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Unlocking the Wealth of Nations

FDI to the Rescue?

A Case Study of the Gold Mining Industry of Ghana

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Controversial and uninspiring as the gold mining industry of Ghana is perceived to be at least by some anti mining activists, obtaining reliable and timely data for a study of this nature becomes very challenging, particularly owing to the foreign dimension attached to the study – a foreign based Ghanaian student at the fore of the study. This note notwithstanding, in consideration of the distance and the huge efforts involved in obtaining trustworthy data from the various governmental and non governmental agencies and offices in Ghana, I would want to render my profound sincere gratitude to the following people:

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Abstract

That Ghana is rich in mineral resources particularly gold is evidenced in different forms the principal one being that the country was once called the 'Gold Coast' during the colonial era in obvious reference to the rich mineral deposits the early European explorers astonishingly discovered upon arrival at the shores of the country.

All over the world, the economies of nations revolve around some key sectors and industries and that national fortune or misfortune is to some extend inextricably linked to the performance of *'the goose that laid the golden egg'*. There is therefore no gain saying that in drafting national policies, specific attention is often paid to those industries sometimes at a great cost to the nation.

The conclusions drawn from the study are that:

In spite of the numerous incentives accorded investors under the mining laws of Ghana, the mining sector has not made any impressive gains to benefit national economy as one would have expected - due to a number of reasons one being the relatively low equity capital often not more than 10% share holding held by government. On the contrary, investors continue to reap and repatriate a chunk of the benefits; courtesy of the liberalized and generous concessions conferred upon them by the mining policy document.

Again, according exclusive and unparallel attention to a sector that relies on a non renewable resource and more importantly that does not forge a significant link with the rest of the national economy leaves the future of the economy in gloom and could aptly be described as a *'recipe for disaster'*.

That incentive based competition for FDI leaves in its trail a *'bidding war spiral'* as nations compete with each other using mainly generous concessions to lure foreign investors to consider locating and relocating investments in their respective countries. In the process, public finance which is deemed crucial to national development and welfare are deeply eroded mainly through fiscal and physical concessions granted.

The study concludes by advocating global or regional collaboration and support among investors and governments alike with a view to drawing a common standard to serve as a platform upon which the FDI bargaining process would revolve. It specifically recommends a rule based strategy to ensure that the gains accruing from FDI are fairly shared between the host government and the foreign investor- a sort of *'win - win situation'* and not a *'winner takes the majority'* as it appears that incentive based competition strategy for FDI revolves around.

Key Words: Foreign Direct Investment (FDI), Host Government Policies, Host Government Objectives, Competition among Government for FDI, Business Objectives, Economic Impacts.

Dedication

To God be the Glory.

This thesis is dedicated to my father, the late **Mr. John Amos** of blessed memory.

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1. Chapter one - Introduction

1.1. Background to the study

Globalisation and internationalisation of business operations have meant that national borders no longer serve as barriers to which home country companies can expand and extend their businesses. Needless to say that we are in an era of a *'borderless world'* where business activities respond to international inter-play of the forces of demand and supply of production inputs and outputs including investment funds and capital.

FDI can be studied from either the perspective of the source of investment country or the recipient of investment country or both. For the purpose of this study it is thought that a holistic approach to host country – foreign investor dilemma would offer some meaningful insights to understanding their respective perceptions and concerns embedded in FDI.

Against the backdrop of the numerous untapped and under utilisation of installed capacity of productive assets bedevilling LDC's including Ghana, most of these countries have resorted to investment drives not only to attract but more importantly to retain foreign direct investment (FDI) to their respective countries. The intensity of competition for FDI among countries has meant that countries package a set of attractive deals to woo investment to their fold whilst the investing companies are careful and analytical in deciding where to direct their investment.[1]

Historically, the performance of the gold mining sector of Ghana is characterised by slumps and peaks in production volumes and corresponding foreign exchange earnings. It should be stressed that government policy and attention given to the sector is one of the main factors that contributes in determining the performance of the gold mining sector at a particular point in its history. Extensive description and discussion together with relevant references of the different focuses and directions of the host government towards the gold mining sector and how the policies impacted on the performance of the sector is presented in chapter four. Suffice it to say here that

[1] Cavusgil et el

slumps and improvements in performance with its attendant impacts on government objectives and the role of the gold mining sector have been experienced at different times.

The relevance of the gold mining sector to the economy of Ghana lies in the important and strategic role it has played and continues to play. As one of the key foreign exchange earners to the state – the others being cocoa, timber and other minerals export, the performance of the gold mining sector is closely monitored. From the colonial days to the present era, owing to the economic significance of the gold mining sector with respect to foreign exchange earnings, the sector has been accorded the much needed attention and priority it deserves. The implications are obvious as a slump or improvement in gold export earnings contributes significantly in making available to the government foreign exchange to finance its import bills and meet other commitments both locally and abroad.[2]

That the government of Ghana had long recognised the private sector as the engine of growth of the economy need not be overemphasised. Dating back to 1983, Ghana, under the auspices and guidance of the Word Bank (WB) and its affiliate body the International Monetary Fund (IMF) launched an Economic Recovery Programme (ERP) and a Structural Adjustment Programme (SAP). Prior to this period, additional funding requirements to augment existing capital of the gold mining industry had mainly been met by foreign loans that leave the ownership, management and organisation of the mines in the hands of government. That the gold mining sector is of great importance to the economy of Ghana is traceable to the rich mineral resources chiefly gold dotted along the territories of Ghana which gives credence to the country's original name the '*Gold Coast*'[3],[4] as explored by the early European merchants. With privatisation of state owned enterprises (SOE's) a key feature of the (SAP) and the (ERP), there has been a steady growth in inward FDI into the gold mining sector of Ghana either by acquisition of a state owned mining entity (a brown field investment) or development of new mines (a greenfield investment).

A country's regulatory framework is but one of the essential factors an investor looks at prior to making an investment decision abroad. Being policy driven,

[2] Minerals Commission
[3] http://www.metmuseum.org/toah/hd/ghan/hd_ghan.htm
[4] http://www.ghanaweb.com/GhanaHomePage/ghana/politics/polit_hist.html

the regulatory framework gives an overview of the intentions of the host government towards inward FDI.

On a broader note, *"the regulatory framework refers to policies and legal provisions that exert an impact on foreign invested enterprise (FIE) operations as well as on non FIE operations (such as patent protection, enforcement of commercial contracts, dispute settlements, etc)".*[5]

Irrespective of the pros and cons of greenfield and brownfield investments outlined beneath, the gold mining sector continues to attract foreign investment intended to help turn the fortunes of the economy around. Available statistics indicate that between 1983 and 1998 the overall mining sector of Ghana received US$ 4 billion in inward FDI for expansionary and re-engineering of existing mines and development of new ones. There has also been an upward surge in the number of companies granted mining leases. Generally, a potential foreign investor with a burning desire to make a FDI may resort to acquiring existing establishment in the host country if there are obstacles to local resources acquisition or resource transfer from abroad. FDI via an acquisition strategy has the advantage of faster development of operational activities as the investors have a running enterprise with defined product lines and specific markets or target market.

However, notwithstanding the inherent advantages, difficulties may emerge in the process of restructuring the acquired company to fit the current operations and policies of the acquiring company. On the contrary, establishing an enterprise from scratch may take a couple of years to nurture and grow to cope with the business terrain of the host country and to make a meaningful level of business development.[6]

From the perspective of the host country, a review of policies towards FDI leaves the fundamental issue of whether FDI is helpful or detrimental to the developmental process of the host country unresolved. Views and experiences might differ however; suffice it to say that this question remains a burning issue in the development literature. Generally, host country's inward FDI policies could be classified as either promotional or restrictive. This classification

[5] Yasheng Huang, 1998
[6] Cavusgil et el

depends on the nature of concessional or ordinary packages attached to a particular investment package or a class of investment thereof.

Conscious of the global competition for FDI, Ghana has packaged an attractive investment code with the aim of enticing investors to invest in Ghana. In particular, investing in the mining sector is enriched by the availability of numerous financial incentives that serve as the catalyst to lure investors to the sector.[7] However, these investors (being profit-maximisation minded corporate entities) come with a set of prioritised economic objectives, which are not outside the realms of the regulatory and policy framework that governs their investments, to pursue. In the aftermath of these realisations, a wave of disappointment and discord erupts.

The demand for FDI by the host country is a reflection of the nature of the host economy and considers factors such as the capital requirements of the country, the size of the domestic market, the rate of economic growth, political stability, economic policies, regulatory features and the characteristics of the resources allocation system, installed and utilised capacity of production facilities, the eagerness of host governments to attract inward FDI which is manifested in the willingness to liberalise the FDI regulatory framework. In Ghana, there exist geographical and sectoral incentives to inward FDI in a bid to boost investments to be sited at specific economic zones and sectors of the country.

Conventionally, FDI serves as the vehicle for transporting capital and technology to the host country. The above notwithstanding, one should be cautious of the tradeoffs involved in being a recipient of FDI, the necessary market concessions to be made and the accompanying trade offs to be made (giving up national control to foreign firms.) The hard fact is that though some countries may be in dire need of inward FDI, they are at the same time unwilling to entertain those trade offs whilst others choose to receive FDI and suffer the associated tradeoffs.

It is therefore not surprising that there appears to be a discord as to what the expected economic spill-over of inward FDI into the mining sector from the perspective of the Government of host country –Ghana is and what the investors actually aspire to achieve. This dilemma somehow emanates from the seemingly different thinking and expectations that are embedded in the

[7] Minerals Commission - Ghana

foundation of the two institutions at stake -the host government and the foreign investor. It is not a strategy of one actor undoing the other, but rather a logical consequence of pursuing different objectives as a result of the separate interests they represent and achieving the best result out of the given scenario. Under such a conflicting scenario, an '*Expectation Gap'* (what the host government expects to happen and what does happen in reality) emerges that calls for a thorough investigation and explanation.

1.2. Problem discussion

Following the background to the study, it is imperative that in a partnership where the different actors involved – host government and the foreign investor in this respect have seemingly conflicting motives to satisfy – the foreign investor being primarily focussed on profitability, growth and survival of the business whereas the host government how to maximise the positive aspects of impacts accruing from the FDI while at the same time minimising the negative effects of the FDI on the host country. Different stands might emerge due to the dualistic and to some extent irreconcilable nature of the impacts experienced in the foreign investor – host government partnership. On a playing field composed of two distinctly focused actors with each possessing unique advantages emanating from powers embedded in each respective position, the continuous existence and cooperation of the parties calls for an understanding and appreciation of each other's position.

Added to this, it is conceived that an understanding of and an explanation of the conflicting impacts would facilitate the resolution of the dilemma and pave the way forward to the realisation of commonality of intentions,(where achievable). Motivated by the profit maximising objective, one of the foreign investor's primary goals is to seek the growth and survival of the enterprise established. For this reason, the set of policies that are implemented are tailored to achieve specific impacts which may not necessarily be in tune with the envisaged impacts set by the host government in luring those foreign investments. Consequently, the foregoing discussion leads to the main problem behind the study which is:

1.2.1. Problem formulation

As actors and collaborators, both the host government and the foreign investor need to cooperate and complement each other's role towards a win-win situation for their common interest. Each party is indispensable to the other and as such ignoring the concerns of the other party would not contribute to the enhancement of the partnership so struck.

Main research question

"In order to contribute to an enhancement of the partnership between the host FDI government and the foreign investor, how could the pursuit of economic impacts that are not typically biased towards one party, thereby ensuring the pursuit of mutual beneficial economic impacts be reconciled in the case of inward FDI in the gold mining industry of Ghana?"

Subordinate research questions

In order to facilitate a logical and sequential investigation towards answering the main research question, two subsidiary research questions are posed to delve into specific aspects of the main research problem.

Subordinate research question one

This sub-research question aims at measuring and appraising the actual economic impacts brought about as a result of inward FDI in the gold mining industry of Ghana.

"What are and how can the economic impacts of the foreign investor-host government dilemma be evaluated in the case of inward FDI in the gold mining industry of Ghana"

Subordinate research question two

The second sub-research question recognises the role of the mining and minerals industry regulatory framework in prescribing and dictating *'the rules of the game'* and for that having a bearing on the actual impacts emanating from FDI in the gold mining industry of Ghana.

"Does the legislative framework of the host country have any effects on the economic impacts in the case of inward FDI in the gold mining industry of Ghana?"

1.3. Objectives of the study

The overall purpose of the thesis is to investigate and explain how the seemingly conflicting impacts emanating from foreign investor - host government dilemma arising out of decisions to site investment operations abroad are brought about. It is also a knowledge gaining experience as pertinent issues involved in the host government – foreign investor dilemma are unearthed, explained and useful insights gained. Other objectives of the study are:

- To provide the host government with an appraisal of the economic impacts arising from inward FDI in the gold mining industry of Ghana and to present other alternative approaches to operating and managing the gold mining industry aside of inward FDI.

- To provide the foreign investor some knowledge of the gold mining industry of Ghana prior to making an investment decision and to facilitate an assessment of the host country's investment climate and the likely consequences prior to making an investment decision.

1.4. Delimitations

Whilst it is conceived that a broader dimension of the context and content of the study would have been preferable, certain factors are prominent; time and data constraints have necessitated that the thesis is approached in the manner described here taking into consideration the respective exclusions and the inclusions. Specifically, the following delimitations guided the work and are worth taking into consideration when reading it.

- The study primarily focuses on the large scale gold mining industry of Ghana.

- Small scale mining activities which (owned mainly by the indigenous people) yield economic impact, are ignored by this study on the grounds that an aspect of it is illegal – unlicensed small scale gold miners exist for whose activities no official data is available.

- The gold mining sector is defined as comprising gold mining companies (producing ones) in addition to mining services and support companies.

- There exists different impacts; this study focuses primarily on economic impacts namely: balance of payments with particular reference to foreign exchange earnings from gold export and inflow of foreign capital for investment, contribution to government revenue collectible by the Internal Revenue Service, gross domestic product and resources transferred from abroad to Ghana as a result of FDI.

- Other impacts of FDI in the gold mining industry of Ghana. These include environmental effects and socio-cultural effects. Further, other dimensions of economic impacts such as the effect of FDI on market structure, trade flows and wages and salaries are ignored.

- The choice of dimensions for study is guided by availability of data and how significant it is to the host government and the foreign investors.

- Different stakeholders exist in the gold mining industry of Ghana. The community in which gold mining takes place and the people residing in it is one classic case. Other stakeholders are; the mine workers union, anti mining activists, environmental watchdogs and others.

1.5. Structure of the study

Linking the above literature, the rest of the study is organised as follows:

Chapter ***two*** expands on ***theoretical insights*** into economic impacts of FDI by presenting a discussion of the economic parameters of inward FDI being studied. It asserts that generally, FDI impacts both negatively and positively on the host economy and in different dimensions namely Economic, Socio-Cultural and Environmental. However, this study focuses primarily on the economic dimension and specifically measures these: the impact of inward FDI on the host country's balance of payments and trade relations, contribution to government revenue, contribution to gross domestic product and resource transfer impacts.

Chapter ***three***, the ***methodology chapter*** describes the overall working approach used in the study. It asserts that different methodologies are applicable depending on what the researcher seeks to find and the appropriateness and suitability of the chosen methodology in so far as valid and reliable data is obtained for onward analysis and conclusions. It highlights the combination of Case Study and Observational Studies used in study and gives the motivation for the choice conscious of the limitations associated with the chosen approach.

Chapter ***four*,** the ***descriptive chapter*** is a complement to the empirical findings, giving an overview of the mining sector including some key statistics on performance. It is an integral part of the empirical findings and as such should not be read in isolation. It traces the metamorphoses of the mining industry with respect to Ownership, Control, Performance, Policy changes and key Roles that the mining industry in general has gone through to the current era. An appreciation of these bare facts together with the empirical findings would facilitate a thorough appreciation of the gold mining industry of Ghana in the context of the overall national economy.

Chapter ***five*** dwells on ***empirical findings*** by eliciting relevant data to shed light on the envisaged and actual economic impacts to aid the quality of the subsequent analysis. Specifically, relevant data on the gold mining sub sector's contribution to the balance of payment via proceeds from gold export, foreign exchange retention abroad by foreign owned mining companies, contribution to government revenue via both upfront charges and levies unrelated to

profitability such as royalty and national reconstruction levy and profitability based charges such as corporate income tax are presented. Resources and technology that have been introduced as well as the gold mining sector's contribution to GDP are the key subject of resources transfer impact and the sector's contribution to GDP respectively.

Chapter ***six*** handles the ***analyses***. It approaches this from the perspective of scenario building on alternatives to inward FDI. Had FDI not taken place, what would have been the likely outcome with respect to the economic impacts studied – a contra factual analysis which operates on the alternative forms of investment opened to the host government had FDI not taken place in the gold mining sector. The different options available to the host government and the potential strengths and weaknesses together with the likely results from the alternatives are presented and analysed.

Chapter ***seven*** pulls the curtain down by drawing ***conclusions*** *and* ***recommendations*** arising out of the study and issues worth further investigation. It draws both log term and short term recommendations in a bid to handling the foreign investor – host government dilemma towards the pursuit of a *'win win situation'* as opposed to a *'winner takes a majority situation'*.

1.6. Abbreviations

This thesis has made use of a number of abbreviations and acronyms. It is imperative that the full versions of these compressed expressions are given to facilitate in depth understanding.

IMF International Monetary Fund

WB World Bank

ERP Economic Recovery Programme

SAP Structural Adjustment Programme

SOE's State Owned Enterprises

FDI Foreign Direct Investment

GDP Gross Domestic Product

MNC's Multinational Corporations

MNE's Multinational Enterprises

LDC's Less Developed Countries

PNDC Provisional National Defence Council

AGC Ashanti Goldfields Company

SGMC State Gold Mining Corporation

2. Chapter two - Theoretical insights into the impacts of FDI

This chapter presents a theoretical discussion of the economic impacts of FDI on the host FDI country. It further discusses the host country's regulatory framework in general and industry or sector specific framework and its bearing on economic impacts.

Generally, the theoretical underpinning of the effects of FDI is traceable to the neo-classical school of economic thought and in particular to an article by Mac Dougall published in 1960. The theory perceives FDI as increasing the recipient country's stock of capital whilst reducing that of the source country in the same magnitude. FDI, it is argued, offers a means of improving income and social welfare in the recipient country once the optimum conditions of a perfectly competitive economic system are upheld.[8]

Costs and benefits that accrue to the parties in the FDI process are also influenced by the relative strengthened and weakened positions exploited at the bargaining table. Benefits derived by one country are not necessarily costs borne by the other country as a result of the FDI process. In effect the FDI process is seen as not being '*a zero - sum game*.'[9] Consequently, the implications are that projected costs and benefits at the *ex ante* stage are not necessarily the reality at the *ex post* level as events unfold.[10]

The rationale behind the quest for MNC's to venture into FDI is underscored beneath by *Imad A. Moosa* in his book, *Foreign Direct Investment, Theory, Evidence and Practice:*

"We have to bear in mind that MNCs operate in such a way as to maximize profits worldwide, and in the process they shift resources to areas where returns are high, and buy inputs where their prices are low (after all, they are profit maximizers)"

---

[8] Hood and Young, 1979
[9] A situation where the *origin* of a resource and the *destination* of the same resource are *worse off* and *better off* respectively by the same magnitude after the transfer.
[10] Moosa, 2002

The foregone theoretical remarks however contrast sharply with the observed reality stressed by Moosa as FDI is perceived to be in response to market imperfections which aid the profit maximisation motive of MNC's.
Reflecting on the above remarks, notable benefits would accrue to the recipient country by ignoring the assumptions underlining perfect markets. For instance by relaxing the assumption of non existence of external economies, the injection of technology and know-how by foreign firms can be envisaged which is of immense benefit to the recipient country. Again, the introduction of highly efficient production methods by foreign firms to the recipient country would boost the achievement of economies of scale where the proportionate growth in output outweighs the corresponding proportionate increase in input- a clear demonstration of benefits to the inward FDI recipient country.

It would be naive to assume that inward FDI impacts only positively on the recipient country. By ignoring the assumptions of a perfectly competitive economic system, it is plausible to analyse both negative and positive impacts of FDI on the recipient country.

Economics theorists are confronted with different methodologies in examining the economic impacts of FDI on the economies of both the *recipient* and the *source* countries of FDI. The choice of an approach is driven by the desire and the purpose of the theorist or the practitioner and the extent of analysis to be performed.[11]

One of these approaches is to highlight only one of the economic parameters and appraise the impact of FDI on the selected parameter from the perspective of both the recipient and the source countries of FDI. This approach enables a broad searchlight examination and analysis of the chosen variable such as on sectoral basis, firm or industry level or country level to be performed.[12]
This approach is not suitable on the grounds that economic impact dimensions are not being studied in general but rather the contribution of the gold mining industry to the specific impact dimensions.

A second approach to studying the economic impact of FDI on the recipient and the source country is to examine country specific FDI goals. The importance of this approach lies on the impacts of FDI on the developmental

[11] Dunning, 1993
[12] Ibid

objectives of specifically developing countries as recipients of FDI could be analysed from the ability of inward FDI in answering a number of economic deficiencies labelled as '*gaps*' inherent in these economies.[13]

The four major '*gaps*' presented are:

1. *"the resource gap between desired investment and locally mobilised savings;"*

2. *"the foreign exchange or trade gap between foreign exchange requirements and the foreign exchange earnings plus official net aid;"*

3. *"the budgetary gap between target revenue and locally raised taxes;"*

4. *"the management and skill gap by providing foreign management and the training of local manager and workers."*

The second approach centres on country specific FDI goals. However, in a situation where there exists a separate regulatory framework for different industries of the economy, such as is the case of the mining and minerals industry of Ghana, there is the likelihood that FDI goals may not be uniform across industry borders. Industry specific regulatory frameworks would to a large extent be driven by the FDI goals set.
A third approach to analysing the impacts of FDI on the economies of recipient and source countries is to examine how FDI has impacted on certain economic variables or parameters.[14]

For the purpose of this study, this approach would be adopted though from a one side perspective – impacts on the host FDI country only ignoring impacts on the home FDI country. Preference for the third is motivated by the following. The grounds for adopting this approach stems from the context of the thesis - focusing on effects on specific economic variables of the host FDI country. That is to say a measurement of the extent to which inward FDI has

[13] Ibid
[14] Ibid

impacted on each distinct economic variable covered under this thesis. The specific economic variable to be examined from the perspective of inward FDI and the recipient country's economy are as follows:

2.1. FDI and inter industry linkages in the host country

Inward FDI has the potential of creating and deepening the level of inter-connectedness and inter-dependence of business firms within the host country through upstream linkages and downstream linkages.

2.1.1. Upstream linkages

These are those linkages that connect business firms with their suppliers whereas downstream linkages are concerned with the sort of linkages that connect business firms with their customers.[15]

"Linkages occur when, by design or not any particular firm (in this case an MNE or its affiliates) affect the amount and/or condition of supply of, or the demand for, other goods or services by another firm or by consumers"(Dunning,1993)

As a result of the linkages created by foreign owned firms in the host country, business activity has the potential of experiencing growth with all the attendant spill-over effects accruing to the host country. Decisions on how much of particular input to buy is derived from the range and volume of goods and services produced by affiliate firms of the foreign owned firm in question. Further, the rate at which the market for the particular input is internalised by the parent company of the foreign owned firm and its affiliates is another consideration.[16]

Inputs sourcing decisions become equally critical. In this respect, '*make or buy decisions'* become relevant. The decision to outsource specific value adding activities or inputs and services comes with transaction costs – any additional costs as a result of acquiring and making use of the items including search cost, cost of negotiating with the chosen supplier and risks and uncertainties. Such

[15] Dunning, 1993
[16] Ibid

decisions are in recognition of the need not to over-stretch the organisational capacity thereby compromising on quality and the firm's core activity or product. Again, establishing linkages with indigenous suppliers depends on the type of input or service involved and the level of control and coordination that should exist between the buyer and the supplier in an effort to guarantee conformance to specifications and other requirements. In short, the objectives of domestic linkages can be summarised as *"……. domestic linkages along a value-added chain are only desirable in so far as they help the producing firms to be more competitive in world markets"*[17]

The state of indigenous supply capability and the availability of support industries in the host country influence the extent to which the foreign owned firms will undertake value added operational activities. The decision to import specific components or inputs by foreign owned firms is often in response to the poor level of development of support industries which has the potential of triggering an inducement by the host government to entice foreign investors in the support industries to set up in the host country. Growth in the support industries would result in improved quality of indigenous component which has the potential effect of leading to an increase in the applicable[18] '*local content requirement'*.[19]

For the host country's economic growth to be given a boost and to enhance the achievement of synergies connected with linkages, buying from locally manufactured sources and or own manufacture (where the firm in question possesses cost advantage over its competitors) would be preferable to importing from abroad.

2.1.2. Downstream linkages

This form of linkages on the other hand spell out the sort of inter-connectedness and inter-dependence that exist between a foreign owned firm (in this context, though not peculiar to only foreign owned firms) and the business customers of its products or services. Similar to upstream linkages, the

[17] Dunning, 1993
[18] Dunning, 1993
[19] A requirement in some countries that firms producing in that country have a certain portion of their inputs sourced domestically.

scope of downstream linkages depends on the volume of output produced in addition to the mix of own usage and usage by external parties.[20]

Foreign owned firms establish different forms of downstream linkages with their business customers the prominent among which are:

- As more value adding activities become imperative to firms that undertake mainly primary processing functions, linkages are established with other firms in the secondary processing sector to add more value to the products.

- In business to business (B2B) dealings, where technical and after sales service and advice is a necessary ingredient for a fuller exploration of the functionality of the products, downstream linkages with business customers become a necessity.

- Linkages with marketing channels for the purpose of customer education and information.[21]

The unique features of countries, industries and firms contribute in shaping the sort of linkages that a foreign investment in an upstream activity may induce a downstream processing activity and for the necessary linkages to be established. However, the mere presence of a foreign owned investment in an upstream activity is no guarantee that it would lead to an inflow of investment in setting up and operating secondary processing downstream activities. Different options and strategies such as exporting the primary processed material abroad for secondary processing are weighed against the costs and other factors associated with indigenous secondary processing.[22]

2.1.3. The network of vertical linkages

Linkages like all business decisions are guided by cost and revenue considerations when foreign owned firms seek to forge linkages with business suppliers or customers along the value chain[23] with both indigenous and or

[20] Dunning, 1993
[21] Dunning, 1993
[22] Dunning discusses this subject on the background of LDC's where there is a preference for the export of primary processed materials for further (secondary processing abroad) in the case of non renewable resources.
[23] Porter discusses the value chain: breaking down of firms' activities into discrete units.

foreign owned firms. The business entities involved in the network may be externally owned or affiliated to the foreign owned firm in one way or the other. These networks of vertical linkages are in effect to be seen as business '*partnering'* or business '*network*ing' activities not for the sole benefit of one firm only but generally for the mutual benefit of all the firms locked in the links. It may take the form of an outright external sourcing of components or services in the value chain to sub-contracting to external parties for the supply of specific inputs or activity. Business efficiency and competitiveness are other considerations that drive the quest by foreign owned firms to enter into networks.[24]

2.2. FDI and domestic output of the host country

From the perspective of LDC's, inward FDI is hailed as the catalyst for increased in sector specific or overall national output and consequently economic growth. Inadequate domestic savings; a contributory factor of the vicious cycle of poverty, hence low capital accumulation, has meant that LDC's turn to inward FDI to boost the level of available capital stock for production. Not only would the introduction of fresh capital through inward FDI boost domestic output, efficient and effective application of existing capital stock could also enhance the attainment of growth in domestic output.[25]

With respect to the possible outcomes of inward FDI on the output of the host country, the macroeconomic policy pursued by the host country is worth analysing. Basically, inward FDI has the potential of improving the domestic output of the recipient country where there exist idle resources and such resources are shifted into productive use and also through the introduction of efficient resource allocation systems.[26]

The above notion notwithstanding, however, depending on the scenario, these results are attainable:

[24] Dunning, 1993
[25] Moosa, 2002
[26] Ibid

- *"If the host government pursues a macroeconomic policy that always achieves full employment, then inward FDI would not affect the size of output, provided it is as efficient as any domestic means of resource utilisation."*

- *"If FDI absorbs resources that would otherwise remain unemployed, then the output generated by FDI net of remittances represents a net gain to the output of the host country."*

- *"If FDI is capable of improving the efficiency of domestic resources by shifting them from less efficient to more productive sectors of the economy, then domestic output would rise."*[27]

2.2.1. FDI and employment generation in the host economy

Through the FDI process, foreign expertise is brought to the host country as the MNC's staff their investment package with the requisite experts from abroad that may be scarce in the host country. In the inward FDI bargaining process, the employment generation aspect of the total package is often resolved with the inclusion of expatriate quota or limits clause. The idea is to ensure some level of employment vacancies reserved for the indigenous people. However what constitutes an appropriate mix of expatriate and local staff remains uncertain. The technology base of the production system- labour intensive or capital intensive has an influence on the level of employment to be created.[28]

Through training and development, local staffs are able to tap the expertise brought from abroad and in so doing increase the knowledge and expertise bank of the host country. The above practice has the growth effect of helping to develop and boost local entrepreneurship among the indigenous people. The managerial superiority entailed in the FDI package often results in lower costs which are reflected in lower prices.

That there exists a direct relationship between employment and investment had long been postulated by Keynes. The exact employment effects of FDI remain debatable as economists differ in their opinion. However, employment effects of FDI may be seen as follows:[29]

[27] Ibid
[28] Hood and Young, 1979
[29] Moosa, 2002

1. *"FDI is capable of increasing employment directly, by setting up new facilities, or indirectly by stimulating employment in distribution."*

2. *"FDI can preserve employment by acquiring and restructuring ailing firms"*

3. *"FDI can reduce employment through divestment and closure of production facilities*." [30]

The level of employment generated (in qualitative and quantitative terms) as a result of FDI and what would have happened had the FDI not taken place is worth nothing.

2.3. Impacts generated by FDI (Contra factual basis)

In measuring the impact generated by inward FDI, emphasis is placed on the marginal changes to the economic variables brought about by the inward FDI, on a contra factual basis. The point has been raised earlier that inward FDI may lead to both negative and positive results on the host country and for that reason the total economic variable measured after FDI had taken place must not be misconstrued as the actual impact generated by FDI, the premium is on the marginal addition to economic variables as a result of FDI taking place. For each and every economic parameter, it is possible to measure the marginal changes to the parameter brought about by the inward FDI to assess how beneficial or other wise the specific class of FDI or entire inbound FDI stock has been for the economy of the host country.[31]

2.4. FDI and balance of payments - foreign exchange earnings impact on the host economy

Foreign exchange just like savings is a vital ingredient for economic growth. A deficit in the balance of payments is therefore detrimental to the achievement of macroeconomic objectives. When an FDI takes place, the host country's

[30] Ibid
[31] Easson, 1999, (pp.7-11)

balance of payments improves from foreign exchange through capital introduced at the commencement of the project and additional capital that may be introduced in the course of the project's life span. Similarly, the balance of payments experience a drain through the payment of dividends, royalties, technology fees and profits repatriated.[32,33]

For any given FDI, both direct and indirect effects can be isolated and examined. The direct effects of a given FDI are those that are connected with the flow of resources as a result of the FDI prominent amongst which are export of output and inflows of equity capital and loans from abroad less capital and loans repatriated. Outflows by implications are leakages leaving the country's balance of payments as a result of the FDI. These include imports directly connected with the FDI and all required payment directly associated with the FDI. The impacts of FDI on a country's balance of payments should be analysed by taking into consideration the following: host country's factor input absorbed in the production process, proportion of output sold domestically and exported abroad and how is the value of output apportioned between the host country's factor inputs, the host government and the retained share.[34,35]

Where the output of the FDI is export oriented, the host country could benefit from favourable trade effects through export of the output from the project. Realistically, the net trade effect may be worse or better depending on the import of components and materials and export of output ratio. As MNC's more often than not prefer to transact business with affiliates and parent companies, the critical issue of transfer pricing must be considered as it could be capitalised on to manipulate the financial results hence loss in tax revenue to the host country. The reaction of foreign owned companies to speculations about the strengths and fluctuations in the exchange rate of the host country particularly in LDC's whose currencies are generally vulnerable to fluctuate and its effects on the balance of payments and the subsequent performance of the country's export and imports.[36,37]

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[32] Hood and Young, 1979
[33] Moosa, 2002
[34] Ibid
[35] Hood and Young, 1979
[36] Ibid
[37] Moosa, 2002

2.5. FDI and resource transfer impact on the host country

Through the FDI process, the location of resources is changed in response to prevailing conditions. Typically, FDI provides the life-line to the yawning '*savings gap'* experienced by many nations when domestic savings fall short of investment requirements. Similarly, the '*foreign exchange gap', defined as the difference between export earnings and payments on account of imports* pose yet another hurdle that confronts the domestic sourcing of resources. It asserts that FDI provides the solution to these obstacles via its resources' transfer capability. The FDI process handles the transfer of capital, technology and managerial skill needed to set up and propel the wheels of industry.[38]

2.5.1. Provision of capital

Apart from the actual capital stock provided through the FDI process, FDI serves as a platform to attract other sources of assistance to the host country particularly from the home country of the FDI and other bodies. Through the collaboration of the particular FDI and its affiliated companies, idle and relatively cheap sources of capital could be harnessed elsewhere to augment the shortfall of domestic capital experienced in the host country.[39]

However, the ability of FDI to serve as a platform for raising capital is not without criticism. Some of the criticisms are that FDI is an expensive source of capital compared with other foreign originated capital. Again, not all the capital requirement under FDI would be raised from external sources - there could be some domestic component which would have otherwise been channelled to other desirable ventures. Thirdly, capital contributed through the FDI process may be a mixture of tangible and intangible capital such as machinery, patents and goodwill. Thus FDI is accused of providing inadequate and relatively expensive capital.[40]

[38] Hood and Young, 1979
[39] Ibid
[40] Moosa, 2002

2.5.2. Technology transfer

Economic growth of nations is largely influenced by the level of technological advancement attained through its application. That technology creation is an expensive, complex and often risky undertaking implies that LDC's would have to rely on technology transfer inherent in the FDI process to improve upon its access to a given technology. The relevant laws confer on the owner of a given technology the necessary protection from abuse and exploitation by third parties. Benefits that accrue to the host country as a result of the technology so transferred are determined by the price, terms and conditions under which the transfer is negotiated. Technology may be sold outright or licensed for use in production. Returns accrue to the inventor via technology fee, royalty etc. For whatever reasons, where FDI is unable to materialise, technology could still be accessed by the host country through *technical assistance agreement*.[41]

Owing to the fact that most of the technology originated by the developed world is mainly in response to their peculiar industrial and other uses, there are often questions raised on the *appropriateness and suitability of technology* transferred from the advanced world to the less developed world for various reasons. Such questions rest on the factor endowment of LDC's, particularly smallness of market, the high unskilled labour proportion of the workforce and labour intensive methods of production as key characteristics of LDC's.[42]

2.6. FDI and host government's revenue

Tax revenue constitutes a substantial part of government revenue. The various forms of tax revenue that the host country receives from foreign owned firms improve the nation's value added. As it pertains in all business dealings and more importantly to a foreign owned firm with affiliate firms elsewhere, the objective of minimizing tax liability in a particular host country is paramount. However, the overall objective of minimising the net tax effects from the group's total operations reigns supreme. In the foreign investment location

[41] Hood and Young, 1979
[42] Ibid

decision making process, tax rates and policies of the potential host governments are scrutinised to aid the decision making process.[43]

The tendency of foreign owned firms to relocate their value adding activities from one country to another in the face of uncompetitive tax policies – '*a tax competition'*[44] is an important weapon that foreign owned firms wield over host governments. This action results in decreasing government revenue via taxes derived from foreign owned firms. Host government's taxation or fiscal policy has the additional effect on the level of profit available for distribution to the owners of the foreign owned firm. The tax policy of the host country has a bearing on the income earning potential of the foreign owned firm as far as the burden; effect and incidence of taxation are concerned. How much of the tax is borne by the firm and how much is passed on to the final consumer. A particular tax policy may be a disincentive to production in the host country whilst another tax policy may be competitive enough to attract investment thereby improving government revenue via taxation. In its quest to raise revenue, the host government has different options to choose from including increasing tax rates and cushioning its effects with subsidies, grants and fiscal and financial incentives which reduce operational costs thereby improving the project's profitability.[45]

The ability to switch the location of value added activities by foreign owned firms prompts the host government to institute some level of sector unique attention and privileges over the other sectors of the economy in terms of tax policies and practices. Such sector unique privileges and tax incentives though a drain on national revenue on the surface, they compliment government revenue through increase in value adding activities by firms and tax payable thereon.[46]

A tax incentive is said to be efficient if the costs of granting it are much lower than the value of benefits derived from it, whereas an effective tax incentive implies inducing an action that would not have otherwise been achieved, that is to achieve what the incentive was meant to encourage. For the purpose of

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[43] Dunning, 1993

[44] 'Tax competition' an unfair tax competition used to describe attracting investment through generous incentives and lower than prevailing competitive tax regimes. The effect of this scheme is to reduce government revenue derived from investments sited in the country.

[45] Ibid

[46] Ibid

attaining the overall effects of tax incentives on net government revenue, their efficiency and effectiveness are of importance. The presence of tax treaties between the host and home countries of the foreign owned firms particularly with respect to eliminating double taxation and its effects on host government revenue coming from taxation sources.[47]

2.7. Regulatory framework

The regulatory framework of the FDI host country is one important document that investors examine prior to making an investment decision. In general terms, the regulatory framework may be described as permissive or stringent depending on the controls and restrictions inherent in it. Typically, a regulatory framework may include restrictions such as ownership structure of firms, indigenisation, limits on profit repatriation, and terms of technology transfer among other requirements. The rigidity or flexibility of the host country's regulations contribute to the response it receives from investors and help check potential abuses and in the process maximise the net returns from FDI. The regulatory framework mirrors the realised economic impacts since the impacts emanates from the operations and applications of the regulatory framework. Whilst there are divergences between the goals of the investing company and the host country, the regulatory framework offers a means of bridging or narrowing down the extent of divergence. Globally, international conventions and charters that attempt to offer solutions to and in the process regulate and harmonise national specific policy measures exists. For effective realisation of global economic efficiency, willingness on the part of host governments to allow global implementation becomes crucial.[48]

Whilst the regulatory framework in general is of prime importance to both the host government and the investor, the investment incentives it offers go a long way in determining the sort of response it receives from the investor community. It is thus an investment promotional tool. Investment incentives are generally aimed at encouraging inflows of investment and may target specific class of investment or investment in general and may be classified under financial incentives and fiscal incentives and incentives of non financial nature.

[47] Easson, 1999
[48] Hood and Young, 1979

Financial incentives come in the form of grants and special packaged loans to aid the business start up process including plant and infrastructure construction and capital acquisition. Financial incentives are mostly used by the developed economics in their bid to lure inward FDI.
Fiscal incentives on the other hand take the form of special tax incentives including reduced corporate income tax rate, the creation of special economic zones with applicable differential tax regimes including reduced taxes and duties and improved subsidies and tax holiday targeting specific class of investment. It is an investment promotional tool employed mainly by developing countries in their quest to attract inward FDI.[49]

Extensive discussion of some pertinent issues enshrined in the host government's sector specific regulatory framework and their implications are presented in chapter four – *'description of the gold mining sector'*

2.8. Summary

In summary, this chapter has presented the economic variables that are the subject of the study – impacts on the balance of payments specifically foreign exchange earnings and capital inflows, government revenue, resource transfer and gross domestic product from a theoretical perspective. It has also been stressed that emphasis is not on the quantum or quality of the total impacts but rather the marginal change or addition to the respective impact dimensions as a result of the occurrence of inward FDI, a contra factual basis. The importance of the host government's regulatory framework and its effects on the impact dimensions is further stressed citing in particular the role of incentives packages inherent in the regulatory framework and its consequences on the actual impact dimensions.

[49] Easson, 1999

3. Chapter three - Methodology

There can not be any meaningful research study without resorting to a reliable and trustworthy methodological approach. The validity and reliability of empirical investigation to be conducted and upon which the quality of analysis is derived and linked to the conclusions to be drawn are all embedded in the research methodology employed.

3.1. Research Strategy

There are five research strategies to wit; experiment, archival analysis, history, survey and case study. Depending on the issue being investigated, different strategies might be employed to yield the desired result in the most efficient and effective manner. Upon a careful consideration of the issue being investigated, this thesis utilises case study methodology. Case study is describes as follows:[50]

"In brief, the case study allows an investigation to retain the holistic and meaningful characteristics of real-life events – such as individual life cycles, organizational and managerial processes, neighbourhood change, international relations and the maturation of industries." [51]

Other views expressed on the peculiarities of case studies include the following:

"*Case studies involve in-depth, contextual analyses of similar situations in other organisations, where the nature and definition of the problem happen to be the same as experienced in the current situation…….case studies that are qualitative in nature are, however, useful in applying solutions to current problems based on past problem-solving experiences"*[52]

She argues that case study as a research strategy is often unpopular among researchers owing to the difficulty of identifying issues worth investigating

[50] Yin, R.K. 1994
[51] Ibid.
[52] Sekaran, 2003

similar to another one experienced by another organisation of similar context and content. Furthermore, she points out that for data and information confidentiality, authentic case studies are limited as organisations strive to guard against the data and information leakages.[53]

The peculiarities of case study methodology include the following:

It enables the researcher to gain an in-depth knowledge and meaning of the issue at stake.

The focus is on '*the whys',' the whats' and 'the hows'* behind the happenings in the restricted area being studied and not the outcome ascertained and that it is context driven and not specific variables dependent.
It leans on what has been discovered as a result of the particular investigation and not a generalisation and confirmation there-of.[54]

However, case study is not without its shortfalls. The notable ones include the assertion that case studies are deficient in rigorous investigation which implies the biased view of the researcher might influence the findings and the conclusions drawn there-on. Also because of the restricted context within which the investigation was conducted, it becomes difficult to generalise the outcome. Thirdly, case study methodology has been criticised on the grounds of the longer period of time spent to do the investigation.[55]

3.2. The choice of case study

Notwithstanding the shortfalls of case study enumerated above, the researcher has every good reason to motivate the choice of the case study methodology. Aside of case study offering deeper understanding and a holistic view of the research problem at stake, it also provides a platform to understand the uniqueness of the research problem and to systematically and logically follow the issues from a practical point of view in a restricted manner. As the two actors – host government and the foreign investor in this respect are studied closely, (in a case study methodology) meaningful and thorough insights could

[53] Ibid.
[54] Merriam, S.B. 1998
[55] Yin, R.K. 1994

be gained to further boost the reliability of the report. As the research problem focuses on measuring and explaining the practice of seemingly conflicting impacts, the research would attempt to provide clues using the explanatory strategy in a case study scenario. The explanatory strategy is useful when dealing with a case that involves understanding why things are done in a certain way or manner. The explanatory research approach is preferable in this context to other research approaches – descriptive and exploratory research strategies on the grounds that the research problem is country and industry or sector specific that calls for an in depth study of the variables that drive the performance and actors' behavioural characteristics to facilitate a better insight into the research problem.

3.3. Research Method

The research design acts as the logical sequence linking the empirical data to the research questions posed and to the final conclusions drawn by the researcher after the data had been subjected to critical analyses. The research design may thus be likened to mortar used in the construction industry as it firmly holds the structure together.[56] Basically a study could be qualitative, quantitative or a combination of the two. One of the merits of the qualitative approach is that it facilitates an in-depth compilation of data that represent a smaller number of people. It thus enables an understanding of the issue at stake.[57] This study adopts the qualitative approach as it focuses on collecting data that would facilitate an explanation and understanding of the subject being studied. On the contrary, the quantitative approach to a research study dwells on the use of standardised measures to ascertain the different perspectives and experience of the object under investigation. Quantitative approach aids the measure of reactions of many respondents to a set of questions. It therefore enhances comparison and aggregation of the data collected which contributes to the drawing of broad generalised conclusions.[58]

However, one major criticism is the question of the generalization of the study's conclusions. Opinions differ with respect to the generalization of the

[56] Ibid.
[57] Patton, 1990
[58] Ibid

study's outcome and one needs to tread cautiously; suffice it to say that this study centres on a qualitative approach to an explanation of the conflicting impacts of the roles of the actors involved in the subject being studied. Generally, as more studies are conducted into the area, the extent of generalization of the findings improves.

The main research problem was broken down into three components that fit each actor's domain and perspective to throw a microscopic searchlight on the specifics to gain a deeper meaning and understanding. A third sub research question then does the ultimate in the sense that it takes a band and draw borders at the extremes with respect to the host government's expectations and the foreign investors actual performance

3.4. Quality of Research

To guarantee the quality of research work, its reliability and validity are of utmost importance. To undertake reliable research, some steps need to be taken to test the findings.

3.4.1. Validity

Validity exists in two forms namely internal validity and external validity and each have an effect on the quality of the research. Validity is concerned with ascertaining that the right information collected was the right one to be collected. Whereas internal validity is concerned with ascertaining how the research findings mirror the reality on the ground, external validity deals with the extent to which the findings can be generalised, applied outside the scope of the specific scope of study.

Issues that affect the validity of research include misunderstanding and misinterpretation of research questions posed. These two events have the tendency to produce the wrong response from the interviewee and in the process affect the quality of the research.[59]

For the purpose of this research, the telephone interview was predominantly used even though the questionnaires were initially mailed electronically to the interviewees. Even though face to face interview was not used, there is every reason to believe in the validity of the findings for the following reasons. The

[59] Merriam, S.B. 1998

frequency of contacts, follow ups and clarifications given on the questionnaire and more importantly with data coming from officially collated, compiled and published reports and statistics are important factors that help in safeguarding the validity of the findings.

3.4.2. Reliability

Reliability on the other hand in concerned with avoiding errors and biases in the research. This becomes even more important where a sample of the population at the centre of the study would have to be chosen and interviewed. Test of the reliability of research work is performed where another researcher, using the same approach and respecting the same time frame undertakes same research work and arrives at same findings and conclusions.[60]

For the purpose of this thesis, reliability was ensured through the following measures. To begin with, a substantial part of the findings are trustworthy official statistical data collated and compiled by authorised governmental agencies with inputs from the relevant regulatory bodies. The initial oral interview meant to ascertain the right office of contact to reliable data adds substance to reliability and to avoid possible conflicting data from different sources.

3.5. Data collection procedure

This study focuses on collecting as much data as possible once its credibility and validity can be safeguarded. Basically, both primary and secondary data sources were explored in order to ascertain an all embracing picture of the of the host government – foreign investor dilemma in reality. The credibility of data boils down to deriving it from the right source especially in government circles on behalf of the host government.

For this and other reasons, a preliminary oral interview with Mr. Joseph Aboagye, the Director for Policy and Planning at the Minerals Commission and Mr. Isaac Glover of the Chamber of Mines (a sort of fact finding mission) was

[60] Yin, R.K. 1994

conducted to determine who is responsible for what with respect to the host government's vision of the expected impacts of foreign investment on the economy of Ghana and the role of the Chamber of Mines of Ghana. Having ascertained the right offices of contact, a questionnaire was drawn up and administered to the appropriate respondents via telephone interview and electronically mailed questionnaire. At the Minerals Commission, Mr. Krampah, Amponsah Tawiah and Joseph Aboagye were interviewed whilst Mr. Isaac Glover was interviewed from the Chamber of Mines.

The above data sources notwithstanding, there were supplements of secondary data from the internet and academic and professional journals, magazines and other publications highlighting host government and foreign investor dilemma preferably in an underdeveloped world and in an extractive industry context. Supplementing the sources of primary and secondary data enumerated above is '*observational insights*' gained through first hand experience through participatory observer studies, and non participatory observer studies based on personal knowledge and exposure to the issue being studied'. The author, having lived and studied in gold mining communities – Konongo (from1972 to 1973) and Prestea (from 1973 to 1986) and having worked in then ICI Explosives Co. and currently African Explosives Co. mining support and service provider (from 1986 to 2002), made quite a number of observations that have a bearing on and motivated the choice of this thesis topic.

3.5.1. Observational Surveys

Unlike interviews and questionnaires where responses are elicited from the respondents through posing questions, observational surveys enable the researcher to observe events or activities as they unfold in their natural environment. In addition to the object or issue at the centre of the studies, observational surveys help in discovering more expressions to the issue at stake such as work habits, facial expressions, meetings held, and statements made. The aforementioned expressions, to the researcher are hard to elicit through other modes of data collection and therein lies the strengths of observational studies. Bedsides, the writer's deep seated interest, observation and involvement both as a resident of a mining community and as an ex employee of a mining support service provider in the Ghanaian mining terrain has contributed to gaining knowledge of the subject under study.[61]

[61] Sekaran, 2003

Observational studies could be either of the '*non-participant observer type' or the 'participant observer type'*. Either of these could be *structured or unstructured.*

Structured observational studies

The *structured type* refers to a situation where the observer has a predetermined set of categories of activities to be investigated. Observations directly recorded are then analysed taking particular note to ensure minimum personal inference by the researcher.[62]

Unstructured observational studies

"At the beginning of a study, it is possible that the observer has no definite ideas of the particular aspects that need focus. Observing events as they take place may also be a part of the plan as in many qualitative studies…….unstructured observational studies are claimed to be the hallmark of qualitative research"[63]

Upon a successful direct observation over a period of time, patterns of impressions and data so gathered can be identified which is relevant in serving as the basis of an inductive discovery.

3.5.2. Critical Review

In the domain of managerial and behavioural sciences, it is extremely difficult to conduct research that would be wholly scientific in nature. The difficulties inherent in data measurement and collection such as the influence of emotions, attitudes, perceptions etc weighs against the researcher. Unwillingness on the part of the part of individual gold mining companies to provide responses was one major problem encountered during the study as well as the slow rate at which the Chamber of Mines provided some data. However, at the Mineral Commission, the initial slow rate of response to research questions improved

[62] Ibid.
[63] Ibid.

later on after additional contacts with the finance and research division and the different directories were established.
Obtaining a representative sample of the population at the centre of the studies often becomes a nightmare for researchers. Consequently, comparability, consistency and wide generalisation are not easily achieved in social research.
For this purpose and to guard against data bias and in the process ensure reliability and validity, the Minerals Commission – the Ghana government's mining sector private investment advisory and promotional agency and the Chamber of Mines to represent the government and the mining companies were respectively resorted to for the purpose of gathering data.
Since the two bodies represent the different interest at the centre of the study – the host government and the investor respectively, the use of an interest-specific uniform data gathering platform facilitates the data gathering process. I believe the above happening has an effect on the volume of data gathered rather than its validity and reliability as the data originate from official data sources compiled by the Chamber of Mines and the Minerals Commission in collaboration with governmental bodies such as the Internal Revenue Service, Statistical Service, Bank of Ghana, Custom, Excise and Preventive Service, Ministry of Finance and Economic Planning and the Ministry of Mines and Energy among others.

3.6. Deductive and inductive processes

In finding answers to issues, the researcher could resort to the process of deduction or the process of induction, or a combination of the two processes.

Deduction is the process where we arrive at a reasoned conclusion by logical generalization of a known fact.

On the other hand, the **induction** process involves the researcher establishing a general proposition based on an observed fact.

In the context of this research, the two processes were combined.[64]

[64] Patton, 1990

3.7. Unit of analysis

There has been a significant change in the form and structure of the gold mining sector occasioned by the mining sector reforms of 1986. This phenomenon called for a careful identification of the appropriate *unit of analysis* to ensure that like items are compared for an objective analysis and conclusion to be made. Inward FDI-induced gold mines in Ghana are fundamentally different from the hitherto state owned gold mines. The former is much smaller in scope and concentrates on its core activities whilst the remaining activities are outsourced. This implies that our unit of analysis can not be (the much bigger in scope of operation) state owned gold mines against the inward FDI induced gold mines but rather the former analysed against the latter together with the mining support service providers.

4. Chapter four - Description of the gold mining sector

4.1. The gold mining sector in retrospect

The discovery of rich gold deposits of Ghana dates back to ancient history. Indeed during pre-colonial times, the richness of present day Ghana in terms of gold deposits was uncovered, mined and made the ancient Ghana Empire prosperous. However, Ghana's gold mining industry has played different strategic roles at one time or the other. For instance, during British colonial rule, when the mines were owned by British and other foreign investors, they were primarily to satisfy the interest of the colonial masters' economy in general and other foreign companies in particular with minimal benefit to Ghana's economy. The gold mining industry as it pertains in the then '*dark days*' was tailored in response to the economic needs of the British and the other foreign investors who owned and controlled the industry to the detriment of market conditions which mattered most. The colonial masters, to safeguard their parochial interests and thereby consolidate gains accruing to them from the gold mines, enacted various legislations that restricted the possession of gold and mercury.[65]

Underground gold mining- a popular mining technology which involves the development of deep shafts got off to a start about 1860 by European investors. However, alluvial dredging methodology of gold mining was also used during the period under discussion. Ghana's golden pride, Ashanti Goldfields Company Ltd. (AGC) for instance was discovered by a group of Europeans and was sold to E.A. Cade, who founded AGC later on. During the colonial regime, the domineering role of the gold mining industry of Ghana was undisputable as its contribution to world's output attests. Available statistics indicate that by the 16th century, Ghana produced about one-third[66] of the world's output of gold which in itself is a manifestation of the existence of eighty gold mines in Ghana by 1938.[67]

Table 4.1

[65] http://lcweb2.loc.gov/cgi-bin/query/r?frd/cstdy:@field(DOCID+gh0095)
[66] http://www.anvil.com.au/avlintro4.htm
[67] http://lcweb2.loc.gov/cgi-bin/query/r?frd/cstdy:@field(DOCID+gh0095)

Statistics of gold production during the colonial era

Fiscal Year	Gold Output (Ounces)
1946	540,906
1947	604,250
1948	557,185
1949	682,014
1950	679,173
1951	694,886
1952	679,831
1953	700,139
1954	734,630
1955	787,922
1956	562,445

Source: Chamber of Mines

Generally, the colonial period witnessed impressive output from the gold mining sector with quite consistently improving output results. Secondly, it is being stressed that the intention of presenting the volume of gold production from the different periods is to enable production trends to be followed.

4.2. The gold mining sector after independence

The period after independence in 1957 from British colonial rule witnessed resurgence in the involvement of the state in the ownership and control of the gold mining industry. The State Gold Mining Corporation (SGMC) was set up in March, 1961 and reincorporated under the Statutory Corporations Act, 1964, (Act 232)[68] to acquire five gold mines from British companies namely the Bibiani, Prestea, Tarkwa, Dunkwa and the Konongo mines. With respect to Ashanti Goldfields' Obuasi mine, the government expressed its interest in the property by acquiring a 55% share[69] (majority share rule) in 1972. The completion of the above exercise marked the commencement of state control of the gold mines in Ghana.[70]

[68] http://www.mineralresourcesforum.org/docs/pdfs/G9552829.PDF
[69] http://lcweb2.loc.gov/cgi-bin/query/r?frd/cstdy:@field(DOCID+gh0095)
[70] http://www.mineralresourcesforum.org/docs/pdfs/G9552829.PDF

The government's expectation in the aforementioned acquisition strategy is well understood taking into consideration the fact that as a newly independent nation, there was the need to take control of strategic industries and to nurture them to blossom and to better serve the interest of the state in terms of employment creation, resource control and foreign exchange generation. To realise the fulfilment of government's expectations at that time therefore warrants state intervention and protection which were often not in tune with any sound economic venture.

The commencement of the twentieth century witnessed the development of large scale gold mining activities in Ghana with huge capital requirements that necessitated the influx of capital from foreign sources.[71]

Table 4.2

Statistics of gold production after independence

Fiscal Year	**Gold output (Ounces)**
1958	797,493
1959	892,113
1960	951,316
1961	878,459
1962	823,151
1963	911,663
1964	912,592
1965	851,090
1966	708,906
1967	724,134
1968	757,346

Source: Chamber of Mines

Output and performance of the gold mining industry continued to improve from trends displayed during the colonial era even though no new mines were opened.

[71] http://lcweb2.loc.gov/cgi-bin/query/r?frd/cstdy:@field(DOCID+gh0095)

4.3. The gold mining sector immediately before the reforms

During the latter part of the 1960's to the early 1980's, in the face of dwindling output and operational bottlenecks, the state had no other choice than to overhaul and rehabilitate the gold mines with the hope of a resultant increase in output. No new mines had been developed since 1945 and existing ones were almost running out of economic reserves as the much needed capital was not available to rejuvenate the mines. Most of the gold mines were operating at a loss and had to rely on state subvention and intervention to meet their operating cost. In the ensuing loss making spree, government had had to shut down the Bibiani and Konongo mines to avert excessive accumulation of losses. Again, the government's mine shut down axe fell on the then Prestea Goldfields when the foreign based interest to acquire the Prestea mine - Johannesburg Consolidated Investment (JCI) and Barnex respectively did not materialise. To save the Prestea mine from imminent collapse, the redundant work force hurriedly mobilised their end of service benefits and formed a home based mining company: Prestea Gold Resources Ltd. to take over the running of the mine which unfortunately was short lived due to poor operating results.[72],[73] Added to this, the realisation of government's avowed objective of acquiring the mines was below expectation. The inefficient and uncompetitive run of the gold mining industry persisted until 1985, when the inevitable alternative (privatisation of state owned mines) dawned on the Ghanaian government and was subsequently set in motion in 1986 through the launch in 1983 of the International Monetary Fund (IMF) prescribed, Structural Adjustment Programme (SAP) and the Economic Recovery Programme (ERP) as a remedy to ailing LDC's.[74]

Table 4.3

Statistics of gold production immediately before the reforms

Fiscal Year	Gold output (Ounces)
1973	731,711
1974	709,550
1975	583,103

[72] Observation
[73] http://www.gsr.com/Bogoso_Prestea.htm
[74] http://www.africaonline.com.gh/bip/page8.htm

1976	515,654
1977	531,084
1978	465,651
1979	387,730
1980	439,669
1981	349,871
1982	335,724
1983	301,707
1984	282,641
1985	283,819

Source: Chamber of Mines

This is the worse period in the history of the country's gold mining industry. Every thing seems to have gone wrong. Output fell to levels never recorded in the gold mining industry. Apart from deteriorating economic conditions that took their toll on the gold mines, the gold mines were also starved of essential rehabilitation for decades. Things really fell apart and the central and vibrant gold mining industry could not hold together the fortunes and potentials of the overall mining sector.

4.3.1. The *'turning point'* in the gold mining industry

An essential ingredient of Ghana's SAP was the review of policy and legislation applicable to the mining industry and the subsequent promulgation of a new regulatory framework- *'The Mining and Mineral Law of 1986, PNDC Law 153'* which was intended to revolutionalise the mining industry and serve as the impetus to lure foreign investors to invest in the hitherto unimpressive and dying mining industry. With the passage of the new mining law, the government's role of direct participation in mining through ownership and control changed to that of an administrator and regulator of the sector. The salient features of the mining sector reforms championed by the government are set forth below:

- Equipping the mining sector with the needed resources, finance and expertise.

- Restructuring and creating new industry support based state institutions.

- Rehabilitation of state owned mines and establishment of news ones

- Encourage private sector participation in the mining sector through a strategy of gradual withdrawal by government of its ownership and control of the mines to one of administrator and regulator of the mining sector

- Development of mining sector related activities culminating in the establishment of vertical linkages.

- Enactment of new regulatory framework, and others.[75]

The other aspect of the mining sector reforms is concerned with the infusion of private entrepreneurship, efficiency and expertise in the ownership and control of the mines through a privatisation programme. Foreign-based mining experts of the requisite calibre were contracted to run the mines under management contracts, whilst a gradual approach was adopted by the government to divest its ownership of the state owned mines by offloading its stake to foreign investors.[76]

4.3.2. Taxes, Incentives and Benefits conferred by the Mining and Minerals Law, 1986, PNDC Law 153

It is gratifying to note that the government of Ghana, in her quest to liberalise and thereby lure foreign investors to the mining sector, conferred on the sector an enormous and generous incentive package through the promulgation of the above mentioned law and its subsequent amendments.

Among the incentives typically provided for are:

- Corporate income tax which was initially pegged at a rate of 45% was subsequently reduced to 35% by the Minerals and Mining Amendment Act 475 of 1994

[75] Minerals Commission
[76] Minerals Commission

- Carry forward of losses for each financial year not exceeding the sum total of capital allowance applicable for the year

- To further reduce the tax liability of a holder of mining rights, generous capital allowances were granted and deductible before arriving at tax liability. Available capital allowances are:

1. 75% of capital expenditure allowed as a deductible first year allowance

2. 50% of capital expenditure allowed as a deductible subsequent years allowance

3. Investment allowance of 5%

- An exemption clause that exonerates mining companies registered under the new law (law 153) from payment of customs import duties in respect of plant, machinery, equipment and accessories imported solely for mineral operations for the possibility of enjoying additional relief from payment of customs and excise duties after the establishment of the mine as specified in the Mining List;

- Mining site furnished accommodation provided for staff of the mining company is ignored in computing the taxpayer's taxable income;

- Remittance in respect of quota expatriate personal is exempt from any tax imposed by any enactment for the transfer of external currency out of Ghana;

- Complete or partial deferment of the payment of registration and stamp duties for a period not exceeding five years upon justifiable circumstances.

- Permission by the Bank of Ghana to mining companies to retain a portion of foreign exchange (negotiable, minimum 25%) earned from mining operations in a foreign account for the purpose of meeting company-specific financial obligations abroad.

- Capitalisation of pre-production expenditure connected to prospecting and reconnaissance upon advice by the minerals commission

- A sliding scale based royalty of between 3% and 12% of the total revenue of minerals mined.

- In furtherance of boosting the morale of the foreign investor, the safety and protection of the mining property so owned by a foreign investor, adequate measures have been put in place to deal with and safeguard the property concerned.[77] [78]

The eventual result of the promulgation of the mining law of 1986 was the massive and unprecedented private (though mainly foreign in origin) direct participation the mining sector received. The upsurge in investment trend was translated into increased output of gold. Available records indicate that from gold production of 283,819 ounces in 1985, output increased progressively to 2,608,102 ounces in 1999; the historically highest output in a single year and thereafter, surprisingly begun to decline. Detailed statistics of Ghana's gold production are produced below.

Table 4.4

Statistics of gold production under the mining law of 1986

Fiscal Year	Gold output (Ounces)
1986	287,124
1987	323,926
1988	373,937
1989	429,476
1990	541,147
1991	847,559
1992	1,004,625
1993	1,261,890
1994	1,438,483
1995	1,715,867
1996	1,583,830

[77] http://www.mincomgh.org/regulations/4.htm
[78] http://www.africaonline.com.gh/bip/page8.htm

1997	1,752,452
1998	2,371,108
1999	**2,608,102**
2000	2,457,152
2001	2,381,345
2002	2,235,535

Source: Minerals Commission

4.4. Minerals Commission

In the wake of the mining sector reform programme of 1983, the need for a mineral sector investment promotion and advisory body became imperative. The idea of a one-stop shop where answers to the queries of prospective mining sector investors would be available dawned on the Ghanaian authorities. The Minerals Commission was therefore established in 1986 under the Minerals Commission Law (PNDC Law 154). The functions of the Minerals Commission are set forth below:

- Formulate national policy with respect to minerals exploration and exploitation.
- Advise on minerals issues
- Assess compliance to laid down mineral policies through monitoring
- Maintain a national database on minerals deposits for decision making
- Assess public agreements on minerals
- Monitor the activities of establishments that have bearing on minerals, and
- Perform other duties that may be assigned to it from time to time

In exercising the powers conferred on it to effectively discharge its functions, the Minerals Commission:

- Screens applicants for minerals rights and give its recommendation to the appropriate body or bodies where applicable

- Reviews existing minerals sector agreements involving the government as custodian of the land and the minerals found therein, investors and other interested parties

- Collects and analyses relevant data for decision making and public consumption purposes.

- Promotes the minerals sector through public forum and investment tours thereby drawing prospective investors closer to the investment negotiation table.

- Liaises with government agencies and bodies such as the Bank of Ghana, Customs Excise and Preventive Service, Internal Revenue Service on one hand and with other bodies such as the Environmental Protection Agency, the Mines Department and the Geological Survey Department to ensure that the fiscal requirements and conformance to laid down procedure inherent in the Minerals and Mining Law are upheld respectively and that they all work in concert to the realisation of the government's objective of liberalising the mineral sector.[79]

4.4.1. Mineral Rights

The Minerals Commission Act 1993, Act 450, originally promulgated as PNDC Law 154 specifies three types of minerals rights that the Commission is empowered to issue. These rights are:

Reconnaissance Licence

This license permits the holder to explore for minerals only by the use of simple geophysical geochemical and photo geological methods. Unless specifically stated, the possession of reconnaissance license does not permit the holder to drill or excavate in search for minerals.

[79] Minerals Commission

Prospecting Licence

This license permits the holder as part of the process of exploring for minerals to undertake geological and geophysical operations to ascertain the extent and economic value of minerals contained in a given area.

Mining Lease

The application and issue of this license normally commences after the discovery of mineral deposits of commercial quantities through a successful prospecting activities or others. The lease which is given in respect of a defined area of land may cover 50 square kilometres or 150 square kilometres for single grant and aggregate grant respectively and may be issued for thirty years and renewable for a second thirty year term.[80]

4.4.2. Minerals Rights Granted

Earlier on in this chapter, the alarm bell that points to a seemingly bleak future for the gold mining industry of Ghana had been sounded. In what may be described as a sudden but progressively gradual withdrawal of interest by mainly foreign investors, the competitiveness or attractiveness of the mining legislation especially in the light of current developments in other mineral endowed countries is worth considering. It must be stressed that the author did not sight the mining and minerals legislations of countries such as Mali, Guinea, Tanzania and Zimbabwe that are said to be competing with Ghana for inward FDI to the gold mining industry, from interviews with the Chamber of Mines and the Minerals Commission, this development was highlighted and immediate remedial action hinted at. The decline in the gold mining sector is evidenced by the volume of minerals rights issued as the future of the industry depends on the continued existence and more importantly the exploits of minerals exploration activities in discovering new gold deposits for future mining operations.

Table 4.5

Statistics of minerals rights issued

Mineral	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**

[80] Minerals Commission

Rights												
Mining Lease	2	7	2	3	4	2	14	3	1	2	3	4
Prospecting Licence	25	19	2	46	23	46	62	19	13	4	5	16
Reconnaissance Licence	3	5	7	14	42	41	30	18	17	1	10	11

Source: Minerals Commission

4.5. Gold mines ownership composition

Within the confines of the legislative instruments that have a bearing on mining; Minerals and Mining Law, 1986, PNDC Law 153 as amended by the Minerals and Mining Amendment Act, 1994, Act 475 and the provisions enshrined in the 1993 constitution, the state is regarded as the rightful owner of all deposits of minerals resources occurring in their natural state within the geographical territories of Ghana and are vested in the hands of the President of the republic who holds it in trust and on behalf of the people of Ghana.
The Ministry of Mines upon the advice of the Minerals Commission is empowered to grant, transfer, amend, renew, cancel and surrender licences that confer minerals rights.[81]

By the provisions of the Minerals and Mining Law, 1986, PNDC Law 153, the government of Ghana is entitled to a 10% free equity in all mining concerns that are incorporated under the aforementioned law. This implies that the remaining share holdings of 90% are left for grabs by other investors. In addition, the government of Ghana has the option to acquire an additional 20% share of the property at a fair market price. The means that the maximum shares that the government of Ghana has the right to acquire is 30% out of the total of 100%. The ***'golden share clause'*** as it is popularly referred to ensure that the voice of government is heard at the board of these companies thereby contributing to the country-specific interest of decision taken by the board.[82]

[81] http://www.mincomgh.org/regulations/1.htm
[82] http://www.mining.co.za/DataResult.asp?IdNo=219

4.6. Ownership Profile of key gold mines

A striking feature of modern day gold mining in Ghana, courtesy of the liberalisation of the economy and the vigorous investment drives undertaken by the government, is the overwhelming presence of foreign based mining giants. Also, the mining terrain has witnessed the injection of new technology; the most popular being the introduction of surface mining technology, which is claimed to be cost effective. This should be understood against the backdrop of the privatisation of hitherto state owned gold mining concerns and the injection of fresh foreign originated capital. With the government of Ghana entitled to a free 10% equity and an option to acquire additional 20% of the equity at a fair market price, the remaining shares are subscribed by the private sector, mainly foreign based investors.[83]

Ownership profile of the major operating gold mines is presented below:

- **Ashanti Goldfields Company (AGC)**

Ashanti is by far the largest gold producer of Ghana. It is an African based multinational with focus on gold mining and exploration. Its operational portfolio and outlook consists of six gold mines in four countries including Ghana, Guinea – the 85% owned Siguiri Gold mine, Tanzania – the Geita mine, a 50% joint venture with Anglogold of South Africa and Zimbabwe – the 100% owned Freda-Rebecca gold mine. To facilitate the discovery of new ore body thereby keeping the wheels of the mines running, Ashanti has exploration projects in eight African countries. AGC's pioneer gold mine is the Obuasi mine which has been in operation for over a century. Ashanti's domestic gold production averages half of Ghana's total output. AGC is also listed on five international stock exchanges including the Ghana Stock Exchange. Currently, Ashanti operates the following active mines in Ghana:

- Ashanti Goldfields Co. (Obuasi)
- Ashanti Goldfields Co. (Bibiani)
- Ashanti Goldfields Co. (Iduapriem/ GAG)[84],[85]

[83] Minerals Commission
[84] http://www.ashantigold.com/ashantigold/about/corporateprofile.jsp
[85] http://www.ashantigold.com/ashantigold/about/index.jsp

News flash!

South Africa based Anglogold has proposed a merger with Ashanti! The merger which promises a strategic combination of expertise and capital would focus on the group's growth and eventually create a leading global gold producer with the largest gold reserves in the global gold industry. The merged company would be known as 'Anglogold Ashanti' globally but will trade in Ghana as 'Ashanti Anglogold'. Both the government of Ghana (a holder of golden shares in Ashanti) and the board of Ashanti have recommended that the merger be carried out. One of the icons of the merger is the proposed injection of fresh capital to the tune of US$ 110 million over the next five years to rejuvenate the century old flagship of Ashanti – the Obuasi Underground mine. Total capital expenditure to be expended on the remaining life of the Obuasi mine is pegged at US$ 570 million.[86] [87] [88]

Note of caution

Through privatisation and liberalisation programme embarked upon by the government of Ghana, the ownership profile of some notable companies has changes substantially. More intriguing and often confusing is the change in ownership occasioned by the sale of shares held in Ghanaian companies by their respective foreign investors. In this write up, efforts have been made to secure the prevailing ownership profile at the time of writing the thesis. This may however change from time to time and the reader is hereby cautioned to take note.

Ashanti Goldfields Company (AGC) is composed of the following investors

Ashanti Goldfields Co. Ltd. - Depository Nominee, Inc. (Ashanti), 36.1%
Lonmin Plc (United Kingdom), 31.5%
Government of Ghana, 19%
Others, 13.4%

- **GoldFields Ghana**

[86] http://www.ghanaweb.com//GhanaHomePage/pressreleases/artikel.php?ID=40546
[87] http://www.thedeal.com/NASApp/cs/CS?pagename=CBS&cid=1053005284568
[88] http://www.ghanaweb.com//GhanaHomePage/pressreleases/artikel.php?ID=46655

GoldFields Ghana operates an open pit gold mining project at Tarkwa. Currently it is the second leading gold producer after AGC. Goldfields acquired the northern portion of the Teberebie mine concession after the latter ceased operations. GoldFields and Repadre are in talks with Ranger Minerals to acquire a 90% stake of the Damang gold mine.

Ownership

GoldFields Ghana is made up of the following shareholders

GoldFields of South Africa Ltd., 71.1%
Repadre Corporation of Canada and IAMgold, 18.9%
Government of Ghana, 10%
[89] [90]

Repadre Corporation and IAMgold merged in January, 2003.

- **Abosso Goldfields**

Abosso Goldfields Ltd. operates the Damang open pit gold mine. The Damang mine is the third leading producer of gold. Apart from its economic viability, the proximity of the Damang mine to the Tarkwa mine might have served as a further incentive for the acquisition moves by GoldFields.

Previous ownership

Originally, Abosso Goldfields was the property of these investors:
Ranger Minerals of Australia, 90%
Government of Ghana, 10%
[91] [92]

However, GoldFields of South Africa acquired the Damang gold mine in January, 2002.[93]

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[89] http://www.mbendi.co.za/indy/ming/gold/af/gh/p0005.htm
[90] http://www.mining.co.za/DataResult.asp?IdNo=139
[91] http://www.mbendi.co.za/indy/ming/gold/af/gh/p0005.htm
[92] http://www.mining.co.za/DataResult.asp?IdNo=139
[93] http://www.goldfields.co.za

Since the acquisition by GoldFields, the ownership profile has changed to the following:

Current ownership

GoldFields of South Africa Ltd., 71.1%
Repadre Corporation of Canada / IAMgold, 18.9%
Government of Ghana, 10%

- **Resolute Amansie**

Obotan gold mine is the property of Resolute Amansie Ltd. Operating under dwindling ore reserves necessitating plans to shut up the mine, the Obotan gold mine had its life extended through the acquisition of nearby Abore Mining's property.

Ownership

Resolute Amansie is owned by these investors:
Resolute Ltd. of Australia, 90%
Government of Ghana, 10%
[94] [95]

- **Bogoso Gold and its allies**

Bogoso open pit gold mine is operated by Golden Star Resources of Canada with a 90% stake and the government of Ghana taking the remaining 10%. To reap synergies connected with the proximity of the Bogoso open pit gold mine to the Prestea Underground mine, Golden Star Resources acquired a 45% stake in the Prestea mine with another 45% taken up by Prestea Gold Resources. The acquisition will also extend the life of the Bogoso mine. Golden Star owns 90% of the Wassa gold mine – Satellite Goldfields which it acquired from the previous owners, Glencar.[96] [97]

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[94] http://www.mbendi.co.za/indy/ming/gold/af/gh/p0005.htm
[95] http://www.mining.co.za/DataResult.asp?IdNo=139
[96] http://www.miningwatch.ca/publications/_ednref5
[97] http://www.mbendi.co.za/indy/ming/gold/af/gh/p0005.htm

- **Bonte Gold Mine**

Bonte gold mine is a relatively small (in terms of output) alluvial gold mining operation situated in the Ashanti region. Efforts made to improve upon production volumes and profitability include mining for additional ore deposits from the mine's Jeni property.

Ownership

Bonte gold mine is composed of the following shareholders.

Akrokeri-Ashanti Gold Mines Inc. of Canada, 85%
Government of Ghana, 10%
Buosiako Co Ltd, Ghana, 5% [98]

In summary, the operations in Ghana of the gold mining companies presented above contribute over 90% of Ghana's annual gold production.

4.7. Gold mines under construction

The upsurge of foreign direct investment into the gold mining industry of Ghana continues, though at an alarmingly diminishing rate compared to trends witnessed at the early stages of the promulgation of the Mineral and Mining Law, 1986, PNDC Law 153. This trend should be viewed with all the seriousness it deserves as without exploration activities no new mines can be developed. The absence of new mines implies that gold output would decline. The view had long been expressed that the much touted mining sector restructuring and liberalisation programme embodied in Ghana's SAP and ERP of the 1980's is no longer competitive. The connoisseurs of the mining sector are of the opinion that the competitive edge of the Minerals and Mining Law, 1986, PNDC Law 153 has been surpassed by equivalent and superior promulgations in other mineral endowed countries such as Mali, Guinea, and Tanzania. The general view is that other mineral endowed countries having watched from afar the steady progress Ghana had made in her minerals sector

[98] Chamber of Mines

have been encouraged to follow suit had had to copy Ghana's mining laws and spiced them with superlative concessions and incentives to shift the attention of investors to their respective countries. Currently, revisions to PNDC Law, 153 are on the drawing board, yet to be presented to Ghana's Parliament for approval and subsequent enactment. It is hoped that Ghana's Parliament would endorse the new proposals so as to help resuscitate the ailing gold mining industry of Ghana.[99]

The above reality notwithstanding, foreign investors still eye the gold of Ghana and continue to scramble for gold concessions for exploration and subsequent mine development. The major though few gold exploration activities that the country boasts at the moment include the following:

- **Chirano gold project** is owned by Redback Mining of Australia. The proximity of the project to AGC Bibiani Ltd and its economic viability is without doubt one of the best and that explains why Ashanti Goldfields Company has not hesitated in making an offer for the property. [100]

- **Yamfo-Sefwi gold project** is the property of Normandy Mining of Australia. Together with the **Ntotoroso property of Moydow Mining International** of Canada, a joint venture has been formed to mine an enviable gold property of recent times. The vast gold resource of the concession has been confirmed through feasibility studies. The final feasibility studies were concluded in March, 2001 and the project now awaits an implementation decision.[101]

- The coastal wealth of Ghana captured via the **shallow marine gold deposit** is concessioned to **Marine Mining Corporation of Canada**. The concession covers an area of 10,000 square kilometres and lies offshore to the major producing mines. This project is an innovation in all respects since it is the first time the gold potentials off the coast of Ghana would be exploited.

[99] http://www.mining.co.za/DataResult.asp?IdNo=219
[100] http://www.mining.co.za/DataResult.asp?IdNo=139
[101] Ibid

Apart from gold, the potentials of the concession to hold other minerals would be assessed.[102,103]

- Also worth mentioning is the controversial **forest reserve gold business** which has been the subject of hot debate in recent times. The background to this development is that in the wake of the massive influx of FDI into the gold mining sector, courtesy of the mining sector reforms of 1986, many companies were granted exploration permits which unfortunately extend into areas earmarked as forest reserves. Having incurred costs in exploring the potential of the areas, the government is now reluctant to grant those areas as concessions to be mined. This development has attracted the attention of the international community in general and mining and environmental activists in particular. The companies engaged in the tango with the government of Ghana for the release of the forest reserves for mining activities include Newmount Mining, Birim, Chirano, Satellite, Ashanti Goldfields, Normandy, Red Back and Nevsun.[104,105]

[102] http://www.mbendi.co.za/indy/ming/gold/af/gh/p0005.htm
[103] http://www.marinemining.com/
[104] http://www.miningwatch.ca/publications/_ednref5
[105] http://www.mining.co.za/DataResult.asp?IdNo=139

5. Chapter five - Empirical findings

5.1. Inter-industry linkages in the context of the gold mining industry

5.1.1. Upstream Linkages in the state owned gold mining sector

The degree of interconnectedness that existed between the gold mining sector of Ghana during the state owned era and other sectors of the economy has changed significantly compared to what pertains in the private owned gold mining regime. The state owned gold mines were broader in scope of operation and organisational structure. Different sections and departments within the mines were established to provide inputs by way of goods and or services to the mines. The state owned gold mines were thus self supporting in outlook and operation with little room, if any, for them to establish links with outside suppliers of inputs. Reliance on the part of the gold mines for out-sourced inputs was relatively low. A typical gold mine of the state owned order, relied to a very large extent on in-house competencies and resources for the provision of its core and ancillary activities in areas including:[106]

- Drill and blast activities
- Saw mill for boards and lumber
- Minerals laboratory and analysis services
- Mineral haulage services
- Underground gold mining
- Mineral processing
- Mine maintenance
- Security services
- Welfare and catering services
- Transport and logistics services[107]

However, where the state owned gold mines lacked the requisite skills and competencies to carry out an in-house activity, they had had to rely on supplies from domestic and or foreign sources. For instance, state owned gold mines

[106] Observation
[107] Observation

had to import explosives for mining from manufacturers abroad as there was no home based explosives manufacturer at the time. Similarly, other inputs had been sourced domestically where the state owned mines had been found to be deficient in relying on in-house resources and capabilities.[108]

5.1.2. Upstream linkages in the FDI driven gold mining sector

On the other hand, the scope and structure of gold mining companies brought about by the mining sector reforms emphasized concentration of core business and competencies and trimming of the horizon of the mines whilst establishing upstream linkages with specialists in the different mining support services and products. The new look, predominantly foreign private owned gold mining companies are therefore of smaller size, scope and structure of self-supporting operations.[109]

The narrow level of self-supporting activities carried out by gold mining companies of the new era which impinges upon them the need to forge upstream linkages with suppliers is well recognised. The Ghana Chamber of Mines admits mining suppliers of essential inputs to mining companies as affiliate members of the chamber. As mining solution providers, they are in a way part and parcel of the entire mining machinery separated only by ownership and activities undertaken.[110]

The Minerals Commission and Ghana Customs Excise and Preventive Service for their part are mandated to apply certain sections of the Minerals and Mining Law to specific mining input providers. At the onset of the mining sector reforms, the need to recognise and extend certain privileges enjoyed by the mining companies to ancillary services became imperative. Sections of the mining code deemed relevant and equally applicable to ancillary input providers were implemented to their relief. Items classified under *'the mining list'*, which are exempt from customs duties upon importation, are equally applicable to mining companies and mining support companies.[111]

Ancillary mining input providers include those in contract mining, equipment hiring and leasing, equipment maintenance, explosives manufacturers, mine

[108] Observation
[109] Observation
[110] Chamber of Mines
[111] Minerals Commission

maintenance and refurbishment, mining consumables suppliers and transport and logistics.
Upstream linkages that gold mining companies have established with input suppliers include:

- African Mining Services- Contract mining services
- Atlas Copco Ghana Ltd.- Equipment supplier
- Taywood mining- contract mining services
- OTR Tyres Ghana Ltd.- Heavy equipment tyre supplier
- African Explosives Ltd.- Suppliers of explosives and blasting solutions
- UEE Explosives Ltd.- Suppliers of explosives and blasting solutions
- Minproc Pty Ltd.- Mine construction services
- Bayswater Construction and mining- Mine construction services
- West African Drilling Services Ltd.- Suppliers of drilling services
- Tractor and Equipment. Equipment suppliers
- Riepco Ghana. - Logistics providers
- Sandvik Tamrock Ghana Ltd. – Equipment and tools, minerals processing solutions
- Carmeuse Lime Products Ghana Ltd.- Lime suppliers
- PW Ghana Ltd. - Contract mining
- Mining and Building Contractors – Contract mining[112] [113]

The striking issue is that through the activities of ancillary mining input providers, efficiency and effectiveness has been brought to the door-step of gold mining companies. Furthermore, FDI in gold mining has contributed positively to gold mining by stimulating foreign investment inflow of ancillary input and solution providers. Generally, the presences of these ancillary input providers are a spill over of the mining sector reforms. The profile of the above mentioned ancillary input providers are dominated by foreign owned specialists in their respective fields of operation. African Explosives and UEE Explosives are investments from South Africa and Spain whilst Atlas Copco and Sandvik Tamrock are examples of Swedish FDI in the gold mining industry of Ghana.

[112] Chamber of Mines
[113] Observation

African Mining Service represents Australian gold mining induced investment and expertise in contract mining services. [114] [115] [116]

5.1.3. Downstream linkages in the gold mining sector

Irrespective of the perspective; state owned or FDI driven, from which one looks at downstream linkages in the gold mining industry, they are virtually non existent in the gold mining sector of Ghana. Gold in its primary extracted form is exported mainly to the gold refinery in Switzerland for secondary processing thereby achieving value added. Not long after Ghana's independence from British colonial rule, the idea of establishing a secondary gold processing (refinery) facility in Ghana kick started in Tarkwa, a major gold mining centre. However, that vision remains a mirage as the supposedly gold refinery never got completed. Export of primarily processed gold denies the country the extra value that would have accrued to it.[117]

On the domestic front, the large scale mechanised gold mining sector has not forged any meaningful linkages with the jewellery industry where gold is used as a raw material in the production process. The jewellery industry rather relies on supplies from the Precious Minerals Marketing Corporation who source their supplies from small scale gold mining activities. The jewellery industry which could give a better meaning to the gold mining industry via increased export of jewellery is unfortunately not well developed and generally operates at low capacity level.[118]

5.1.4. Network of vertical linkages

Networks of vertical linkages are more pronounced in the FDI driven gold mining sector than what prevailed in the state owned gold mining regime. Through business partnering concepts and ideas, different networks have evolved within the broad gold mining and ancillary services sectors. Some gold mines label certain ancillary input providers as partners in the gold mining processes and for that reason they always move and work together to enhance efficiency and effectiveness. A classical instance is the *'partnering role'* between Goldfields' owned Tarkwa and Damang mines and African Mining

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[114] Chamber of mines
[115] Minerals Commission
[116] Observation
[117] Minerals Commission
[118] Minerals Commission

Service – contract mining on one hand and African Mining Services and African Explosives – explosives manufacturing and blasting solutions on the other hand. Other vertical network includes the '*partnering role'* between Resolute Amansie and PW Ghana for contract mining purposes and between PW Ghana and UEE Explosives for explosives deliveries. In the networks mentioned above, Africa Explosives and UEE Explosives do not have direct access to the respective mines that are serviced by their mining ancillary input but act through '*an intermediary'*.[119] [120]

There are various vertical networks existing within the broad gold mining and support service sector as each supplements the other's role and efforts. For on time product delivery - an essential ingredient of networks, Greenline Logistics and Technical Marine Services fill the gap by delivering products from the production plant of the manufacturer (African Explosives) to the customer's (African Mining Services) site. The firms involved in the network of linkages are of varied origins both domestic and foreign owned. Some of the firms involved in the network of vertical linkages were set up primarily in response to the need to fill a vacuum in the value chain. Others were founded as a result of expressions of interest and initiatives of the end-user of their respective services. Ashanti Goldfields Company was initially a shareholder of African Explosives.[121]

5.2. Balance of payments – foreign exchange and capital inflow impacts in the context of the gold mining industry

5.2.1. State owned gold mining regime

Prior to the implementation of the mining sector reforms in 1986, the contribution of gold to Ghana's balance of payments via export earnings had hit its lowest historical level. Indeed, dwindling gold output in the latter part of the 1970's and early 1980's (from 465,651 ounces in 1978 to 283,819 ounces in 1985) has meant a decline in export volumes and corresponding revenue. This trend coupled with other considerations motivated the exclusive and priority attention accorded the mining sector in the country's Economic

[119] http://www.explosives.co.za/content/businessunits/africainternational
[120] Observation
[121] Observation

Recovery and Structural Adjustment Programmes. As pointed out elsewhere in the descriptive chapter, the absence of capital and loans to rejuvenate and build existing and new mines respectively leaves the country with export revenue as the only significant benefit to accrue from the gold mining sector. Besides, gold prices determined by international market forces are beyond the control and manipulation of one single party. Maximisation of export earnings therefore calls for export of higher volumes at the prevailing market price.[122]
That the price of gold fluctuates sharply and impacts heavily on export earnings is reflected in the table below indicating world market prices (London) of the metal in the period immediately before the mining sector reforms:

Table 5.1

Trends in gold prices (US$ per ounce)

Year	Highest Price	Lowest Price	Cumm. Average
1975	185.25	128.75	161.04
1976	140.35	103.50	124.83
1977	167.95	121.00	147.68
1978	242.75	165.70	193.19
1979	512.00	216.85	306.68
1980	**850.00**	**481.50**	**612.56**
1981	599.25	391.25	459.71
1982	481.00	312.00	375.81
1983	509.25	374.50	424.18
1984	405.85	307.50	360.42
1985	340.90	284.25	317.22
1986	438.10	326.30	367.53

Source: http://www.kitco.com/scripts/hist_charts/yearly_graphs.cgi

Since the price of gold rose to its historical peak in 1980, the price of the metal has generally been on the declining side with its attendant adverse impacts on earnings of major gold exporting countries including Ghana. The contribution of gold to Ghana's foreign exchange earnings is presented below:

To appreciate the relative importance of gold in the total merchandised export portfolio of the country, it is worth considering the following statistics:

[122] Mineral Commission

Table 5.2

Statistics on gold export earnings before the reforms (US$ millions)

Export	**1984**	**1985**	**1986**
Gold	103.3	90.6	106.4
Total export	567.0	632.0	749.0
Gold % total export	18.22	14.34	14.21

Source: Minerals Commission

Apart from the overwhelming dominance of gold in the mineral mix of the country's export, the table further illustrates the relatively poor contribution of gold to the country's total export earnings. This is caused primarily by declining output and sharply fluctuating world market price of the metal.

5.2.2. Capital inflow in the context of state owned gold mining regime

The gold mining sector of Ghana prior to the mining sector reforms had to endure the hardships of operating without any meaningful investment to rejuvenate existing mines and discover new ore reserves; the latter being the backbone of continued mining operations. That for over four decades – 1945 to 1986, no new gold mine was developed to augment and revive the future of the gold mining industry adds to the state of hopelessness and near extinction that the gold mining industry sunk. The absence of investment is a clear manifestation of the *'savings gap'* that is typical of a LDC where income falls short of expenditure leaving little if any for savings. Persistent government budget deficits and balance of payment constraints posed yet another hurdle that confronts the task of mobilising savings for investment purposes.[123]

5.2.3. FDI driven gold mining regime

In reshaping the mining sector, one of the expectations of government had been increased inflow of foreign exchange from minerals export. Additionally, the government observed that the restrictions involved in acquiring foreign exchange was one of the contributory factors to the downturn in economic activities. In addressing this phenomenon, the objective of government had been to make foreign exchange accessible to investors through liberalising and

[123] Chamber of Mines

deregulating the foreign exchange regime. For instance the fixed exchange rate system determined by the Bank of Ghana was abolished and in its place market forces and the relative strengths and weaknesses of the currencies were allowed to determine exchange rates.[124]

On gold export revenue, available figures indicate that from US$106.4 million in 1986, absolute export earnings grew steadily to US$ 548.6 million in 1994, US$ 647.3 million in 1995 and reached its climax in 1999 yielding US$710.8 million. The improved export earnings were primarily due to increased production though gold price during the period under consideration remained vulnerable due to price fluctuation.

The broad picture of foreign exchange earnings of the gold mining sectors spearheaded by FDI is produced below:

Table 5.3

Statistics of gold export earnings after the reforms (US$ millions)

Export	1987	1988	1989	1990	1991	1992	1993	1994
Gold	142.5	168.5	159.9	201.6	304.4	343.4	434.0	548.6
Total export	874.0	880.7	808.2	896.7	999.3	986.3	1,063.6	1,237.7
Gold % export	16.30	19.13	19.78	22.48	30.46	34.82	40.80	44.32

Export	1995	1996	1997	1998	1999	2000	2001	2002
Gold	647.3	612.4	579.2	687.8	710.8	702.0	617.8	689.1
Total export	1,431.2	1,571.0	1,489.9	2,090.8	2,005.3	1,936.3	1,867.1	2,063.8
Gold % export	45.23	38.98	38.88	32.89	35.45	36.26	33.09	33.39

Source: Mineral Commission

In a bid to win the confidence of the investment community, part of the incentive package made available to investors was the retention of (refer to

[124] Minerals Commission

descriptive chapter - subject to negotiation with the Bank of Ghana) a portion of mineral export proceeds, averaging between 60% [125] and 80% abroad for acquiring inputs, debt servicing and other commitments denominated and payable in foreign currency. These are transactions which result in outflow of foreign currency and have the effect of deteriorating the balance of payments. Foreign debts and commitments that gold mining companies finance out of the retained export earnings abroad include loans and capital repayment and interest, dividends to shareholders, profit repatriation and other external fees and commitments for which no detailed statistics are readily available. However, unspent portion of the retained mineral export earnings are required to be returned and kept in an account at the Bank of Ghana. Each mine does its own negotiation with the Bank of Ghana with respect to how much of export revenue to retain abroad.[126]

That the prevailing market price of gold determines to a large extent export revenue to be realised from export can not be overemphasised. For this reason and in order to provide a sound basis for evaluating the contribution of gold to foreign exchange earnings, it is prudent to survey gold prices that reigned during the period under consideration.

Table 5.4

Trends in gold prices (US$ per ounce)

Year	Highest Price	Lowest Price	Cumm. Average
1987	499.75	390.00	446.48
1988	483.90	395.30	436.98
1989	415.80	355.75	381.44
1990	423.75	345.85	383.51
1991	403.00	344.25	362.11
1992	359.60	330.25	343.82
1993	405.60	327.55	359.77
1994	396.25	369.65	384.00
1995	395.55	372.40	383.79
1996	414.80	367.40	387.81
1997	362.15	283.00	331.02
1998	313.15	273.40	294.24

[125] http://www.myjoyonline.com/frontarts.asp?p=21&a=7301
[126] Minerals Commission

1999	325.50	252.80	278.98
2000	312.70	263.80	279.11
2001	293.25	255.95	271.04

Source: http://www.kitco.com/scripts/hist_charts/yearly_graphs.cgi

Once again, the wide fluctuations in the price of the metal make export earnings highly vulnerable with its adverse effects hitting hard on major gold export dependent (as a source of foreign exchange to solve balance of payments difficulties) countries including Ghana.

5.2.4. Capital inflow in the context of FDI driven gold mining regime

The mining sector reforms did not only serve as a catalyst to attract mainly foreign direct investments thereby improving the hitherto abysmally low production levels, but also to address the foreign exchange bottlenecks that had engulfed the country and its key industries - an evidence of the *'savings gap'* and the *'foreign exchange gap'* that the country had experienced. Indeed, one of the expectations of government had been the inflow of foreign investments for minerals exploration and mining purposes. The competitiveness or otherwise of the mining law of 1986 is evidenced by the volume and value of investments it has attracted since its implementation up to 2001.[127]

Table 5.5

Investment inflow into the mining sector (US$ millions)

Year	**Producing mines**	**Exploration companies**	**Total Mining**
Up to 1990	377.6	129.7	**507.3**
1991	87.2	192.1	**279.3**
1992	421.3	174.1	**595.4**
1993	6.8	780.1	**786.9**
1994	10.1	183.5	**193.6**
1995	24.0	226.6	**250.6**
1996	79.8	695.0	**774.8**
1997	218.2	337.0	**555.2**

[127] Minerals Commission

1998	172.8	81.2	**254.0**
1999	153.8	27.0	**180.8**
2000	29.1	179.4	**208.5**
2001	27.1	180.1	**208.5**
Total	**1,607.8**	**3,185.8**	**4,793.6**

Source: Minerals Commission

According to Minerals Commission sources, though the above statistics relate to the mining sector in general, the overwhelming dominance of large scale gold mining induced investment is in no doubt.

5.2.5. Summary of evaluation of impact on balance of payments – foreign exchange and inflow of capital

The growth in absolute export earnings from gold notwithstanding, the gold mining sector is yet to make any appreciable gains to Ghana's economy via its contribution to balance of payments in real terms. In most of the gold mines, the government has only a paltry 10% shareholding which gives rise to 10% of the earnings (profits) not 10% of exports proceeds or foreign exchange. The export earnings retention clause provided for in the minerals legislation, averaging between 60% and 80% in reality has been taken full advantage of by the gold mining companies. It must be stressed that the application of the foreign exchange retention clause denies the government from having access to a chunk of the foreign exchange that accrues from export earnings and which would have impacted heavily on the balance of payments position of the country.

The huge foreign exchange earned from gold export does not in reality truly reflect the country's balance of payments neither is it even banked in Ghana which would have counted in according the country a sound credit rating. Enforcement of the aspect of the legislation – Bank of Ghana directive that requires unspent portion of retained foreign exchange to be repatriated back to the country is itself suspect as some of the mines flout it and prefer to keep their export earnings in overseas bank accounts.

As gold export earnings account for close to half of the country's total export earnings, (40.8% in 1993, 44.32% in 1994 and 45.23% in 1995) and generally

about a third of total export earnings for the remaining years, the inability of the country's balance of payments to benefit immensely from foreign exchange derived from gold export is a worrying situation. Again, the wide variations inherent in gold price make prediction of export earnings highly fragile and for that reason any meaningful forecast of foreign exchange earnings is unreliable for planning purposes.

Effectively, the wealth of the country is exploited and repatriated abroad. This raises eyebrows and in the process one may ask whether this is not a form of economic slavery or neo-colonization reminiscent of the *'dark days'* political and economic agenda of the colonial masters? In effect, are the colonial masters back but this time round not as political overlords but rather greedy economic giants emphasised by the multinational nature of their operations and subtly described as FDI?

Availability of capital is not only necessary but more importantly crucial to the continued operation of all enterprises including mining operations. For mining operations in particular, the volume of capital sunk into gold deposit exploration activities is paramount as it is indicative of what the future holds in store for the industry – a potential extinction or continued operations of active mining.

'Where is the gold mining industry heading?'

In appraising capital transfer impact, the mix and trends of capital injected into actual mining and that which went into exploration is worth analysing. The substantial capital sunk into exploration activities – US$ 3.2 billion weighed against its equivalent in actual mining – US$ 1.6 billion, (a ratio of 2:1) is a pointer to continued operations at least for as long as vigorous exploration discovers potential mineral deposits.

However, recorded declining trends in exploration activities - volume and value wise presents a worrying situation as exploration activities is the life blood of producing mines. Without a vibrant gold exploration activity, the future of producing mines looks bleak.

5.3. The gold mining sector and resource transfer impact on the host country

5.3.1. Technology transfer in the context of state owned gold mining regime

Apart from the Dunkwa Gold Mine where alluvial gold dredging technology was utilised, underground mining was the technology in use at the other gold mines. The suitability and appropriateness of underground mining technology lies in its environmental friendliness and compatibility with other productive use of the land surface such as agricultural activities. Besides, underground mining technology is principally a labour intensive production technique that particularly suits the large army of semi skilled and unskilled labour that abounds in the country.

5.3.2. Technology transfer in the context of FDI driven gold mining regime

FDI inflow to the gold mining sector brought with it technologies and applications that had hitherto not been practiced in the mining terrain of Ghana. In the main, surface mining technology and its operational applications replaced underground mining technology. The appropriateness and suitability of surface mining technology and its attendant applications viewed from the perspective of key economic considerations and environmental friendliness is a contentious one.
Surface mining as a capital intensive production technique employs fewer hands and utilises machinery for operations to a very large extent.[128]

5.3.3. Summary and evaluation of resource transfer impact

On technology transfer, the relatively simple and minimal capital requirement nature of open pit mining compared to underground mining has facilitated the setting up of many new mines. Open pit mining technology is further cost efficient and effective enabling capital to be recovered over a relatively shorter period of time compared to underground mining technology.

'Is gold produced at a great cost to the country'?

[128] Mineral Commission

In the open pit mine development and mining process, people and property displacement is a key feature. Normally a great loss to one sector of the economy, with agriculture being the main victim as vast farmlands, farms and rich vegetation are turned into valleys. In the process, valuable gains which would have accrued to the country in general and agriculture in particular are sadly eroded; an illustration of the incompatibility of open pit mining technology with other productive use of the land surface an indication of the suspicious and contentious nature of the technology.

5.4. The gold mining sector and government revenue

5.4.1. State owned gold mining regime

The mining industry in general and gold mining in particular remains a vibrant and significant contributor to government revenue. One of the objectives behind the move for state ownership and control of the gold mines after independence was maximisation of government revenue principally through the imposition of various forms of taxes and levies. These taxes and levies were generally a function of gold mined, corresponding revenue generated and final profit made and for that reason periods of production peaks (after 1957 and the early part of the 1970's) gave some form of assurance of maximisation of government revenue.

The key aspect of the fiscal regime that regulated the state controlled gold mining sector and on which the government derived its revenue includes:

- Corporate income tax of between 50% to 55%

- Initial capital allowance and annual allowance with respect to capital expenditure for the purpose of determining corporate income tax payable of 20% and 15% respectively.

- Royalty of 6% based on the total value of gold mined

- Minerals duty of between 5% and 10%.

- Import duty of 5% to 35% of the value of imports.

- Foreign exchange tax of 33% to 75% and

- Gold export levy.

The extensiveness of the above fiscal regime to raise the much needed government revenue is in no doubt though absolute and concrete revenue generated would have produced a better perspective, such data is not readily available.[129]

5.4.2. FDI driven gold mining regime

With the passage of the Minerals and Mining Law 1986 most of the taxes and levies applicable to the gold mining sector were completely repealed whilst other taxes had their effective rates reduced. The government's objectives were to maximise revenue by avoiding excessive taxation thereby making the sector competitive and attractive to investors. In line with the objectives, corporate income tax rate and royalty were reduced whilst allowances on capital expenditure were accelerated.

Though the Internal Revenue Service reports on the mining sector in general, Minerals Commission estimates indicate that gold accounts for about 90% of all revenue accruing to the state from mining operations. In absolute terms, the estimated contribution of large scale gold mining sector to government revenue is summarised below:

Table 5.6

Estimated contribution of gold mining to government revenue (millions of cedis)

Year	**Corporate Tax**	**Royalty**	**Income Tax**	**National Recon. Levy**	**Sum Total**	**Total National Collection**	**Gold Mining % Total**
1993	3,954	6,737	2,384		13,074	113,237	11.55

[129] http://www.oecd.org/dataoecd/44/12/1819492.pdf

1994	6,493	11,506	4,330		22,328	166,596	13.40
1995	18,354	18,821	7,157		44,331	275,513	16.09
1996	8,245	31,974	15,152		55,371	424,492	13.04
1997	8,882	31,136	22,520		62,537	605,783	10.32
1998	13,006	44,857	27,915		85,778	785,437	10.92
1999	28,005	43,758	25,055		96,818	901,664	10.74
2000	14,210	106,863	53,320		174,393	1,409,445	12.37
2001	22,332	114,622	68,501	3,826	209,281	1,950,163	10.73
2002	21,151	138,107	91,312	23,828	274,397	2,842,975	9.65

Source: Mineral Commission

On average, the gold mining contributes about 12% of government revenue with the key revenue source being royalty of minerals mined. In 2002, royalty accounted for close to 50% of mining's contribution to Internal Revenue Service, with the prominent portion coming from royalty on gold mining operations. The mining law provides for royalty on a sliding scale rate of 3% to 12% on the total revenue of minerals mined, actual royalty paid by gold mining companies has been a fixed 3% of the revenue of minerals mined. Another source which would have accrued substantial revenue to the state is duties on imports of machinery, plant and equipment for gold mining operations which are exempt from tax under the current regulatory framework.[130]

5.4.3. Summary and evaluation of impact on government revenue

'Is the tax revenue position a mirror reflection of a glittering gold'?

Inspite of its domineering presence and generous concessions unparalleled by any sector of the country's economy, the gold mining sector's contribution to total government revenue collected by the Internal Revenue Service is a meagre 12%. The overwhelming dominance of revenue from royalty, on average 50% should be understood against the backdrop that exploitation of natural resources normally goes with royalty, an upfront charge unrelated to earnings or profitability, per unit of the value of the mineral extracted.
Too much or over reliance on upfront charges unrelated to profitability has the potential of killing the attractiveness or otherwise of the industry as investors would normally be more comfortable to know their profits first before knowing how much tax to pay. Upfront charges in the typical sense erode the final

[130] Minerals Commission

profitability of the business and prevent a declaration of the '*true*' operating profit.

'Is the formula one of generous concessions attracting FDI and a rigid fiscal and regulatory regime to stay doomed forever?

However, the worrying aspect is the magnitude of tax revenue from sources that are specifically earnings or profitability related earnings such as corporate tax and similar levies and taxes. Unimpressive and declining corporate tax numbers is suggestive of either poor earnings from mining activities or huge deductible allowances via capital allowances before arriving at tax payable as is evidenced by the myriad of capital allowances conferred by the mining legislation.

Scrapping of some sources of tax revenue principally import duties on mining inputs - might be a laudable incentive to attract investors, however it has the adverse effect of contributing significantly in depriving the government access to improved tax revenue. What of the tendency for foreign investors to sell off their investment at some stage with new foreign investors taking over *'from scratch'*. Is it a deliberate tax avoidance scheme or a mere decline of interest in the property? The initial gold rush experience evidenced by the number of mineral rights related licences and the sudden twist of direction of new investment: Guinea, Tanzania, Mali and other mineral rich countries a demonstration of the forces of competition for investment at work via incentive based strategy, a race to the top?

5.5. The gold mining sector and Gross Domestic Product

5.5.1. State owned gold mining regime

The gold mining sector during the state controlled era was based on underground mining technology which is a labour intensive production technique that requires a higher number of production hands, both skilled and unskilled. On average, gold mining employed about thirty thousand people. As the gold mines were state owned, profit made was retained either for re-investment or channelled to other sectors of the economy.[131]

[131] http://www.oecd.org/dataoecd/44/12/1819492.pdf

5.5.2. FDI driven gold mining regime

Among the objectives of government in privatising and encouraging private sector participation mainly through foreign direct investments in the gold mining sector was to put a stop to brain drain, attract and retain specialised skilled labour force and to train and develop the human capital needed for the mining sector in general. Since the beginning of the 1990's the contribution of gold mining to GDP has hovered around 4% to 5%. From 4.83% in 1990, the sector's contribution to GDP rose to 5.63% in 1995, and then to 5.25% in 2002. The incompatibility of surface mining and particularly agricultural production results in displacement of people from agricultural lands, an evidence of achieving productivity at the expense of other sectors.[132] [133]

As gold price declines and profit levels fall, gold mining companies cut down on their labour strength to save cost and remain in business. Expatriate staff account for roughly 1.3% of total labour force. Labour strength of the gold mining sector is reproduced below

Table 5.7

Labour statistics of the gold mining sector

	1994	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Total labour	18,049	19,557	18,674	18,028	19,422	16,129	15,120	14,954	12,901
Expatriates	210	229	215	213	251	231	219	191	226
Locals	17,839	19,328	18,459	17,815	19,171	15,898	14,901	14,763	12,675
Expats/Locals ratio %	1.18	1.18	1.16	1.20	1.31	1.45	1.47	1.29	1.78
Productivity/ (oz./man/yr.)	80	88	85	97	122	162	163	159	173

Source: Minerals Commission

5.5.3. Summary and evaluation of impact on gross domestic product

'Is the gold mining sector not in tune with the rest of the economy?

[132] Chamber of Mines
[133] Minerals Commission

Though the gold mining sector occupies a prominent position on the economic ladder of the country, its contribution to GDP was a meagre 5.25% in 2002. This is an indication that the sector is woefully deficient compared to other sectors of the economy, yet it continues to receive massive attention unrelated to its status per GDP statistics. The agricultural sector remains the key, (contributing about 36% of GDP). Furthermore, there are no meaningful linkages especially the downstream dimension between the gold mining industry and the other sectors of the economy, a situation which has rendered the realisation of the full potential of the gold mining industry elusive to date.

'Are jobs secured in an FDI driven gold mining industry?'

FDI brought with it surface mining technology which is capital intensive in nature and for that reason employs relatively few production hands. More than 50% of employees of divested state owned gold mines are suddenly thrown out of job. Without readily available job offers, a majority of such people resort to small scale and often illegal gold mining ventures whose potential to increases the mineral output of the country has not been fully tapped due primarily to outmoded technological applications and poor gold recovery rate. However, the fortunate few who remain in the mines have their knowledge and skill updated through exposure to new technologies and application thereby improving their respective market earning values. A remarkable improved labour productivity gives some clues to the effectiveness and efficiency of the FDI run gold mining sector.

6. Chapter Six – Analysis

6.1. Background

This analysis, a contra factual one is based on the *'if clause'* aspect of the reality and attempts to analyse what would have been the likely magnitude or the change in impacts dimension had FDI not taken place. It operates from the premise of what the reality of the case was prior to the occurrence of FDI and projects the probable outcome, ignoring the actual outcome brought about primarily by FDI.

In order to aid the presentation of meaningful analysis as to *'what would have happened had FDI had not taken place'* we would like to work with three different scenarios or options that would have been available to the host government had FDI not taken place. The choice of the three scenarios is motivated by an appraisal of the different ownership and management structure that the gold mines of Ghana would have been through to the current regime and each scenario would then be analysed on the basis of its potential impacts on the chosen dimensions assessed.

For the purpose of this analysis, the chosen options are:

6.2. Scenario A

'Had FDI not taken place, the gold mines would have continued to perform based on trends and corresponding impacts witnessed prior to the intervention of FDI.'

Foreign exchange earnings derived from the gold mining sector had hit its lowest level prior to investment in the gold mining sector through FDI. Being a key sector of the country's economy, a contribution to total export earnings of 18%, 14% and 14% in 1984, 1985 and 1986 respectively typifies a sector that had lost its glitter from being a dominant one. Had FDI not taken place, the trend of foreign exchange earnings would have continued to exhibit that of a downwards sloping curve. This trend would have deprived the government of

having access to improve foreign exchange from gold export and the much needed capital inflow solve balance of payments constraints.

Given the situation where production volumes have decreased, both upfront charges and levies unrelated to earnings and profitability related taxes would have been affected. It is difficult to evaluate the overall magnitude of impact on government revenue as detailed statistics on contribution to government revenue is not available. However, it is likely earnings related taxes would be affected most as the mines were virtually loss making, and had to rely on state subvention to remain in operation. This added to whatever might have accrued from upfront charges taking into consideration the adverse effect of reduced gold output on government revenue.

Had the mines continued to operate based on trends witnessed before the intervention of FDI, the work force would not have been exposed to any major new technological applications to update the skill and consequently upgrade their market values. To some extent, employment would have been preserved however, taking into consideration low production levels coupled with labour intensive production techniques, productivity per man would have diminished, market value of labour would have fallen and the contribution of the sector to GDP would have decreased.

6.3. Scenario B

'Had FDI not taken place, the host government would have, in line with gold mine closure, set in motion earlier a gradual shut down of all loss making state owned gold mines.'

Government's demonstrated desire of closing down unprofitable state owned gold mines, (cases in point being the closure of the Bibiani, Konongo and Prestea gold mines) would have continued with its adverse effects on total gold production and corresponding gold export earnings. As new capital is not introduced into the gold mining industry, there would not be development of new mines and gold deposit exploration would be negatively affected. This will eventually lead to the closure of the remaining gold mines in succession as their operations hit levels of absence of newly discovered gold deposits to be mined. Had the mines been shut down temporarily or permanently, foreign exchange

accruing from export earning, though relative small would have continued to diminish and eventually been lost completely.

New gold mining technologies including open pit mining that yields higher productivity and minimises cost would not have been available. Open pit mining has the negative impact of depriving the use of the land surface for other productive purpose in addition to other hazards such as the effect of blasting activities on the surrounding communities.

Government tax revenue generated from the mines and its employees would have continued to diminish as the gold mines were shut down for reasons of poor profitability with its negative impact on total national tax revenue. As the gold mining industry contributes a significant portion of national tax revenue the over all effect would be to deprive the state access to that tax revenue

As virtually all the gold mines were state owned at the time, indications are that the overall economic impact exerted by the gold mining sector would be lost completely. However, there could be the counter argument that irrespective of the magnitude of the actual economic gains brought about, courtesy the inflow of FDI, such benefits would have been lost completely.

6.4. Scenario C

'Had FDI not taken place, government would have been compelled to source for external loans and expertise to rejuvenate existing state owned mines and build new ones. Foreign based mining experts would have been hired to run the mines under productivity and profit related management contracts that entitle them to productivity and earnings related bonuses.'

On the other hand, if FDI had not taken place, government would have sourced external loans to explore for mineral deposits and totally rehabilitate existing mines and develop new ones. Foreign based mining experts with the requisite knowledge and expertise in modern mining and related technology would have been hired under specific performance based contracts, (including production and profits related bonuses) to run the mines. In this respect, still a mutual beneficial impact would have resulted as the management contractors get a fair share of the returns from the gold mines via profitability related bonuses.

However, this would have been management contract with a difference as there would not have been the option to acquire the mines as brownfield investment later on. As part of the mining sector reform programme, the Tarkwa and Prestea gold mines were awarded under management contracts to foreign based mining experts with option of acquiring the mines where interested. It was from this arrangement that Gold Fields of South Africa eventually acquired the Tarkwa gold mines whilst Johannesburg Consolidated Investment declined interest in acquiring the Prestea gold mines.

This arrangement would have likely resulted in improved performance with its spill over felt on the different economic impacts under consideration such as improved production and productivity, preserve and possibly increase employment; depending on the production technique to be applied, labour intensive or capital intensive. Improved production would have resulted in increase in export earnings impacting favourably on gold export earnings. Fiscal and financial concessions exclusively granted under the mining sector FDI package would have been avoided and that includes other improved government revenue such as corporate income tax, royalty and import duty in particular.

A mixture of production technique, open pit mining and underground gold mining would have paved the way for more efficient exploitation of gold deposits as open pit gold mining has the shortcoming of the limit to which the open pit can be developed and mined. A fusion of two technologies bearing in mind the strengths and weaknesses of both would have been a better blend rather than exclusive reliance on open pit gold mining operations.

6.5. Summary

Of the three scenarios presented above, Scenario C appears to have the brightest prospect of being successful at accruing to the state improved economic impacts. Further, in pursuit of mutual beneficial impacts, the expatriate performance management team would reap what is due them through the inclusion of performance bonuses.

7. Chapter Seven - Conclusions and Recommendations

7.1. Conclusions

Main research question

On the main research question, each party – the host government and the foreign investor is indispensable to the other and as such totally ignoring the concerns of the other party would not contribute to the enhancement of the partnership so struck.

"In order to contribute to an enhancement of the partnership between the host FDI government and the foreign investor, how could the pursuit of economic impacts that are not typically biased towards one party, thereby ensuring the pursuit of mutual beneficial economic impacts be reconciled in the case of inward FDI in the gold mining industry of Ghana?"

Whereas the pursuit of an unbiased and mutually beneficial impact on a host government - foreign investor dilemma offers attempts to satisfy the parties involved and in the process keep the deal intact, the pursuit of impacts that are biased towards one party has the potential to tear the deal apart.

To achieve mutually beneficial impacts calls for review of policy framework that guides the mining sector in particular with the aim of revising aspects that are not common provisions compared with equivalent regional or international frameworks.
A pro-active approach to policy revision would be preferable to a re-active approach as the latter might not be capable of averting investment re-location and re-direction triggered by generous concessions bidding wars initiated by competing nation states. In the pro-active approach to policy revision, policy makers need to regularly update their knowledge of the provisions of equivalent regimes elsewhere preferable at regional level for a meaningful assessment to be carried out.

Subordinate research question one

To answer the first subordinate research question which reads:

“What are and how can the economic impacts of the foreign investor-host government dilemma be evaluated in the case of inward FDI in the gold mining industry of Ghana”

Some basic propositions need to be repeated here. These are:

MNC’s and nation states are not separate and isolated islands. The two need to co-exist and cooperate if their respective aspirations are to be met. At the very fundamental level, MNC’s exist to survive and make profits whilst nation states are in place to seek and promote the social and economic well-being of its citizenry. However, the respective and some how conflicting missions of the two do not imply that they are at war with each other. In the process of striving to attain their respective aspirations, the two in their respective capacities exert forces on each other and in the process adverse and favourable impacts may result.

Generous incentive based policy strategy of competing for FDI leads to unfair practice that typifies the so called *‘ race to the top’* from the perspective of the nations involved in the bidding war as each nation offers more generous subsidies and concessions to lure investment and in the process be the number one spot for investment location considerations by the so called indispensable multinational giants in a globalised world that is increasingly integrating the activities of multinational enterprises. Achieving the above position and aspirations more often than not entails deliberately relaxing the enforcement of some standards and requirements, both local and international ones to the detriment of the areas of impact of the FDI. The strategy further has an adverse consequence on public finance as the generous subsidies and concessions grant results in eroding substantial public finance and in the process denying government access to vital resources which would have been channelled to better the lot of the welfare of the people. Offering generous and uneconomical subsidies and concessions merely in the name of luring FDI epitomises a ‘*race to the bottom’* with respect to people’s welfare, eroded public finance and enforcement of stringent measures connected with the operations of corporate bodies.

Exclusive and preferential treatment of a sector that relies on non renewable resources is not the best alternative in addressing the nation’s economic

constraints. The smallness of the sector and the narrowness of its core and ancillary activity implies that any progress made (with respect to spill over including business opportunities and growth prospects inherent in a vibrant gold mining sector) would not be translated to only a narrow segment of the national economy with a corresponding narrow improvement in indirect economic impacts from the other sectors linked to it. In this respect both the direct and the indirect economic impacts or spill over are worth a thought. The mining sector's contribution to GDP – which is predominantly led by the gold mining sub sector (average 4% to 5%) and more importantly the absence of downstream linkages are clear indications of a sector that irrespective of the huge attention and investment inflows received does not forge an appreciable link with the rest of the sectors of the economy and for that reason progress made is not fairly translated downwards or upwards for the benefits of other sectors in particular and the economy as a whole.

Subordinate research question two

The second sub-research question recognises the role of the mining and minerals industry regulatory framework in prescribing and dictating *'the rules of the game'* and with that has a bearing on the actual impacts emanating from FDI in the gold mining industry of Ghana.

"Does the legislative framework of the host country have any effects on the economic impacts in the case of inward FDI in the gold mining industry of Ghana?"

For starters, the host government regulatory framework plays a significant role in curving the impacts derived from inward FDI as it specifies in broad terms the 'rules of the game', enforcement and the penalties for non conformance, where applicable. The flexibility or rigidity of the regulatory framework to a large extent determines the sort of, and magnitude of, impact to be exerted. Too much flexibility is susceptible to frequent abuse whilst a rigid regime has the potential to suffer from low participation and exercise of laudable initiatives which might be beneficial in terms of the connected impacts in the final analysis.

The attractiveness, competitiveness or otherwise (in terms of the generous subsidies or concessions) of the regulatory framework is equally a strong driving force behind the immediate and future impacts. Regulatory frameworks that are attractive and competitive, as long as they compare favourably with equivalent frameworks elsewhere have the potential of attracting participating firms and thereby sustaining the impacts derived whereas the opposite is the case of its unattractive counterpart. To assess the effect of the regulatory framework on the economic impacts, pre and post inward FDI impact position offers another relevant means of measuring FDI driven impacts more especially by comparing and contrasting measured impacts before and after the occurrence of FDI. A key requirement for survival and continued operations is going by the stipulations of the regulatory framework.

7.2. Recommendations

7.2.1. Short term measures

Unavoidable and necessary investment policy document revision

In the short term, the investment policy framework should be revised with particular emphasis on those aspects that are contentious and uncompetitive and could potentially turn investors away. In doing so the prime objective should be a *'win - win situation'*, a situation where a *'winner takes the majority situation'* does not exist. In the end, the revised investment policy should be able to *'compete fairly'* with equivalent policy documents from other mineral endowed economies but not stimulate '*global concessions war for FDI'*

7.2.2. Long term measures

From incentive based competition strategy to a rule based competition strategy

In the long run however, there should be a move towards a well refined and regularly reviewed rule based strategy (a sort of collaboration among nation states and investors alike) for attracting FDI. In this respect regional levels that exhibit similar economic features could be competing for FDI on the same set of rules or attraction package. At the global level, a uniform rule or standard with respect to the volume and value of incentives to accord investors could be

set in the long run through the collaboration and support of both host government and investors. This would effective check uneconomical demands by both government and investor alike. In so doing stable and predictable results would be enhanced and the host government – foreign investor dilemma would at least for the meantime be minimised if not eradicated completely.

7.3. Suggestions for further research

This study should not be seen as the end in itself but rather as a means to an end. The study focussed on economic impacts brought about by FDI in the gold mining industry. It is envisaged that replicating this study in a different developing country whose gold mining industry is overwhelmingly dominated by foreign owned companies would be a valuable way of comparing how the economic impacts dimensions have responded to the presence of inward FDI.
Secondly, individual country specific perceptions and views on collaboration and rule based strategy for competing for inward FDI could be studied.

Appendix I

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Appendix II

Questionnaire

This questionnaire is intended to seek data for studies in the area of the economic impacts of Foreign Direct Investment (FDI) from the perspective of the mining industry of Ghana. Objectivity in providing responses is sought whilst the confidentiality of data provided is assured.

1. Under the specific parameters listed below, what are the **expectations** or **objectives** of the government of Ghana from 1986 in attracting inward FDI into the mining industry of Ghana:

   - Building inter industry linkages

   - Contributing to government revenue

   - Contributing to Economic growth and Gross domestic product and

   - Improving the balance of payment.

2. In the inward FDI bargaining process, does the government of Ghana negotiates with prospective investors **on each specific component of the inward FDI package** or **an all embracing/wholesale negotiation** is adopted.
   What are the justifications/objectives for the specific approach adopted?

3. Given that nations device different strategy to woo inward foreign direct investment to their fold, would you describe Ghana's strategy towards enticing inward FDI into the mining industry as an ***incentive based strategy*** or a ***policy based strategy*** *and* ***why.***
   In what ways has the government's strategy impacted on the performance of the mining industry **adversely** and **favourably?**

4. What do you consider to be the key strengths and weaknesses of the regulatory framework governing mining in Ghana?

5. Do you think the regulatory framework governing mining in Ghana has the potential of being abused or has been abused by the mining companies. **Yes** or **No**

6. If the answer to the above question is **Yes**, how does the potential to abuse or the abuse of the regulatory framework contributed in the failure to achieve the full expectations/objectives of the government of Ghana in enticing inward FDI of;

    - Building inter industry linkages
    - Contributing to government revenue
    - Contributing to Economic growth and Gross domestic product and
    - Improving the balance of payment.

7. Since the inception of policies changes enshrined in the Economic Recovery Programme (ERP) of **1983** to date **(2002**), the government of Ghana has offloaded its shares in the existing mines substantially whilst inward investment has led to the opening up of new mines.

    *What has been the **trends** and **actual performance** of the mining industry with respect to its contribution to the following economic variables?*

    - Building inter industry linkages
    - Contributing to government revenue
    - Contributing to Economic growth and Gross domestic product and,
    - Improving the balance of payment.

What has been the contribution of <u>GOLD mining</u> to Ghana's economy under these aspects of the economic parameters at the centre of this study? <u>Please indicate each year's contribution separately</u>

1. Balance of Payment

Inflows
Capital inflow
Loans inflow
Export of output

Outflows
Import of inputs
Capital repatriated
Loan repayment
Profit repatriation
Dividend payment
External fees and royalty payment

2. Government Revenue

Import duties
Employees' income tax
Corporate tax
Royalty and fees on output
Other statutory fees

3. Gross Domestic Product

Salaries and wages
Profit retained in Ghana

Appendix III

Questionnaire

This questionnaire is intended to seek data for studies in the area of the economic impacts of Foreign Direct Investment (FDI) from the perspective of the mining industry of Ghana. Objectivity in providing responses is sought whilst the confidentiality of data provided is assured.

8. The gold mining industry of Ghana has since the promulgation of the Mining and Minerals Law, 1986, PNDC Law 153 been characterised by changes of ownership and interests and acquisitions by active mining companies even when the ore reserves being mined are not exhausted. In your view what are the motives behind this development.

9. Considering the fact that the gold mining industry of Ghana is dominated by foreign owned companies, what are your concerns about this phenomenon?

10. In the light of the slow down in investment into the gold mining industry of Ghana, what are your views about the competitiveness of the gold mining industry of Ghana?

11. Foreign owned companies are often accused of seeking their self-centred primary objectives of profitability and growth often to the neglect of societal concerns and host government expectations. How does this ascertain relate to foreign owned companies operating in the gold mining sector of Ghana.

12. What do you consider to be the key strengths and weaknesses of the regulatory framework (Mining and Minerals Law, 1986) governing mining in Ghana?

13. Do you think the regulatory framework governing mining in Ghana (Mining and Minerals Law, 1986) has the potential of being abused or has been abused by the mining companies. **Yes** or **No**

14. If the answer to the above question is **Yes**, which areas of the Mining and Minerals Law, 1986 are vulnerable to abuse.