Mining and Sustainable Development: The Case of Ghana

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The Ghana Chamber of Mines
Outline of Presentation

✓ Overview of Mining in Ghana
✓ Sustainable Minerals Development
✓ Legal and Regulatory Framework
✓ Mining’s Contribution to the Economy of Ghana
✓ Transparency in the Mining Sector
✓ Conclusion
Mining in Ghana - An Overview

- Ghana’s geological space is prospective with diverse kinds of minerals.

- Traditionally, those that are mined on a commercial basis include gold, bauxite, diamond and manganese.

- Others not fully exploited or not exploited include kaolin, salt, limestone, mica, feldspar, to mention a few.

- These minerals are mainly found in the Western, Eastern, Ashanti, Brong - Ahafo and sometimes in the Northern parts of Ghana.
Mining in Ghana predates independence and over the years the sector has grown to be a major driver of economic growth.

Mining accounted for 6% of GDP in 2011 and the sector grew by 23.5% in 2012.

There are currently about thirteen (13) large scale mining companies and 16 operations and over 1000 registered small-scale companies in the sector.
Sustainable Minerals Development - Ghana’s Approach

- By their nature, minerals are non-renewable and exhaustible.
- Yet their impact on the society, environment and economy of the host nation defies time.
- Consequently, the Ghana Chamber of Mines and its members have endeavoured to integrate these key 3 actors into their corporate decision making, in line with international best practices (Principle 2, ICCM).
- In this way, the mineral industry is integrated throughout the value chain and becomes a provider of mineral services rather than primary products.
Sustainable Minerals Development - Ghana’s Approach

Diagram:
- Mining Firms
  - Government
  - Environment
  - Community
  - Economy
Government as a partner in sustainable minerals development, provides a legal framework to ensure minimum standards of compliance.

The Legislative Framework for mining in Ghana is currently laid down in the Minerals and Mining Act, 2006 (Act 703).

Within this Legal Framework, the state is the owner of all minerals occurring in their natural state within Ghana's land and sea territory, including its exclusive economic zone.
The relevant agencies that regulate the mining industry include the following:

- **Ministry of Lands and Natural Resources** - overall responsibility for the mining industry.

- **Minerals Commission** – has responsibility for administering the Mining Act, recommending mineral policy, promoting mineral development, advising the government on mineral matters, and serving as a liaison between industry and the government.

- **Geological Survey Department** - geological studies including map production and maintenance of geological records.
LEGAL & REGULATORY FRAMEWORK (CONTD)

- Inspectorate Division of the Minerals commission - health and safety inspections and maintenance of mining records

- Lands commission - legal records of licenses and legal examination of new applications.

- Environmental Protection Agency - overall responsibility for environmental issues related to mining
Mining’s Contribution to the Economy of Ghana

Fiscal Revenues

Two kinds of fiscal revenues are provided by mining.

1. Direct Revenues
   - Direct Revenue includes mineral royalties, taxes, dividends and levies.

2. Indirect Revenues
   - Indirect Revenue includes taxes and fees through the supply chain.
Highlights of Mining’s Fiscal Contribution-2012

Foreign Exchange

- The industry accounts for about 42% of the country’s gross export revenue reinforcing its position as the country’s leading export earner and a major contributor to the country’s balance of payment.

- The mining industry returned about USD 3.2 billion representing 72% of their mineral revenue through the BOG and the Commercial Banks in 2012.

- This has significant bearing on the international reserve position of BoG and the stability of the monetary system as a whole.
Total Mineral Revenues and Amounts Returned to the Country (2009-2012)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Mineral Revenue (USD)</th>
<th>Mineral Revenue Returned (USD)</th>
<th>% of Mineral Revenue Returned</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>2300</td>
<td>1700</td>
<td>74%</td>
</tr>
<tr>
<td>2010</td>
<td>3500</td>
<td>2500</td>
<td>71%</td>
</tr>
<tr>
<td>2011</td>
<td>3700</td>
<td>2800</td>
<td>76%</td>
</tr>
<tr>
<td>2012</td>
<td>4500</td>
<td>3200</td>
<td>72%</td>
</tr>
</tbody>
</table>
Highlights of Mining’s Fiscal Contribution-2012 (CONT)

Foreign Direct investment

- The sector is the leading attractor of FDI.

- Records from the Minerals Commission show that foreign direct investment (FDI) in the mining sector shot up from US $6million in 1983 to US$1billion in 2011.

- These investments came from producing, exploration, and support service companies.

- Cumulatively, the investment inflow into the sector over $13b since SAP.
Highlights of Mining’s Fiscal Contribution-2012 (CONTD)

- Number One Tax Payer and highest contributor to GRA’s Domestic Collections.

- Contributed about GH¢1.46 billion to GRA representing 27.04% of GRA’s Total Direct Taxes in 2012.

- Paid GH¢893.77 million, in corporate tax to the GRA, representing 36.98% of the total company tax collected in 2012.
Mining and Employment Creation

Direct Employment
- The sector employs about 21,239 people directly; of which 334 representing 2% were expatriates.

Indirect Employment
- Empirical evidence suggests that the number of indirect and induced jobs created by mining is about six times the number of direct employee.

- The normal extended family support provided in Ghana by employees suggests that there are also 8-10 family members supported by each direct employee.
Mining and Human Resource Development

- Training is another area in which the major mining companies make significant contributions to Ghana.

They include:

- Education and sensitization of employees and contractors in safety; a culture which is carried back to the community, home and family.

- Apprenticeship programs – especially for inadequately educated youth in rural districts e.g. London city & guilds certification program.
Mining and Human Resource Development (CONT)

- Professional training and career development for senior mining employees e.g. Ghanaian mining professionals are now working as expatriates in many parts of the world.

- Graduate Training Programs for fresh products of the various universities.

- Research dissemination seminars at UMaT that bridge gap between practice and industry.
Mining and Local Content

- The Chamber of Mines and its members gave meaning to local content when they signed a memorandum of understanding with the Minerals Commission and IFC in 2011.

- The World Bank reckons that Ghana is “leading the way” in terms of local content strategy and development within the mining industry.

- The total amount spent in-country on key big ticket items was US$ 2.9 billion in 2012, representing 65% of mineral revenue.
## Distributive Impact of Mineral Revenue

<table>
<thead>
<tr>
<th></th>
<th>Amount Spent(USD)</th>
<th>% share of mineral revenue</th>
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<th>Amount Spent(USD)</th>
<th>% share of mineral revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortizing loans, including interest</td>
<td>230,905,746</td>
<td>7%</td>
<td>283,221,271</td>
<td>6.7%</td>
<td>43,501,757</td>
<td>1%</td>
</tr>
<tr>
<td>Imported Consumables</td>
<td>511,159,912</td>
<td>16%</td>
<td></td>
<td></td>
<td>775,746,303</td>
<td>17%</td>
</tr>
<tr>
<td>Local Purchases</td>
<td>696,036,454</td>
<td>21%</td>
<td>771,920,186</td>
<td>18.2%</td>
<td>1,294,939,887</td>
<td>29%</td>
</tr>
<tr>
<td>Electric Power</td>
<td>168,052,032</td>
<td>5%</td>
<td>310,164,056</td>
<td>7.3%</td>
<td>277,858,731</td>
<td>6%</td>
</tr>
<tr>
<td>Diesel</td>
<td>227,447,069</td>
<td>7%</td>
<td>322,163,134</td>
<td>7.6%</td>
<td>343,569,366</td>
<td>8%</td>
</tr>
<tr>
<td>Employees</td>
<td>292,303,804</td>
<td>9%</td>
<td>303,793,323</td>
<td>7.2%</td>
<td>377,266,878</td>
<td>8%</td>
</tr>
<tr>
<td>State</td>
<td>300,556,884</td>
<td>9%</td>
<td>540,469,790</td>
<td>12.7%</td>
<td>614,872,549</td>
<td>14%</td>
</tr>
<tr>
<td>Other Shareholders</td>
<td>27,000,000</td>
<td>1%</td>
<td>192,256,976</td>
<td>4.5%</td>
<td>68,027,037</td>
<td>2%</td>
</tr>
<tr>
<td>CAPEX</td>
<td>696,865,694</td>
<td>21%</td>
<td>821,061,062</td>
<td>19.3%</td>
<td>1,132,639,366</td>
<td>25%</td>
</tr>
<tr>
<td>Host Communities</td>
<td>17,590,469</td>
<td>1%</td>
<td>43,732,833</td>
<td>1.0%</td>
<td>26,676,354</td>
<td>1%</td>
</tr>
</tbody>
</table>
Mining and Community Development

☑ In the mining sector, Corporate Social Responsibility has evolved to Community Sustainable Development Plans.

☑ Under this arrangement, mining companies collaborate with the communities to fund projects that yield both social and economic returns to the communities.

☑ Mining companies focus on operating the core business in a socially responsible way, complemented by investment in communities and the society in general.

☑ In 2012, mining companies voluntarily committed US$ 26million to CSD projects in their host community and the country.
Mining and Community Development

The channels for addressing issues on sustainability in the host communities are as follows:

- Community Consultative Committees: Each mine has established this committee with the primary focus of liaising with community members in identifying key socio-economic and environmental issues and finding a mutually acceptable remedy.

- Community Relations Office: Each mine has a dedicated and well-resourced liaison office that actively promotes peaceful coexistence between the mine and community. Such offices are usually operated 24/7.

- Environmental Officers: Producing member companies engage the services of environmental officers to mitigate the impact of mining on the environment.
Examples of CSDP

- **Trust funds**
  Funded through US$ 1 per ounce + 1 per cent of profit: Golden Star, Chirano, AngloGold Ashanti, Gold Fields, etc.

**Individual Company Initiatives: Examples include**

- **Sustainable Community Empowerment and Economic Development (SEED) – Gold Fields**
  - 5 year, 5 million US dollar Community Dev’t Programme for the benefit of 8 primary stakeholder communities.

- **Livelihood Enhancement & Community Empowerment Programme (LEEP) – Newmont**
  - Ahafo Linkages Programme – Newmont & IFC programme for small business dev’t
  - Agricultural Improvement & Land Access Programme (AILAP) for farmers – Newmont and MOFA
  - Post -Resettlement programme for resettled farmers
Examples of CSDP (CONT)

- **Malaria Control– Chirano Gold Mine**
  - launched a $5.6 million-dollar four-year malaria control program to help bring down the disease in its operational area.
  - The initial target of the program was the 13 communities where they mined.
  - It would be expanded to about 50 per cent of communities in the Bibiani-Anhwiaso-Bekwai and Sefwi-Wiawso districts by the year 2016.
  - The program had started showing impressive results as cases seen at the Chirano Mine Clinic had reduced from 910 to 210 in a year.

- **Oil Palm Plantation and Sustainable Development Funds – Golden Star Resources**
  - The GSOPP was established in April 2006 to promote the development of oil palm plantation within GSR’s catchment area.
  - The GSOPP now operates with over 200 small-holder farmers and 242 part-time contract workers.
Examples of CSDP (CONT)

- **Ghana Manganese Company Ltd**
  - Social Development Initiative of the Essuoso Traditional Area of the Tarkwa-Nsueam District.
  - In 2010, donated US$200,000 to UMaT for the establishment of hostels – Long Term Sustainability.

- **Malaria Control Program – AGA Obuasi**
  - An award winning (West Africa Regional Network) integrated Malaria Control program comprising of Vector Control (IRS, Larviciding, ITN distribution), IEC and Health Promotion, Surveillance and Monitoring, Disease Management (Diagnosis and Treatment)
  - Project costs were US$ 1.7 million for the first year, with an annual budget of US$1.3million thereafter.
  - The program’s initial objective was to achieve a 50% reduction in the incidence of malaria within two years, beginning in January 2005. By October 2008, reported malaria cases had declined by 74% from an average of 68,000 cases per month in 2005 to 1,200 in 2008.
Governance Structure of CSDP

Measures that promote transparency and accountability in the use of funds designated for CSDP include:

- **Board of Trustee**: With representation from the community and mining company, the board has an oversight responsibility on the use of funds and which projects to finance.

- **Monthly Reports**: Each mining company publishes information on production, revenue and other ancillary data that helps stakeholders in reconciling the budgeted amount with the actual amount spent on CSDP.

- Involvement of employees in the allocation of funds to CSDP safeguards the integrity of the process.
As all the mineral producing companies are transnational, they are able to attract world class service providers into the country.

They also transfer knowledge, skills and technologies through their staff and other customers.

Notable sectors that have benefited from the mining industry in this way include:

- Banking & Financial Services,
- Transport & Logistics,
- Hospitality and Catering,
- Consulting-Environmental & Engineering Services
- Manufacturing & Fabrication
Spill-Over Effects of Mining

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  - Transport & Logistics,
  - Hospitality and Catering,
  - Consulting-Environmental & Engineering Services
  - Manufacturing & Fabrication
Transparency in the Mining Sector

- The Chamber of Mines and its members consider access to information as key in sustainable development.

- A number of measures have been adopted to level the flow of information to stakeholders. Some include;

  - EITI-Member companies submit to the EITI process
  - Each mining company has a department (Community Relationship) that liaise directly with the community.
  - Regulators also provide information on developments within the sector (Eg. EPA’s AKOBEN)
CONCLUSION

- The gains from mining transcend the sector’s contribution to the national purse.

- Benefits from mining spill-over to other sectors of the economy, and internalizing these benefits will accelerate growth of the economy.

- Government, Civil Society and other stakeholders should be active partners in transforming the mining sector to a provider of mineral services.
THANK YOU