Office of the Administrator of Stool Lands, which deserves the most scrutiny. The Office retains 10 per cent of these monies and, in line with Section 267(6) of the Minerals and Mining Act2006, distributes the remainder as follows: 25 per cent to the traditional authority for the maintenance of the stool; 20 per cent to the traditional authority himself; and 55 per cent to the District Assembly—the local government outlet located within the area of authority of the stool lands. The central government has decided not to micromanage these revenues; it rather permits traditional authorities and the District Assemblies to spend their shares relatively freely, allowing the decentralization process take its course. But this laissez-faireapproach has indirectly empowered many chiefs, who, believing that these finances are for their own coffers, have lavishly spent them, enriching themselves. District Assemblies have compounded the problem by investing monies in projects that are incapable of alleviating immediate poverty, let alone facilitating long-term economic development. For example, in 2010, Obuasi Municipal received 563,915.88 cedis, which were used to finance, *inter alia*, the construction of a three-unit classroom in the town of Kunka (5000 cedis), a three-unit classroom in Asonkore (9701.90 cedis) and a six-unit classroom in the town of Anyinam (90,030.55 cedis); the rehabilitation of a meat shop (28,028.37 cedis); and to purchase basic furniture at a junior secondary school in the village of Akaporiso (Government of Ghana, [2013a](#Ref20)). Though uninspiring, these transactions were certainly an improvement from spending by the District Assembly in 2008 (Government of Ghana, [2010](#Ref19)), an effort headlined by the construction of a fence at the Obuasi Secondary Technical School (30,000 cedis) and a fence at the CKC School (also 30,000 cedis). Whilst a critical ‘rethink’ of where mine revenues are being spent at the grassroots is urgently needed, policymakers in Accra have not been overly concerned with the lack of creativity which has put Corporate Social Responsibility (CSR) in the country’s gold mining sector in the spotlight. Individual efforts made in the name of CSR are now being judged unfairly as standalone interventions when they should be viewed more so as complementary to government-sponsored undertakings.

The visible lack of development in Ghana’s mining communities has sparked public outcry, particularly over the past 15 years, during which time the price of gold has increased fourfold. But rather than ensuring that revenues dispensed at the local level are being managed appropriately, the central government seems more interested in extracting a larger share for itself. This is the second visible sign of ‘rentier’ behaviour, manifested in this case by the Government of Ghana’s moves to maximize short-term gain when the gold price was high. Notably, parliament passed the Minerals and Mining (Amendment) Act, 2010 (Act 794), which, at a time when the gold was approaching US$2000/oz, standardized the mine royalty rate at 5 per cent of profits (companies had paid in the range of 3 per cent up to this point). It also flirted with implementing a 10 per cent windfall profit tax in 2012, plans which were shelved in 2013 when the gold price began to decline precipitously. The moves would impact *existing* operations minimally because of the stabilization agreements in place with Newmont and AngloGold Ashanti, the country’s largest producers at the time, negotiated when the gold price was in the range of US$300/oz. More importantly, why would the government, which had been losing out on valuable revenue from mining for decades, suddenly decide to make these moves at a time when other destinations—potential competitors—in sub-Saharan Africa, such as Uganda, Mali, and Mozambique, had overhauled their economic frameworks for the sole purpose of attracting investment in gold mining? The only plausible explanation for this is, much like the 1980s with cocoa and diamond mine production, policymakers’ fixation on maximizing short-term financial gains without having taken stock of the possible long-term repercussions with doing so.

A third sign of the government’s ‘rentier’ behaviour was its failure to ensure that clusters of mine operations became the centrepieces of growth which the Bank projected would take place in ‘reformed’ economies. Ayee et al. ([2011](#Ref5)) reflect critically on this point, highlighting how today, in Ghana, ‘The risk of embezzlement in the collection and estimation of royalties in the mining industry is real, and access to information seems to be a general challenge given the absence of the Right to Information Act’ which, ‘combined with the enclave character of the mining sector create opportunities for politicians to benefit from their authority in the mining sector, especially when they are members of boards of the mining companies’ (p. 22). The modest economic contributions capital-intensive large-scale mining makes to national GDP (7–12 per cent over the past five years) and employment (15,000–20,000) in Ghana have been magnified by the failure of politicians to ensure that the sector spawns the types of linkages which Hirschman ([1958](#Ref28)) initially pointed out to be keys to catalyzing growth in developing countries.

Officials at the Bank of Ghana were among the first to point this out, claiming, in the report, *Report on the Mining Sector* (Bank of Ghana, [2003](#Ref7)), that ‘Once set up, the mining companies began exploiting minerals, especially gold, which is not subjected to any further processing domestically, and as such does not have any direct linkages with local industries, and are therefore exported’ (p. 20). But these claims were stifled by Ms Joyce Aryee, the Chief Executive of the Ghana Chamber of Mines at the time, who argued, in 2009 at a media session, that in Ghana, mining is ‘a catalyst for development’, and that ‘The linkages between the mining and the industry and the economy, through the supply of goods and services, creates value multipliers for the country’.[[2]](#footnote-2) Bloch and Owusu ([2012](#Ref8): 441) published an ambiguous study at this time which echoed Ms Aryee’s sentiments whilst simultaneously challenging claims that Ghana’s large-scale gold mining sector has become an enclave. On the one hand, the authors recognize that, despite recent announcements made by Ghana’s president to construct value-added gold refineries,[[3]](#footnote-3) ‘The industry is not characterized by forward linkages, although there is perhaps some limited potential for the development of “heritage” goldsmith activities…and limited refining’. But on the other hand, they argue that backward linkages ‘are increasing’, the most significant being ‘the emergence of a mining inputs cluster of firms supplying and servicing both producing and exploration mining companies across the country’s various mining communities’, a group which comprises direct suppliers (Tier 1), indirect suppliers (Tier 2), direct mining services (Tier 3) and indirect producer services (Tier 4). These bold claims, however, require clarification.

The authors are of the view that the assortment of local economic development projects being implemented by mining companies under the banner of CSR are catalyzing these linkages, a naïve assumption given their raison d’être(profit-making) and unpredictable community development strategies (influenced heavily by the market prices for metals). The authors also argue that, in the case of ‘backward linkages’, according to Ghana’s leading business directory, *Surf Yellow Pages*, there are 300 companies listed under the headings ‘mining companies’, ‘mining equipment’ and ‘mining services’, the vast majority of which are involved in gold mining and representing all four tiers. This analysis, however, is severely flawed for many reasons. First, they argue that international project engineering companies and equipment manufacturers, such as Atlas Copco, Boart Longyear, and Sandvik, are well-represented in Ghana, the insinuation being that this creates significant employment opportunities for local people. But their presence, attributed largely to mining companies’ exemption from paying import duties on ‘mining equipment’, has stifled the growth of parallel domestic efforts—the very industries needed to generate the scale of downstream development which Hirschman ([1958](#Ref28)) and others have since argued is needed to transform the economies of developing countries. Ghana’s mine support services continue to be a heavily ‘outsourced’ industry, dominated by companies which wield so much influence locally that many are members of the Ghana Chamber of Mines.

But it is the authors’ next point which is perhaps the most misleading: the claim that ‘As one moves through the tiers, international companies and their agents are joined by a number of locally owned servicing and supplier companies’ (p. 449). Referring once again to the *Surf Yellow Pages*, it was explained that ‘a small but growing number of Ghanaian national companies are also listed, which [are] component manufacturers and input providers’, as well as how, during interviews with representatives from the gold mining sector, ‘a number of other locally owned companies also in these sub-sectors were mentioned as mining suppliers and service providers’ (p. 440). Several companies which the authors identify, however, are hardly representative examples of ‘home-grown’ businesses that have emerged on the back of a booming large-scale gold mining sector. Notably, ‘Engineers and Planners’, identified by the authors as a ‘Tier 2’ Ghanaian civil engineering company, is owned by Ibrahim Mahama, the richest man in Ghana who happens to be the brother of the current president, John Mahama. Another, ‘Tema Steel Co Ltd.’, also referred to as a ‘Tier 2’ company, is under Indian management, not Ghanaian ownership.

Even the prototypical domestic ‘downstream’ industries which mining *should* spawn have failed to surface. A case in point is mine services, specifically companies that provide onsite catering, cleaning and laundry. Mining companies typically issue a tender for these services. Most of those operating in Ghana have entrusted more established companies with these vital activities. This has generally meant the appointment of foreign firms. For example, ‘Allterrain Services’, which provides services to mines operated by the international companies Gold Fields, Kinross and Newmont, is a subsidiary of Tsebo Outsourcing Group, a South African firm.[[4]](#footnote-4) Global sourcing and supply (GSS), which won a three-year US$50 million catering contract in 2011 from Newmont Ghana, is also foreign—a part of the Bahrain-based BMMI Group.[[5]](#footnote-5) These organizations employ many thousands of Ghanaians as well as source locally from farmers but with the mine being a temporary operation, and production being unpredictable, the setup is unsustainable. Moreover, with foreign companies, once a mine closes, they, along with the jobs they provide, often disappear. Whilst a domestic company would not necessarily guarantee that the transition post-closure would be smooth, if headquartered locally, the government is better positioned to ensure that there is a succession plan in place.

The area where these support services aresurfacing is artisanal and small-scale mining (ASM), a sector which, ironically, the government has *not* been particularly interested in formalizing and supporting. In Ghana, throughout reform, ASM has played ‘second fiddle’ to large-scale mining. ‘Small-scale mining’ was not mentioned in the Minerals and Mining Law, 1986, and although the Small-Scale Gold Mining Law (PNDCL 218) was instituted, along with the Precious Minerals and Marketing Corporation Law (PNDCL 219) and Mercury Act (PNDCL 217), to formalize the sector, it was done so a full three years later, by which time, vast sections of the country were already under concession to foreign multinational mining and mineral exploration companies (Hilson and Yakovleva, [2007](#Ref27)). Over the years, the ASM sector has expanded rapidly, largely in response to poverty, attracting hundreds of thousands of people, most of whom faced difficult economic circumstances: struggling farmers, redundant large-scale mine labourers with various skillsets, and former public sector workers (Hilson and Potter, [2005](#Ref26); Banchirigah, [2006](#Ref6)). Despite employing in excess of one million people directly in the country, and mounting evidence (Hilson, [2010](#Ref24); Hilson, Hilson, and Adu-Darko, [2014](#Ref25)) pointing to it supporting smallholder agriculture economically and being an integral part of the country’s rural economy, ASM continues to be overlooked in national economic development plans. The sector’s growth, therefore, has taken place mostly in an informal ‘space’, spawning the downstream industries and forging linkages to other areas of the economy which Bloch and Owusu ([2012](#Ref8)) misleadingly insinuate large-scale mining is doing.

**16.4 Conclusion: Critical Reflections on the Future of Mining in Ghana**

Ghana’s mining sector faces an uncertain future. At the time of the passing of the Minerals and Mining Law, the country was uniquely positioned to attract foreign investment as one of few countries in Africa that had overhauled legislation with the aim of developing its large-scale gold mining economy. But striking parallels can be made between the government’s position towards, and management of, the series of gold mining enclaves that have surfaced under reform, and its attitude towards cocoa and diamonds in the 1970s and 1980s. As was the case then, policymakers have extracted royalty payments from mining companies, without a clear view on how to use these revenues to develop other industries and train key personnel.

It is no secret that Ghana’s citizenry has suffered as a result. The decline in the gold price has put a strain on mine production, forcing many large-scale operators, notably AngloGold Ashanti and Newmont, to shed staff and scale down production: diminished output has meant fewer revenues. But perhaps more significantly, should there be a resurgence in the gold price, Ghana would quite possibly be at a disadvantage because of the aforementioned pronounced changes that have been made to mine investment policies over the past decade. Ghana may have already endured a mass loss of mine investment to neighbouring Mali, currently the third largest gold producer in sub-Saharan Africa and which offers far more generous investment incentives, had it not experienced a somewhat unexpected episode of civil violence.

Another reason why Ghana’s mining sector faces an uncertain future is because of its continued ‘unbalanced’ minerals portfolio. Specifically, despite hosting world-class deposits of bauxite, manganese and potentially, diamonds, gold is the only commodity which the government seems interested in. It seems inexplicable when these minerals could potentially offset the financial burden caused by an over-dependency on a single commodity—in this case, gold—during a period when the market price is subpar. Promoting these ‘lesser’ minerals promises to be challenging, however, because of the government initiative needed to make this happen. With the country’s development policy oriented around fortifying export-led large-scale gold mining, an overhaul of policy would be needed if similar objectives are to be realized for other mineral commodities. This will require radical change and addressing glaring needs brought about by prolonged neglect: for bauxite, the installation of adequate railroad infrastructure, needed to transport bauxite to the port of Tema, which had to be abandoned in 2010 and replaced with more expensive truck loading due to frequent derailments; for diamonds, finding an investor who is genuinely interested in developing the reserve in Akwatia, where many plants and machinery have not been used in over a decade; and for manganese, which experienced a 32 per cent decline in production in 2014, largely because of inefficient methods used by the Ghana Manganese Company.

Perhaps the most worrying aspect of Ghana’s Dutch Disease is that gold mining no longer seems to be the focal point. Oil is rapidly overtaking gold as the centrepiece of Ghana’s economic development strategy, a curious move given the lack of infrastructure and expertise in place to extract it long-term, and the industry being small by even African standards (see Table 16.[4](#Tab4)). Ghana’s 2015 budget statement is laced with commentary about petroleum, despite the rapidly-declining global price of oil and the country’s limited reserves (Government of Ghana, [2014](#Ref22)). It seems as if Ghana is following the same path as most petro-states in sub-Saharan Africa, and for similar reasons: because of the simplicity of the transaction and the quantity of money involved, oil revenues have proved intoxicating for leaders, consequently further paralyzing states developmentally. Given the government’s preoccupation with maximizing returns from oil, there may be limited scope to implement new industrial strategies, even those which apply to gold mining, despite long being Ghana’s priority sector. Is Ghana destined to follow the path of a Nigeria, where, following the discovery of oil in the 1950s, one of the world’s leading tin mining industries began to experience steady decline due to diminished government interests and a lack of investment?

Ironically, the future of Ghana’s mining sector may be the very area which the government continues to ignore and marginalize: ASM. Despite employing hundreds of thousands of people directly country-wide, the sector has never been viewed as a core element of national poverty-alleviation strategy. It has rather been treated very similarly to large-scale mining: prospective licensees must complete a series of bureaucratic steps, make several costly payments and in some cases, travel vast distances to consult officials. With very little effort—specifically, simplifying the licensing scheme for operators and lowering the costs of permits—the government could facilitate the formalization of ASM and in the process secure a new, badly-needed source of taxation for itself (Hilson, Hilson, and Adu-Adrko, [2014](#Ref25)). Given the numerous payments and bribes they are forced to make to chiefs, landowners and police as unlicensed operators, artisanal miners would welcome these changes, as it would provide them with much-coveted security of tenure. But rather than incentivizing the licensing process for small-scale mining, the Government of Ghana seems intent on further complicating it, the latest move being the decision to inexplicably increase the fee for an Environmental Impact Agency permit from US$300 to US$2100, despite calls to *reduce* this fee. The government has yet to come to grips with the benefits a formalized ASM sector would offer, seemingly viewing it as an impediment to implement to its more grandiose economic plans. A landscape dotted with numerous small-scale operators who are contributing locally including to the government’s coffers seems to be a viable developmental blueprint moving forward.

A approach will be needed for these changes to take place. But in a ‘rentier’ setting where complacency is the norm, this may be a tall order. For three decades, the Government of Ghana has failed to used prudently revenue generated from the large-scale mining enclaves it helped to spawn. Ghana now faces the onerous challenge of reviving a mining sector amid stiff competition from neighbours who are equally thirsty for foreign investment and perhaps better positioned to secure it.

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**Table 16.1:** Contribution of GDP by economic activity, Ghana

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sector** | **2009** | **2010** | **2011** | **2012** | **2013** |
| Agriculture | 31.8 | 29.8 | 25.3 | 23 | 22 |
| Mining and Quarrying | 2.1 | 2.3 | 8.4 | 9.5 | 9.8 |
| Manufacturing | 6.9 | 6.8 | 6.9 | 6.4 | 5.8 |
| Services | 49.2 | 51.1 | 49.1 | 48.4 | 49.5 |

*Source*: GSS, [2014](#Ref17)

**Table 16.2:** Royalties from mining

|  |  |  |
| --- | --- | --- |
| **Year** | **Amount (in cedis)** | **Conversion to US dollar[[6]](#footnote-6)** |
| 2004 | 24,589,593 | 8900  |
| 2005 | 40,635,725 | 9500 |
| 2006 | 69,922,915 | 9600 |
| 2007 | 61,149,868 | 9300  |
| 2008 | 95,753,156 | 1.155 |
| 2009 | 117,510,910 | 1.465 |
| 2010 | 298,873,901 | 1.440 |
| 2011 | 762,472,091 | 1.535 |
| 2012 | 1,113,263,545 | 1.932 |
| 2013 | 828,430,763 | 2.150 |

*Sources*: Government of Ghana [2010](#Ref19), [2013a](#Ref20), [2013b](#Ref21)

**Table 16.3:** Trends in manufacturing in Ghana, 1970–1990

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Manufacturing Sector** | Output | Output | Output | Output | Output | Output | Output |
| 1970 | 1977 | 1980 | 1984 | 1986 | 1989 | 1990 |
| Food manufacturing | 108.3 | 146.2 | 102.1 | 42.8 | 59.3 | 70.1 | 84.1 |
| Textiles and garments | 106.3 | 111.2 | 46 | 17.7 | 25.5 | 26.7 | 41.9 |
| Wood products | 87.6 | 80.8 | 42 | 48.7 | 64.2 | 64.6 | 60 |
| Fabricated metals | N/A | 46 | 30.8 | 4.6 | 25.4 | 22 | 25.4 |

*Source*: Harding and Teal, 1993

**Table 16.4:** Oil production in sub-Saharan Africa, thousand barrels of oil per day

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Country** | **2010** | **2011** | **2012** | **2013** | **2014** |
| Angola  | 1908.1 | 1755.2 | 1786.6 | 1842.3 | 1756.2 |
| Cameroon  | 65.5 | 62.2 | 63.5 | 63.3 | 81.4 |
| Chad | 122.5 | 115 | 104.5 | 97.9 | 103.4 |
| Congo Brazzaville | 311.9 | 298.9 | 291.9 | 273.9 | 258.9 |
| Cote D’Ivoire | 44.5 | 40.2 | 38.6 | 37.6 | 36.6 |
| Equatorial Guinea | 322.7 | 298.9 | 310.4 | 290.8 | 269 |
| Gabon | 245.5 | 244.4 | 242 | 238.9 | 239.6 |
| Ghana | 8.5 | 77.8 | 79.6 | 99.2 | 106.3 |
| Nigeria | 2459.4 | 2554.5 | 2524.1 | 2371.5 | 2427.3 |
| Sudan and South Sudan | 489.4 | 456.1 | 115.3 | 250 | 261.9 |

*Source*: EIA, [2015](#Ref13)

**Figure 16.1:** Mineral revenue in Ghana, 2013 (US$ millions)

*Source*: Ghana Chamber of Mines, 2014

|  |
| --- |
| Abstract |
| This chapter critically examines the impact the mining sector has had in Ghana since its independence in 1957. Mining has long played an important role, economically, in Ghana, its fate shaped heavily the by performance of the sector’s activities. But a vibrant mining sector—long dominated by large-scale gold exploration and extraction—has failed to deliver lasting development in the country. There are two reasons for this, the first being the form that mining operations have taken in the country over the past three decades: specifically, sizable resource ‘enclaves’ which, despite producing significant quantities of gold, are, for the most part, disconnected from other areas of the economy. The second reason is the failure to reinvest mine revenues responsibly. After examining more closely why Ghana’s vast mineral wealth has failed to yield positive development outcomes, the chapter reflects on the uncertain future of the country’s mining sector. |
| Keywords |
| gold, Ghana, enclaves, mining, economy, mineral wealth |

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6. The Ghana *cedi* was devalued in 2007 at an exchange rate of 1:10,000. The amounts listed in this column are the highest recorded exchange rate in the years listed. [↑](#footnote-ref-6)