Impacts of Foreign Direct Investment (FDI) on Rural Poverty in Developing Countries: The Case of Mining FDI in Ghana

Gabriel Adu

University of Windsor, adug@uwindsor.ca

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Impacts of Foreign Direct Investment (FDI) on Rural Poverty in Developing Countries: The Case of Mining FDI in Ghana

By

Gabriel Adu

A Major Research Paper
Submitted to the Faculty of Graduate Studies through the Department of Political Science in Partial Fulfillment of the Requirements for the Degree of Master of Arts at the University of Windsor

Windsor, Ontario, Canada
2018

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Impacts of Foreign Direct Investment (FDI) on Rural Poverty in Developing Countries: The Case of Mining FDI in Ghana

By

Gabriel Adu

APPROVED BY:

______________________________________________
E. Maltseva
Department of Political Science

______________________________________________
J. Ovadia, Advisor
Department of Political Science

January 17, 2018
AUTHOR’S DECLARATION OF ORIGINALITY

I hereby declare that this major research paper is the product of my own investigations and findings.

I certify that, sources of information other than my own have been fully acknowledged in accordance with the standard referencing practices.

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ABSTRACT

This study assesses the impacts of Foreign Direct Investment (FDI) in the mining sector on rural poverty in Ghana. To this end, the study uses qualitative research techniques, and employs New Institutionalist and Marxist theoretical perspectives. The study notes that large-scale mining activities in Ghana have intensified with increased foreign capital involvement in the mining industry following the mining sector reforms in 1986. The study finds that whilst mining has the potential to reduce rural poverty by way of revenue generation, employment creation, and Corporate Social Responsibility (CSR), the weak institutional capacity in the country manifesting through the pro-investor mining sector regulatory regime and the ineffective and corrupt mining support institutions, coupled with the capital-intensive nature of mining activities and the limited scope of CSR, has constrained the ability of mining to reduce poverty in mining communities in Ghana. However, the negative livelihood impacts of mining activities depriving rural people of their access to land, coupled with the social and environmental externalities they generate have worsened the plight of rural mining communities in the country. The study recommends that the Minerals and Mining Act be revised so as to limit mining methods to underground mining in order to mitigate the livelihood impacts of mining activities resulting from the lack of access to land due to surface mining, and also to generate more rents for the government to make sufficient disbursements to effect community development and poverty alleviation in mining communities. It is also recommended that the mining sector support institutions be strengthened to effectively enforce various environmental standards so as to save mining communities from pollution and environmental destruction arising out of mining activities.
DEDICATION

This work is especially dedicated to my late mother, Veronica Boahemaa, my brother, Samuel Wilson Adomako, my boss, Moses Kojo Baah Atobrah, my auntie, Grace Baah, and my entire family. I also dedicate it to my mentor and academic advisor, Dr. Debora Atobrah of University of Ghana, and to all my friends whose support and encouragement contributed to my successful study here at the University of Windsor.
ACKNOWLEDGEMENT

I am grateful to God Almighty for his grace upon my life, and for seeing me through this study.

To my Supervisors Dr. Jesse S. Ovadia and Dr. Elena Maltseva, I say I am grateful for your insightful comments, suggestions, and directions during the course of this study. This is my first major academic work, and I really appreciate your support and words of encouragement throughout the research process.

I would like to also express my profound gratitude to all the faculty members of the Department of Political Science, University of Windsor for their unflinching support during my studies.

I am thankful to Dr. Debora Atobrah for her mentorship, advice and encouragement throughout my academic pursuit.

To my brother, Samuel Wilson Adomako, I say God richly bless you for your financial support and motivation during my studies.

Finally, my sincere appreciation goes to all my friends for your unwavering support throughout my studies. I say may God richly bless you all.
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ABBREVIATIONS/ ACRONYMS

ALP - Alternative Livelihood Programs

ASM- Artisanal Small-scale Mining

CHRAJ- Commission on Human Right and Administrative Justice

CSR- Corporate Social Responsibility

DA- District Assemblies

DCE- District Chief Executives

DRC-Democratic Republic of Congo

EIA- Environmental Impact Assessment

EPA- Environmental Protection Agency

ERP- Economic Recovery Program

FC- Forestry Commission

FDI- Foreign Direct Investment

GDP- Gross Domestic Product

GHEITI- Ghana Extractive Industry Transparency Initiative

GHS- Ghana Health Service

GLSS-Ghana Living Standard Survey

GRA- Ghana Revenue Authority

GSD- Geological Survey Department
GSOPP - Golden Star Oil Palm Plantation

GSR- Golden Star Resources

ICT- Information and Communication Technology

IDMC- Inspectorate Division of Minerals Commission

MC- Mineral Commission

MDF- Minerals Development Fund

MLNR-Ministry of Lands & Natural Resources

MMA- Minerals and Mining Act

MMC- Multinational Mining Companies

MNC-Multinational Corporation

NADeF- Newmont Ahafo Development Foundation

NAkDef-Newmont Akyem Development Foundation

NCM- National Coalition on Mining

NGGL- Newmont Ghana Gold Limited

NGO-Non-Governmental Organization

OASL- Office of the Administrator of Stool Lands

PMMC- Precious Minerals Marketing Company

SAP- Structural Adjustment Program

SEED- Sustainable Community Empowerment and Economic Development program
SMC- State Mining Corporation

TNC- Transnational Corporations

UNCTAD- United Nations Conference on Trade and Development

UNDP- United Nations Development Program

UNICEF- United Nations Children’s Fund

WACAM- Wassa Association of Communities Affected by Mining

WHO- World Health Organization
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CHAPTER 1

1.1. Introduction and Background

Since the 1980’s, developing countries have strongly been urged to open up their economies, reduce tariffs, and pursue investment-friendly policies in order to attract more foreign investment for the development of their economies. Particularly following the debt crisis of developing countries in the late 1980’s, which affected credit-worthiness, Foreign Direct Investment (FDI) became increasingly regarded as the top-most engine of growth in the developing world, especially in Africa (Ajayi, 2006; Ndulo & Walle, 2014). In view of this, foreign investment soared in this part of the world, with developing countries’ share in FDI inflows rising from 17.1 percent in 1988-1990 to 21.4 percent in 1998-2000 (Addison & Heshmati, 2003, p. 1). However, a large share of this increased FDI flows to the developing world is concentrated in natural resources, particularly, the mining and oil industries (Addison & Heshmati, 2003, p. 2; Bridge, 2004, p. 407), with oil and mineral-dependent countries accounting for three-quarters of annual FDI flows to Africa (UNCTAD, 2005, p. 7). Whilst recognizing the moderate decline in recent years of FDI flows to the developing world owing to sluggish commodity prices (UNCTAD, 2017), the concentration in the resource sector remains robust.

This increased flow of FDI to the region notwithstanding, poverty continues to be high in the developing world. In Sub-Saharan Africa for instance, recent estimates by the World Bank puts a staggering half of the world’s extreme poor as residing in the region. Yet poverty in these countries tends to be much higher in rural communities as opposed to urban centers. According to the World Bank, a vast majority of the global poor live in rural communities (World Bank, 2016). This means poverty in developing countries is mostly a rural phenomenon (Khan, 2001, p. 6; Lines (2013, p. 4). Whilst many studies have sought to investigate the nexus between foreign investment and
economic growth, a paucity of studies exists on the relationship between foreign investment and poverty. But with such unacceptable levels of poverty in the developing world, amidst an impressive surge in FDI flows to the region, such a study has become imperative.

Against this background, this study seeks to investigate the impact of FDI on rural poverty in developing countries, using Ghana as a case study. However, since the mining and oil extraction industries are together the largest recipient of FDI in Africa, this study focuses on mining FDI, a sector accounting for a majority of FDI flows to the Ghanaian economy, and whose operations are predominantly based in rural communities. Specifically, the study attempts to examine how the increased flow of FDI to the mining sector has impacted the fight against rural poverty in Ghana.

At a per capita income of about $1,820, Ghana became a lower-middle income country in sub-Saharan Africa in 2011 (World Bank, 2012). This notwithstanding, there are still wide gaps in Ghana’s development. Since the 1980s, the country has undertaken a number of development strategies, including Structural Adjustment Programs, Vision 2020, and the Ghana Poverty Reduction Strategies I and II (Ile et al, 2014). Unfortunately, the gains from these initiatives are yet to be witnessed in the Ghanaian economy. The 2013 Ghana Living Standard Survey (GLSS) indicates a decline in poverty from 31.9% to 24.2% between 2005 and 2013. Yet poverty is still prevalent and remains largely a rurally concentrated in the country (Aryee & Asante, 2003, p. 1; Sowa, 2002, p. 10; GLSS 6, p. 10, xi). Whilst close to half of Ghanaians live in rural areas, the rural sector accounts for almost 80% of people living in poverty (GLSS 6, p. 10). On the back of this, one would be curious to know as to how impactful the large inflows of foreign investment, particularly to the mining industry has been on Ghana’s rural poverty eradication agenda.
1.2. Statement of a Problem

Given that a majority of the people living in poverty lives in the developing world (Sachs 2006), poverty becomes undoubtedly a major challenge for developing countries, and a priority in prosecuting their development agenda.

Despite being hailed as the engine of growth, and the gateway to development for developing countries, FDI flows, particularly to the natural resource sector of developing countries vis-à-vis poverty levels in this part of the world reveals a major discrepancy. However, the rural nature of poverty in developing countries calls for efforts targeted at reducing poverty in these countries to be directed at the rural sector. Irrespective of the fact that mining tends to be rurally based, poverty continues to be high in Ghanaian rural mining communities. As the mining sector receives the largest share of FDI in Ghana, this study investigates the impact of mining FDI on rural poverty in Ghana. Particularly, the study asks the fundamental question: has FDI concentration in the mining sector reduced rural poverty in Ghanaian mining communities? In answering this question, the study seeks to achieve two objectives:

(a) To examine how FDI in the mining sector affects rural poverty in developing countries;

(b) To explain why there could be foreign investment in the rural sector of developing countries without any improvement in the rural poverty situation.

The ability to answer this question, and to achieve these objectives is paramount, particularly, at a time when FDI inflow to the extractive sector of developing countries has increased substantially.
1.3. Hypothesis and Supporting Theories

Whilst a limited study exists on the link between FDI and poverty, the two subjects have separately been studied extensively. In the context of developing countries, Khan (2000) notes poverty has rigorously been studied well over a period no less than 50 years. Nevertheless, studies on these subjects have been done under different approaches. This study is guided by Marxist theory and new institutionalism, as explained further in Chapter 2.

Using new institutionalism and the Marxist perspective as frameworks, the study hypothesizes that mining FDI has not reduced rural poverty in Ghanaian mining communities. The paper argues that not only has mining FDI failed to reduce rural poverty in Ghana, as the operations of mining FDI have, in fact, worsened the plight of rural mining communities in Ghana. From the standpoint of the Marxist theory, the study employs the concept of ‘accumulation by dispossession’ (Harvey, 2003) to explain how rural mining communities in Ghana have been impoverished due to capitalist accumulation on the part of international capital, whilst the new institutionalism highlights the weak institutional structure of the mining sector governance in Ghana as contributing to poverty in these areas.

FDI occurs when Multinational Corporations (MNCs), mostly headquartered in Western industrialized countries, invest in a corporation located in another country, either by buying an existing business or by starting a completely new one (Apodaca, 2010). As such, FDI in this study is conceptualized as MNCs operating in the mining sector of Ghana. Poverty is conceptualized as a state of deprivation, vulnerability, and powerlessness (Khan, 2000). This conceptualization is believed to capture the multi-dimensional nature of poverty (Levine & Rizvi, 2005; Hagenaars & de Vos, 1988; Hulme 2010).
1.4. Methodology

This study focuses on mining FDI in Ghana. Ghana is chosen due to its position as one of the best destinations for foreign investment in Sub-Saharan Africa, ranking in the top five host economies of FDI in Africa (UNCTAD, 2017). Ghana’s mining sector, as pointed out earlier, is the largest recipient of all FDI flows to the country; a situation quite distinct from that witnessed in other major recipients of FDI in the region such as Nigeria, South Africa, Angola, and Egypt. Yet Ghana harbors a greater number of poor people, a majority of whom live in rural areas. In fact, more than a third of the rural population in Ghana lives in poverty (UNICEF, 2016). Whilst this is not a unique situation in Africa, Ghana’s natural resource abundance coupled with the popular perception of its relative good governance make the situation in the country more curious and worthy of study.

Investments in the mining sector wholly owned by foreign enterprises and joint ventures between foreign nationals and Ghanaians are used as indicators for MNCs. The choice of indicators of poverty follows the approach of Hulme that combines both the narrow and broad conceptualizations of poverty. As such, poverty in this study is indicated by income, illiteracy, poor health conditions, lack of clean drinking water, lack of respect, and powerlessness (Hulme, 2010, p. 54).

The study is qualitative but supported by quantitative data from secondary sources where necessary. The issue of mining and its impacts on local communities usually evoke serious emotions. Hence, the rationale for choosing the qualitative method is to help capture the emotional sentiments attached to the subject under study- that which cannot be achieved via a quantitative method. The claims made in the study about the impact of mining FDI on rural poverty in Ghana are based on specific cases of large-scale mining activities involving transnational mining
companies in the core mining areas of the Brong Ahafo, Eastern, Western, and Ashanti regions in Ghana.

The study relies on secondary data drawn primarily from academic sources such as peer-reviewed journal articles, dissertations, and books published on the subject. However, data from government publications, news articles, presentations, multinational company reports, and publications by Non-Governmental Organizations (NGOs) are also drawn upon. The reliance on secondary sources of data suggests that this study by no means employs such data collection methods as participant observation or observation, interviews, focus group discussion or questionnaire administration that are typical of this kind of study. This notwithstanding, most of the secondary sources drawn upon are ethnographic studies whose data collection methods featured, among other things, interviews and focus group discussion, thereby making their findings more reliable.

Data gathered from these sources date from 1986 to the present. This period is chosen in line with the fact that FDI flows to Ghana’s mining sector followed the 1986 Mineral sector Reforms that was carried out following Ghana’s adoption of the Structural Adjustment Program (SAP) in April 1983 (Awudi, 2002; Ghana Chamber of Mines, 2015). It is important to note that prior to these reforms, mining operations in the country were either fully owned or 55 percent owned by the government of Ghana (Akabzaa & Darimani, 2001). However, owing to large-scale privatization that characterized the reforms, this share dropped to 10%, with private ownership (mainly foreign) amounting to 75-85% (Ismi, 2005; Amponsah-Tawiah & Dartey-Baah, 2011), underscoring the extent of foreign investment in the sector in this period.

The data gathered are analyzed using qualitative content and in-depth analysis, with reference to the objectives of the study. Where necessary, statistical evidence is provided to support the
claims being made. It must be mentioned, however, that since gold represents the largest mining operation in the country, accounting for 95% of mineral revenues in the country (Hilson & Potter, 2005; Ghana Chamber of Mines, 2015), my analysis is primarily focused on gold mining.

The remainder of the paper is organized as follows: Chapter Two outlines the theoretical framework of the study and situates the study in the ongoing debate by reviewing the literature on FDI and rural poverty. Chapter Three discusses the legal framework for mining in Ghana. It traces the history of mining in Ghana and analyzes the extent of foreign involvement in Ghana’s mining industry. This is followed by Chapter Four which discusses the findings of the study by analyzing the impacts of mining FDI on rural poverty in Ghana. The documents used (articles, reports, books, etc.) are carefully read to identify the various thoughts and themes expressed in them. The various themes relevant to the topic are then put into categories. In so doing, the impacts of mining activities are categorized into economic, social, and environmental. Arguments made under these categories are based on the evidence gathered from the data sources used, and where necessary, statistics and figures are offered to show the magnitude of the impact being described in the argument. Chapter Five concludes the study. The chapter summarizes the findings of the study and offers some policy recommendations as to how best to maximize the benefits of mining activities in terms of poverty reduction, particularly in rural communities where mining operations are hosted.

1.5. Limitations of the Study

This study is purely based on data gathered from secondary sources. As such, the claims made are based on what earlier writers have said. I consider this to be a limitation since it makes the study vulnerable to the biases of these scholars. Additionally, it limits the claims that could be made in the study since particular evidence required to make certain claims-claims that are relevant
to the objectives of the study- might not necessarily be captured by the studies drawn upon. Moreover, most of the company reports drawn upon are internally prepared by the companies themselves and for that matter, verification by way of field study would have given more weight to the claims made in the study based on such accounts.
CHAPTER 2
LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1. Introduction

The salience of Foreign Direct Investment (FDI) in world development today cannot be overemphasized. This finds expression in the commitment by governments – across both the developed and the developing world – to offering various locational incentive packages designed to attract and hold the operations of multinational corporations (Moran, 2004). At the same time, poverty has become a more prominent issue in international development. As Hulme (2010) argues, poverty has become so prominent an issue in world development that it has graduated from the confines of domestic policy to the global policy agenda. This makes studying the relationship between the two concepts a necessary exercise, considering the premium put on FDI as a tool for fighting poverty. This chapter is in two parts. The first part is a literature review which seeks to situate the study in the ongoing debate on the role of FDI in national development and poverty eradication by reviewing relevant literature on FDI and poverty. The second part outlines the theoretical framework of the study. It discusses the two theories namely the Marxist Theory and the New Institutional Theory that guide the study and explains how they influence the approach to the study.

2.2. Foreign Direct Investment (FDI)

To better appreciate how FDI in a particular sector performs in terms of poverty eradication, it is necessary to understand how FDI, in general, affects the economic development and poverty levels in host countries. FDI describes "an international investment that reflects the objective of a resident entity in one economy (foreign direct investor or parent enterprise) obtaining a "lasting interest" and control in an enterprise resident in an economy other than that of the foreign direct
invest”(Srivastava, 2003, p. 100). It occurs when firms mostly based in Western industrialized countries invest in a corporation located in another nation, either by buying an existing business or by furnishing capital to launch one(Apodaca, 2010).

A huge literature exists on the impact of FDI on economic growth in developing countries. For Neoliberal scholars, foreign capital is the engine as far as economic growth and development in developing countries are concerned. Beladi & Choi (1995); Sylwester (2005); and de Soysa & Oneal (1999) all argue that FDI offers developing countries access to scarce capital. By acting as a supplement to local capital, FDI triggers domestic investment thereby raising the level of total investment, and stimulating economic growth (Sylwester, 2005; Abu & Abd Karim, 2016). Besides, as part of FDI, Multinational Corporations (MNCs) facilitate technology and managerial transfer to host countries, and the concomitant spillover effects promote employment in these host countries (Dunning, 1977; Sylwester, 2005; Beladi & Choi, 1995). As local firms experience the presence of foreign firms, they tend to copy these MNCs (Dunning, 1997), ensuring that local labor is augmented by high managerial skills and organizational techniques in order to increase local productivity and promote development (Sylwester, 2005). As productivity increases, there is increased employment, which in turns raises wages (Firebaugh & Beck, 1994).

This claim is, however, rejected by scholars of the dependency school of thought. According to these scholars, FDI creates foreign dependence, which renders developing countries vulnerable to exploitation by developed countries, and in turn stifle their growth and development. Vijaya & Kaltani (2015) argue that FDI as much as it is associated with profit repatriation to developed countries promotes the extraction of surplus from periphery countries. FDI induces a distorted focus on the export sector, and whilst providing only a few elite employment, creates massive unemployment through its adoption of capital-intensive technologies. This claim had earlier been
emphasized by Bornschier & Chase-Dunn (1985), who argued that foreign corporations’ interests diverge from those of their host nations and for that matter, are inclined to repatriate profits, to sell goods at reduced prices to their parent companies in the developed world; to transplant inappropriate core technologies and organizational forms; and to stifle local businesses. Whilst admitting short-term growth associated with FDI (Kentor & Boswell, 2003; Bornschier & Chase-Dunn, 1985), the long-term effect is regarded to be detrimental to growth (Bornschier & Chase-Dunn, 1985), especially if MNCs control disproportionately large share of the domestic economy (Kentor & Boswell, 2003). In their work, “Effects of Foreign Investment, Exports, and Economic Growth on Third World Food Consumption”, Wimberley & Bello (1992) argue for a rejection of foreign capital by developing countries. Their panel analysis of 59 developing countries between 1967 and 1985 revealed that, whilst reducing primary export dependence promotes food consumption, dependence on FDI impacts negatively on consumption. These scholars thus discourage developing countries from entertaining FDI.

However, studies on Ghana despite being limited, have tended to lean towards the neoliberal camp. Frimpong and Oteng-Abayie (2006) studied the impact of FDI on the Ghanaian economy before and after the Structural Adjustment Program (SAP). The authors find a positive impact of FDI on economic growth in Ghana in the post-Structural Adjustment period as FDI led to improved growth in the Ghanaian GDP.

In their study “Globalization, Employment and Poverty in Ghana,” Aryeetey, Osei, Baa-Boateng, Twerefo, Laryea, Turkson and Coudjoe (2001) find that reforms in FDI policy and regulation that featured the enactment of the Ghana Investment Promotion Act 1994 and the Free Zones Act, 1995, and granting several incentives to investors led to a surge in foreign investment in the country with significant positive impacts on the Ghanaian economy. The authors observe
that by 2000, some 52 firms were in operation under the free zone, employing about 6000 people, while a cumulative total of 37,145 jobs were created through the export processing zone in Ghana.

Antwi, Emire, Mills, and Zhao (2013) also studied the impact of FDI on growth in the Ghanaian economy and argued that increased flow of foreign direct investment aside helping create more employment in the country also encourages the use of advanced technology in production, and trains more skilled labor, thereby enhancing productivity. The result from their empirical analysis showed that there exists a significant positive relationship between the FDI and economic growth in the Ghanaian economy.

However, these studies have mainly focused on the impact of FDI on the macro-economy, with a particular focus on economic growth and not necessarily on poverty. But, as poverty eradication remains a priority for developing countries, attaining economic growth is never an end in itself. What is unclear about these studies, however, is how economic growth plays out in the poverty eradication agenda of developing countries. This calls for a more focused analysis of FDI at the sectoral level, for which reason this study focuses on mining-sector FDI.

2.3. FDI in the Mining Sector

To understand why poverty continues to plague rural mining communities despite increased investment in the mining sector, it is prudent to understand the manner in which mining operations affect the economies of mineral-rich countries at both the national and local (community) levels. Whether by divine or mere coincidence, a number of countries in the developing world tend to possess lots of natural resources. It is therefore not surprising the heavy concentration of foreign investment in the natural resource (particularly mining and oil) sectors of these countries (Addison & Heshmati, 2003). Practically, an alteration in the intensity, timing, and
geographical distribution of mining investment flows could be expected to have substantial socioeconomic and environmental implications for developing countries (Bridge, 2004). As Hilson (2012) submits, if managed properly, the wealth derived from mining and oil extraction could provide substantial financial nourishment, better the living standards of poor people whilst setting in motion a host of manufacturing and service sector industries in developing countries. But how have these countries and their poverty-stricken populations been affected by the substantive investments in the sector? This question has provoked a polarized view in the literature – sort of pro and anti-mining views.

The pro-mining view generally holds that mining is beneficial to the countries involved. In "Cannot Manage Without the ‘Significant other’: Mining, Corporate Social Responsibility and Local Communities in Papua New Guinea", Imbun (2007) reports that the benefits of mining operations are apparent at both the macroeconomic and the local community levels. This ranges from the provision of export earnings, employment, and tax revenues at the macro level to the payment of royalties, occupation and other compensation fees to the local community. Apart from attending to these traditional responsibilities, the author notes of the provision of other goods and services including the construction of infrastructure, roads, bridges, health centers, and schools by Multinational Mining Companies (MMC) as part of their Corporate Social Responsibility (CSR) (Imbun, 2007).

In most cases, MMCs are under pressure to carry out these initiatives as a way of honoring their commitment to the government whilst being responsible for the diverse impacts of their operations on the host community. Auty (2006) observes that the pressure put on mining companies for increased Corporate Social Responsibility forces them to allocate revenue for the provision of local medical care, educational facilities, and other infrastructure that under normal
circumstances are to be provided by the government. Auty notes that the hitherto economic enclave has become a catalyst for economic reform in host countries as mining corporations now enter into agreements with strict conditions on governments bothering on transparency and productive use of mining revenues. This prevents rent-seeking tendencies whilst safeguarding the security of mining operations. The author observes that such conditions are also extended to linked businesses like mine input suppliers and even unlinked businesses adjacent to the mine to help diversify the economy and sustain long-term welfare gains.

In his study of the impacts of mining activities on the Ghanaian economy, Aryee (2001) argued that the mining sector makes a significant contribution to various sectors of the Ghanaian economy through government revenue, job creation, rural development, and the provision of foreign exchange. The author notes that the sector is a major contributor to government revenue by way of mineral royalties, corporate taxes, dividends, customs and excise duties, and income taxes from people employed by the sector. Besides, communities in the vicinity of mines the author observes, benefited, both in cash and in kind, from the support of the mines for projects initiated and undertaken either jointly or on the mines’ own accord. His survey of the mining sector's contribution to the Ghanaian economy between 1996 and 1998 showed that about US$290 million (23%) of the total revenue of US$1.2 billion generated by the mines, went into making contributions of various sorts as elaborated above to the Ghanaian economy.

These findings are confirmed by Bloch and Owusu (2012) who in their article titled “Linkages in Ghana's Gold Mining Industry: Challenging the Enclave Thesis” argued that gold mining can no longer be viewed as an enclave activity as it is deeply linked into the Ghanaian economy. The authors note that the sector has economic linkages such as fiscal linkages manifesting through tax receipts that provide revenues to the government; consumption linkages
in the form of profits and wages that arise from production and are spent in the economy; and backward linkages arising from activities established to supply inputs into mineral production. These linkages they argue, contribute positively to the economy of Ghana.

However, these views are rejected by the anti-mining camp, which has leveled several criticisms against the mining sector for its disproportionate negative effects it produces in developing countries. At the center of this criticism lies the concern about the limited state capacity in most developing countries (Hilson, 2012 p.134), which in many cases makes it hard for the benefits from the sector to be seen, given the profit-seeking nature of Multinational Mining Corporations. In his work “Regulating FDI in Weak African States: a Case Study of Chinese Copper Mining in Zambia”, Haglund (2008) observes that FDI in the extractive sector may undermine development in cases where negative environmental, social or economic costs are generated but not captured by the investor. Haglund argues that the extractive industry is typically associated with large social and environmental externalities, including pollution, migration and infrastructure dilapidation. As this demands effective regulation in order to maximize the gains from extractive activities, the limited state capacity manifesting in the weak institutional structure in developing countries, the author argues, makes mining operations perilous for developing countries.

Whilst mining is widely acknowledged to generate the much-needed rent for developing countries, this rent tends to be counter-productive for these countries. In most cases, resource rent leads to rent-seeking and corruption which goes a long way to undermine institutions and institutional development (Mursheed & Altaf, 2007) and serving in some circumstances as impediments to democracy and democratization (Ross, 2001).
The critique of mining has also been dominated by the "Dutch Disease" and the "Resource Curse" theses. The Dutch disease is such that rising mineral export in a country causes the domestic currency to appreciate whilst raising domestic wage rates (Davis and Tilton, 2005; Auty, 2002). Auty (2002) notes that this process renders much agricultural and manufacturing industries in that country internationally uncompetitive, thereby impeding economic diversification and increasing dependence on volatile mineral markets (Davis & Tilton, 2005). The “resource curse” on the other hand relates to economic mismanagement and poor decision making, according to Aryee (2001). The author notes that the volatility of mineral prices has the tendency to lead to marked fluctuations in export revenues which result in significant “boom and busts” in government revenue. Hence, the dependence on such revenues (during boom phases of cycles) creates economic disaster during bust phases, when revenues decline significantly through downswings in price, particularly as such dependent economies are unable to expand their non-mining tradeable sector to compensate for the “bust.” Such economic distortions, the author observes, are typical of mineral dependent economies and are major impediments to the sustainable development of such economies.

The mining sector has also been criticized as being an enclave economy (Bebbington et al., 2008; Auty, 2002). Bebbington, Hinojosa, Bebbington, Burneo, and Warnaars (2008) argue that mining tends to take the form of enclave economies with few links and producing weak multiplier effects in the local economy. The authors note that the concentration of activity in one sector such as mining tends to create export dependence which makes developing countries vulnerable to commodity price volatilities. These arguments are echoed by Auty (2002) who asserts that the mining sector by virtue of its production characteristics, deployment of mineral rents and domestic linkages, displays marked enclave tendencies. According to the author, mineral production is highly capital intensive, employing only a handful of people with foreign procured large capital
inputs. Hence, the sector yields modest local production linkages, thereby making a minimal contribution to economic development in such countries. For the inherent enclave tendencies, coupled with the “Dutch disease” and “resource curse” phenomena associated with mineral production, Auty concludes that not only may resource-rich countries fail to benefit from the favorable endowment, as they may actually perform worse than less well-endowed countries.

Other studies have also focused on the international factors accounting for the sector’s negative impacts on economic growth. Emel and Huber (2008) report that World Bank mining policies despite promoting foreign investments as win-win situations for both mining corporations and host countries favor mining corporations more than the host countries, as they allocate more benefits to the former relative to the latter. The authors note that the skewed distribution of benefits is pioneered under the pretext that the financial risks assumed by mining companies and their investors far outweigh that borne by the host countries. Hence, discourse on distribution issues does not take into account the environmental, political, social and economic risks assumed by the landowners as these are assumed to be obfuscated by the political, commercial, and geological risks associated with mining, and borne by investors. As all policy proposals are directed at ways to reduce investor risk, and governments asked to reform their tax regime and offer other incentives to investors, the result as the authors point out is an allocation of a disproportionate amount of profit to mining finance capital whilst diminishing the distributional power of landowners to claim absolute rent.

Akabzaa (2009) also studied the impacts of the Ghanaian mining sector fiscal regime and regulatory framework on national development and poverty alleviation and argued that the mining sector in Ghana has made limited contributions to national development and poverty alleviation in the country. The author notes that revenue generation from the sector to government is constrained
by a host of capital allowances, import duty exemptions on a list of mining-related equipment, the non-payment of capital gain taxes, dividend withholding taxes, huge offshore revenue retentions, and the low rate of royalty payments. Akabzaa argues that these constraints, coupled with the capital-intensive nature of modern mines, increased expatriate staff quotas in the sector, and the social and environmental impacts of mining activities on local communities have culminated in less visible contributions of the sector to national development and poverty alleviation in Ghana.

At the community level, McMahon, Gary, Remy and Felix (2001) highlight the significant health, social and cultural externalities associated with mining. The authors note that the operation of a mine is mostly associated with increases in crime and prostitution, the rise in cultural conflict with indigenous people, the distortion of existing social hierarchies, and creation of conflict between the beneficiaries and the non-beneficiaries of the project. Besides, the operation as the authors observe, tend to have adverse effects on local health conditions including the release of toxic substances like cyanide and other pollutants which increase morbidity and mortality rates in these communities.

In their work “The Mining Industry in Ghana: A Blessing or a Curse,” Amponsah-Tawiah & Dartey-Baah (2011) argue that the gains from Ghana’s mining sector in the form of increased investment and foreign exchange earnings are being achieved at some significant environmental, health and social costs to the people living in mining communities and the nation at large. The authors note that mining activities create health and social impacts such as hearing losses and silicosis, conditions created by the blasting and drilling activities with their resultant noise and dust, which have become a nuisance in the mining regions. According to the authors, the capital-intensive nature of mining operations, coupled with the increased migration to mining
communities in search of jobs has worsened the unemployment situation in these areas and created other social problems as overpopulation, congestion, and pressure on social amenities.

This mix of effects has created ambivalence towards mining and generated debates as to whether mining should be encouraged or discouraged in developing countries. What is clear from the review is that there is a temptation for authors to regard the impacts of mining as homogeneous across countries without any regard for context. However, the positive cases of Australia, Botswana, Canada, Chile, Malaysia, Peru, the Netherlands, and Norway on one hand, and the negative cases of the Central African Republic, the Democratic Republic of Congo, Guinea, Liberia, Niger, and Sierra Leone on the other hand as remarked by Davis and Tilton (2005, p. 237) are a clear indication that the impacts of mineral production diverge across countries. Perhaps the right debate should center on why mining generates positive results in some countries but produces the opposite in others. Such a debate calls for studies on particular cases for which reason this study focuses on the case of Ghana.

2.4. Poverty

To be in the best position to judge as to whether poverty has reduced in a particular vicinity or otherwise, we need to understand what goes into poverty. This section provides insights into poverty in terms of what constitutes the phenomenon, how it occurs, and who gets affected. Whilst there is a consensus that poverty poses a formidable challenge to the world today, there is little agreement on what constitutes poverty, how it comes about, and how best to combat the canker. This is so because poverty appears to be a very complex concept (Lines, 2013). However, one's notion of what poverty indirectly informs their notion of the causal factor as well as the solution.

On what defines poverty, scholars differ as to whether it mainly concerns the physical and monetary concerns or the psychological and less tangible factors. Hulme (2010) argues that
poverty in a more general sense reflects the want of the necessities of life; such that the poor are those who lack these necessities of life. However, Rahnema (1995) had earlier argued that these necessities of life as they are regarded are not universal as they are relative to various societies and cultural settings. Rahnema argues that the perception of poverty varies across societies. Hence, the resources needed to overcome poverty are local and socio-cultural in nature. This notwithstanding, the author admits that at the very core of the idea of poverty lies absolute deprivation manifesting through starvation, malnutrition and visible hardship which could be discerned not in relative terms.

Building on these arguments, Sen (1991) argues that what counts as a necessity in a society is measured by its ability to generate some minimally required freedoms such as the ability to take part in communal life. The author notes that poverty is linked to a person’s capabilities – the freedom to choose a life that one has reason to value. Hence for Sen, a person is poor to the extent that they lack these capabilities. Thus the poor are those who are deprived of the freedom to achieve the various lifestyles that they have reason to value. His line of argument has been extended by Levine & Rizvi (2005) who argue that poverty reflect not the lack of things but the lack of the ability to live a particular way of life. These authors link poverty to the capability for creative living and argue that poverty is a reflection of an inability to live a life that is self-created. For Levine and Rizvi, the poor are those who lack the ability to live a creative life.

Despite the variety in the definition of poverty, Hagenaars and de Vos (1988) note that every definition of the concept can fall under one of three categories: Poverty as having less than an objectively defined, absolute minimum; Poverty as having less than others in society and; Poverty as a feeling that you do not have enough to get along. The authors note that whilst the first category defines poverty in absolute terms such that it becomes the lack of ‘basic needs' like food,
clothing, and shelter, the second category is relative, reflecting the lack of certain commodities that are common in one’s society. The third category as the authors argue lies in between the two, describing the possession of a quantity or an amount below that considered to be ‘just sufficient’.

Like its definition, the measurement of poverty is another area of contention. The World Bank puts the standard at US $2 a day and regards people living below this standard as poor, whilst people living below the standard of US $1.25 are regarded as extremely poor (Spicker, 2017). However, this measure of poverty has highly been criticized as taking just one dimension of the concept. As Hulme (2010) notes, this measurement of poverty greatly narrows the concept and contrasts with the multi-dimensional notion of poverty where it is seen as a complex of material and non-material deprivations, and reflecting low income, illiteracy, poor health, drinking of unsafe water, lack of respect and powerlessness. Bigman and Fofack (2000) note that studies of income inequality and poverty tend to take the approach of the individualistic, human capital model, which explains differences in income and consumption between people by looking at differences in individual and household characteristics. But the authors argue that differences in standards of living between regions and communities are often far too large to be explained by differences in individual or household characteristics alone as poverty may exist in some places due to the low quality of public services; the poor condition of rural infrastructure; the low level of social capital in poor communities; and the distance from urban centers which inhibits trade, specialization in production, and access to credit.

But exactly who are the poor, and where are they located? Khan (2001) reports that the poor are predominantly the rural people and they are found in rural communities. Khan argues that poverty is not only a state of existence but also a process with many dimensions and complexities, exhibiting through deprivation, vulnerability, and powerlessness. Meaning the poor are the
deprived, the vulnerable and the less powerful. The author observes that in all countries, poverty tends to be higher in rural than urban areas, and the conditions of the rural poor are much worse than those of the urban poor in terms of personal consumption levels and access to education, healthcare, sanitation, among other things (2001, p.6).

These claims are affirmed by Lines (2013, p.4) who reports that an overwhelming majority of the poorest people are rural. According to Lines, the poor cuts across people living in high altitudes with low levels of rainfall, smallholders in dryland areas, smallholder farming communities, to the rural landless people. Lines notes that poor people face a number of risk to their livelihoods, including sudden price falls, natural disasters, unexpected drop in harvest, illness and other health hazards. The author argues that low incomes and sudden changes in income can lead such people to food shortages and deprive them of basic health services.

Against this backdrop, a number scholars have devoted considerable attention to studying rural poverty empirically, including Ellis and Mdoe (2003) who studied rural poverty in 10 sub-villages in Tanzania and reported that poverty in the rural setting is a factor of asset deprivation and poor institutional arrangements in rural areas. These authors find that poverty is heavily linked to the lack of land ownership, livestock, and non-diversification outside of the farm, with these factors mediated by dysfunctional and disabling institutional environment, a combination of which subject a lot of rural folks to poverty.

In sum, the review suggests that the diverse manifestation and multidimensional nature has made poverty very hard to define and measure. What is clear is that whatever form it takes, and however way it is measured, poverty appears to be a much more rural phenomenon, inviting interrogation into poverty at the rural level. This study adds to the literature by focusing on rural poverty in Ghana.
2.5. Rural Poverty in Ghana

To understand why FDI has not been able to reduce poverty in Ghanaian mining communities, it is necessary to understand the form and nature of poverty in these communities. In fact, close to a quarter of the Ghanaian population is estimated to be living in poverty, with some 2.2 million Ghanaians documented to be incapable of feeding themselves with 2,900 calories per adult equivalent of food per day, even if they spent all their income on food (GLSS 6). This percentage is still high for a country that has attained a lower-middle income status. However, poverty in Ghana is largely a rural phenomenon (Aryee & Asante, 2003; Sowa, 2002; GLSS 6), with the rural sector accounting for over 80 percent of the incidence of poverty in the country (PHC, 2010). According to the 2016 report by UNICEF on poverty and inequality in Ghana, on average, poverty in rural households are much higher than in urban households, with rural poverty close to 4 times as high as urban poverty (UNICEF, 2016, p. 10). The continued pervasiveness of poverty in the rural sector has proved to be a daunting challenge for successive governments in the country and has stimulated a series of scholarly studies on the phenomenon.

Figure 2.1: Poverty incidence by locality (Poverty line=GH¢ 1,324). Source: GLSS6

![Figure 2.1: Poverty incidence by locality (Poverty line=GH¢ 1,324). Source: GLSS6](image-url)
Although a majority of the poor is found in the rural Savanna area of the country according to data from the GLSS 6 as shown in figure 2.1, the higher incidence of poverty in the rural Forest area is particularly puzzling, given the heavy concentration of foreign investment in mining in many of the communities in this area. The same report by UNICEF showed that the Western and Eastern regions, both of which are among the mining regions in the country happened to be among the four regions in the southern part of the country where poverty depth increased between 2006 and 2013. For this reason, recent studies have tended to focus on poverty in rural mining communities in the country. In his work, “‘Soon There Will be No-One Left to Take the Corpses to the Morgue’: Accumulation and Abjection in Ghana's Mining Communities,” Bush (2009) studies two mining villages in Ghana and finds a high incidence of poverty in these areas as a result of large-scale mining activities, and a clampdown on galamsey activities. The author notes that loss of access to land, and hunting rights as a result of mining enclosures deny rural people of their source of livelihood, and the pollution and environmental destruction associated with mining activities increases the vulnerability of rural dwellers to health-related problems. According to the author, galamsey provides direct and indirect employment to the people in these communities. Therefore a clampdown on the activity in favor of large-scale mining operations in these areas creates acute unemployment, with constraints on their ability to meet their health, education and other basic needs, thereby throwing a majority of them into poverty.

Similar findings were later reported by Aycelazuno (2011), who in his article “Continuous Primitive Accumulation in Ghana: the Real-Life Stories of Dispossessed Peasants in Three Mining Communities” finds that poverty in rural mining communities in the Western region of Ghana is a factor of deprivation of access to land by rural peasants. The author emphasizes the fact that land in the rural setting is the most crucial factor of production from which people derive their
livelihood and income in a myriad of ways, including food crop production, hunting, and the production of biofuel. As such, land access deprivation, coupled with the resultant mining activities in rural communities create poverty in these areas in the form of food insecurity, loss of income, water pollution, environmental destruction, and exposure to health hazards.

In an article titled “Mining, Conflicts and Livelihood Struggles in a Dysfunctional Policy Environment: The Case of Wassa West District, Ghana” Taabazing, Luginaah, Djetror, and Otiso (2012) also discover that the loss of farmlands to mining operations without accompanying alternative employment opportunities breeds high rates of poverty in rural mining communities. The authors observe that whilst monies paid to farmers are inadequate to compensate for their investment in their farms, the mining sector has failed to absorb these farmers who have become jobless for their loss of farmland to mining companies. Aside from the hardships that this process creates in rural communities, the authors note of environmental externalities, including water pollution, land degradation, and noise pollution as putting the lives of rural dwellers at risk.

Even as these scholars have made significant contributions towards the study of this formidable challenge, a lot remains to be covered as far as poverty in rural mining communities is concerned. This study, therefore, adds to the body of knowledge on Ghana’s poverty eradication agenda by highlighting the domestic institutional dynamics that contribute to the incidence of poverty in rural mining communities. Whilst the focus on local communities makes up for the disproportionate concentration of the analysis of the impact of FDI at the macro-level, the focus on the multi-dimensional notion of poverty brings out the other aspects of human well-being that are less captured in studies on poverty.
2.6. Theoretical Framework

This section outlines the theoretical frameworks influencing the approach to the study. The study is situated within the Marxist theory and supported by the New Institutionalist theory. These two theories are used as frameworks for understanding the nature and occurrence of poverty in rural mining communities.

The relevance of the Marxist theory to this study is that it provides the basis to establish that the inherently exploitative nature of capitalism has not allowed FDI in the mining sector to reduce poverty in rural mining communities in Ghana. Shivji (2009) argues that the motive force of capitalism is accumulation. This means capital accumulation is at the heart of the drive for capitalist countries to expand their frontiers. However, Brewer (2002) notes that the drive for expansion by the capitalist countries is in most cases fueled by their quest to control natural resources. This underscores the concentration of FDI in the mining and oil sectors of developing countries, particularly in Africa.

Amin (2002) has argued that capitalism is not a system that aims at maximizing production and productivity, but one that chooses the volumes and conditions of production that maximize profit rates of capital. As such, the dominant segment of global capital, Transnational Corporations (TNC), he highlights, seek to dictate what is favorable to the progress of their particular strategies, culminating in the exclusive concentration of foreign direct investments in Africa in natural resources, and subjecting the continent to a brutal super-exploitation and impoverishment.

Ayelazuno (2011) also argues that one important characteristic of the capitalist mode of production is that it is undertaken mainly for profit or value-addition and not for use or consumption. The capitalist class invests money in the production process with the ultimate goal of making more money, and not for consumption or to generate surplus value for the purpose of
collective good. The thrust of the capitalist mode of production, the author notes, is its ‘boundless drive for enrichment’ and its passionate ‘chase after value’. This characteristic, he argues makes the capitalist system fiercely competitive and extremely individualistic. It also makes it inherently exploitative of, and unjust to specific classes of people and geopolitical areas. He does ultimately argue that the extraction of natural resources from Africa by global capital typifies this exploitation.

In most cases, the exploitation is carried out through the process of ‘primitive accumulation,’ otherwise known as ‘accumulation by dispossession’ (Harvey, 2003). As Bond (2006) notes, primitive accumulation was never a one-time incident that allowed a critical mass of capital to be looted at the outset of capitalism in the eighteenth and nineteenth centuries Europe, as it still persists with capital accumulation having become a permanent process of super-exploitation at the world stage, and repeated on a daily basis in the Global South. According to Glassman (2006), accumulation by dispossession describes a historical process of divorcing the producer from the means of production by way of forcible seizure of common property through individual acts of violence or by parliamentary Acts of enclosures of the commons, and transforming the social means of subsistence and of production into capital, whilst transforming the immediate producers into wage laborers. Harvey (2003) summarized it all when he argued that accumulation by dispossession manifests through various processes of commodification and privatization of land and the forceful expulsion of peasant populations, conversion of various forms of property rights into exclusive private property rights, suppression of rights to the commons; commodification of labour power and the suppression of alternative, indigenous, forms of production and consumption. For Spronk and Webber (2007), accumulation by dispossession is not merely the privatization of formerly public resources but their acquisition by transnational capital in the U.S and other
developed countries. Whilst the acquisition by transnational capital is a case in point in the mining sector, the separation of producers (rural people) from the means of production (land) as captured by the concept sheds some light on the incidence of poverty in rural mining communities. Accumulation by dispossession is mostly championed through the process of neoliberalization which emphasizes deregulation, privatization, and withdrawal of the state from most areas of social provision (Harvey, 2006). As Bush (2009) points out, elements of accumulation by dispossession are very evident in Africa, particularly at the natural resource sector where capitalist accumulation driven by mineral extraction reproduces corporate mining and resource extraction, financial control and coercive labor regimes that generate persistent impoverishment.

The concept of accumulation by dispossession has been used by different scholars in different contexts to demonstrate various forms of exploitation by global capital across the Global South. Spronk & Webber (2007) used the concept to explain the struggles against privatization by social movements in Bolivia. Through the lenses of accumulation by dispossession, Carmody (2016, p. 145-158) also highlighted the displacement and impoverishment of rural people that characterized land grabbing practices in Uganda. Ayelazuno (2011) and Bush (2009) all demonstrate how the impoverishment of rural mining communities in Ghana are characterized by accumulation by dispossession. Thus by its emphasis on the exploitative, profit-driven, and poverty-creating nature of transnational capital, the Marxist theory provides a useful framework to understand the heavy involvement of global capital and the mass displacement of people associated with mining activities in Ghana. This helps to establish a link between mining FDI and rural poverty in Ghana.

The study is also guided by the New Institutionalist theory. The choice of this theory is based on the fact that it provides a framework for identifying a range of institutional forms and elements and how they interact in shaping the incidence of poverty. Marsh & Stoker (2010) argue that
institutions provide the ‘rules of the game’ and that rules are critical as they give information on people's likely future behavior and on sanctions for non-compliance. Immergut (1998) has also noted that institutions induce particular behaviors, and they play a dual role in constraining and corrupting human behavior. He, however, submits that political institutions can be reformed to function more justly and political decisions made within these institutions will shape social institutions and produce better citizens. Writing on the economic problems of Less-Developed Countries, Bromley (1985) stressed that it is the institutional structure that prevents social orders from coming apart in centrifugal chaos by defining what can be done, what cannot be done, and who can do what to whom. Institutions establish the working rules and define organizations, as organizations are but the physical manifestations of a set of working rules. Bromley emphasized that institutions establish the collective mechanisms that will both constrain and liberate individual, firms, and group action in their business of making a living. Scott (1995) has also argued that institutions consist of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior.

This means that the specific behaviour of actors in a setting is a function of the set of institutions in place in that particular society, such that whether or not the behaviour and activities of individuals and entities, including MNCs in that community are consistent with the larger societal interest becomes a matter of how effective the institutions in that society are. Linking Scott’s ideas to the mining sector, Dale (2002) observes that a regulative institution is apparent in states’ control of laws and rules concerning regulation of trade, credits, use of natural resources, pollution, the rights and duties of employer and employee, among other things that indirectly affect the running of mines. These control mechanisms, he argues, are institutional and are aimed at constraining the potentially opportunistic, self-interested behavior of the parties involved in the
sector. In a similar vein, Bromley (1985) has argued that institutions are not only the core of the social system, but that they determine the nature of the technique, and how we interact with the ecosystem. He notes that the problem with resource extraction in many resource-rich countries is institutional, where the quest to use the natural resource sector to generate and satisfy a larger macroeconomic demand for foreign exchange spurs reluctance on the part of national governments to enforce contracts with the private sector. It can be deduced from these arguments that the ineffectiveness of institutions is a recipe for all manner of problems, including exploitation and impoverishment. Like Sindzingre (2007) observes, institutions can shape the dimensions of poverty by filtering access to such things as income opportunities, educational infrastructures or healthcare. The New Institutionalist perspective thus has relevance to this study as it offers a framework to identify the institutional arrangements such as laws regarding mining activities and mining sector governance structure that foster conditions and behaviors creating poverty in rural mining communities in Ghana.

From the perspective of the New Institutional theory and the Marxist theory, this study provides an insight into how capital accumulation by international finance capital in the mining sector mediated by certain institutional arrangements has affected the level of poverty in rural mining communities in Ghana.
CHAPTER 3
MINING IN GHANA

3.1. Introduction

Mining, described as the process of digging into the earth to extract naturally occurring minerals, is regarded as the second oldest and most important industry after agriculture (Down & Stocks, 1977). With trade in mineral commodities forming a significant proportion of international trade and mining being the fifth largest industry in the world, the mining industry is, without doubt, an integral part of the global economy (Amponsah-Tawiah & Dartey-Baah, 2011). Whilst West Africa has ranked among the world’s most important mining regions for centuries, Ghana remains the most significant gold-producing country in West Africa, ranking second to South Africa in the whole of Africa whilst being the 9th largest producer in the world (Minerals Commission, 2014, p. 10). Despite hosting a number of mineral resources such as diamond, manganese, and bauxite, gold remains the largest mineral contributor to the Ghanaian economy (Garvin et al, 2009; Akabzaa & Darimani, 2001). In fact, the historical importance of gold mining to economic development is reflected in the country’s colonial name “the Gold Coast” (Hilson, 2002b; Akabzaa & Darimani, 2001).

This chapter focuses on mining as an economic activity in Ghana. It discusses the features, components and major developments in the mining sector of Ghana. The chapter is divided into two parts. The first part charts the history of mining in Ghana and highlights how mining, particularly gold mining together with the laws and management of the sector have evolved throughout history. The chapter ends with a second part that outlines the existing legal and regulatory framework governing mining in Ghana.
3.2. Mining Geography of Ghana

A brief geological account of the country is required to trace the occurrence of mining activities in the various rural communities in Ghana today as shown in figure 3.1. Gold has been produced in Ghana for centuries (Annin, 1992; Garvin et al. 2009; Bloch & Owusu, 2012; Hilson, 2002a). The huge presence of gold deposits in Ghana is linked to the country’s favorable geological setting in which a series of tectonic processes such as folds, faults, metamorphosis, igneous activity, erosion and sedimentary processes some two-thousand years ago led to the formation of gold belt that spread across the western part of the country. Indeed it is the gold derived from these belts that occasioned the development of many successful ancient West African civilizations and later attracted merchants from both the Arab World and Western Europe such that for centuries, present-day Ghana evolving through the ancient Kingdom of Ghana and the Gold-Coast has produced a significant proportion of gold in the world (Hilson, 2002a).

Figure 3.1: Prospective mining regions in Ghana. Source: Hilson, 2002a
3.3. Mining in the Pre-Colonial Period

Before moving to talk about the recent foreign involvement in Ghana’s mining sector, it is important to clarify that foreign exploitation has been a part of the sector since the dawn of mining activities in Ghana. This section summarizes the earliest foreign engagement with the sector as well as earlier practices of mining in Ghana. Whilst the first authentic report of gold in the Gold Coast dates from the 15th century when Portuguese begun trading in gold dust with the indigenous people along the Pra river (Allen, 1958), gold mining activities in the country preceded the arrival of Europeans. In fact, artisanal mining of gold by local populations predates the first recorded contact with Europeans in 1471 (Ofosu-Mensah Ababio, 2011; Annin, 1992). Earlier trade in gold between indigenous West African people and Arab merchants dating to the 6th century and onwards is documented by Hilson (2002a; 2002b). Arab merchants mainly traded salt for gold supplied by indigenous West African tribes (Botchway, 1995), underscoring the fact that foreign involvement in the sector is not a new thing.

Essentially, gold trade was controlled by the chiefs in the ancient Kingdom of Ghana, and mining activities which involved collecting gold dust and nugget were predominantly carried out by farmers seasonally as a part-time (Ofosu-Mensah Ababio, 2011; Hilson, 2002a). This suggests that contrary to the present dispensation where mining has taken over farmlands, the activity in the past had existed alongside agriculture. Mining activities during this period were traditional and simple, and they took the form of alluvial, shallow pit or deep shaft, with alluvial mining being the most popularly practiced form (Dumett, 1998). The activity was carried out on small-scale with such simple tools as spades or diggers, mattocks, and buckets (Botchway, 1995).

However, a majority of gold at this time was won from rivers and streams in the rainforest (Ofosu-Mensah Ababio, 2011). Where excavation was necessary, especially on prospective hard
rock areas such as river flats and crests of reefs, pits dug were mostly less than one meter in diameter and not more than 50 meters deep (Kesse, 1985). This suggests that mining in the past had a relatively little effect on the environment and was less disruptive of rural livelihood.

With increased demand for gold from the Arab merchants, gold production intensified leading to more full-time labor, increased specialization and improved coordination within production units (Reader, 1997). This marked the beginning of extensive foreign engagement with the mining industry in the country.

3.4. Mining during the Colonial Period

A brief historical account of mining during this period would suffice to demonstrate that exploitation by global capital has been a constant feature of the mining sector since European colonization of the country. As noted already, the first authentic record of gold obtained in the Gold Coast dates from 1471 when the Portuguese started trading in gold dust with the indigenous African people along the Pra River. Acute shortage of gold in continental Europe stimulated by increased demand led to various expeditions for seeking out the goldfields of West Africa that culminated in the arrival of the Portuguese on the coasts of the Gold Coast in 1471 (Carmichael, 1993). The Portuguese acquired gold by supplying such items as brass, tin-pots, large knifes, cotton, cloth, among other basic things demanded by the indigenous Gold Coast tribes (Hilson, 2002a), and they were later joined in this trade by the Dutch and the British. In essence, European exploitation of Ghana’s mineral resources started with a free trade in the fourteenth and fifteenth centuries when the Portuguese together with their late arrival Dutch and British counterparts bought gold cheaply from local miners in the Gold Coast (Ayelazuno, 2011).

More than 300 years ago, the Dutch West Indian Company and the British West African Company of Merchants were heavily involved in gold mining and trade in West Africa (Hilson,
2002a). These merchants supplied very cheap and simple items in exchange for extremely large quantities of gold so that their constant demand resulted in huge volumes of gold being transported from the shores of the Gold Coast to Europe. In fact between 1493 and 1600 alone, Ghana’s gold production was estimated at 8,153,426 oz, representing some 36 percent of total world gold output (Addy, 1998; Tsikata, 1997; Akabzaa & Darimani, 2001; Minerals Commission, 2014).

However, Europeans did not attempt to exploit gold on a large scale until after Britain had officially established the Gold Coast Colony in 1874. As Hilson (2002a) notes, major announcements of newly-discovered gold ores in Tarkwa in the early-1880s led to mass ‘gold rush’ as hundreds of buyers applied for land concessions. By injecting a substantial amount of capital in the region, the Europeans became heavily involved in mining activities such that by the late nineteenth century, they had acquired all the mines previously located by the Africans (Rosenblum, 1972). By this time, Europeans were no longer traders as they had become miners or producers themselves. As Allen (1958) reports, the 1901-1902 period was famously regarded as the “Jungle Boom” where series of events such as the construction of a railway between Takoradi and Kumasi coupled with the ending of the Ashanti war in 1901, and the Boer war in South Africa that led the diversion of capital from that country together stimulated interest in the Obuasi goldfield, culminating in the formation of over 400 mining companies, including the establishment of Ashanti Goldfields Limited. Essentially, the inception of British colonialism marked the beginning of mining enclosures in the country, and also set the stage for the commencement of accumulation by dispossession. As Dumett (1998) reports, several peasants and local miners were dispossessed of their land by foreign mining capital during this period of ‘gold rush’ in the Gold Coast.
To cement the dispossession and ensure the security of mining concessions held by foreign mining capital, the colonial administration passed the “Concessions Ordinance” in 1900 which established negotiations with local chiefs as the means of securing and validating grants of mineral rights (Hilson, 2002a). This suggests that the current allegations by mining communities against local chiefs of their complicity in the atrocities of mining capital have roots in the country's mining history. Because mineral royalty disbursements to local communities go to the chiefs, and also the fact that the local people have seen little evidence of development from these disbursements, chiefs are always suspected by their people for colluding with and benefitting from mining company contracts (Bush, 2009). Still, the dispossession of indigenous people was enhanced by the passage of the Mercury Ordinance in 1932 by the colonial administration, which ripped the local people off their mining rights (Ofosu-Mensah Ababio, 2011). The Mercury Ordinance essentially made illegal the use of mercury for mining and criminalized indigenous, small-scale gold mining in Ghana until 1989 when the Small-scale Mining Law was enacted to give legal status to the sector again (Akabzaa & Darimani, 2001). This was a major blow to the rural people as several of them depended on small-scale mining for their livelihood. It can be seen that the Mercury Ordinance was meant to weaken the control of local chiefs and other local structures that gave strength to the indigenous African society so as to enhance European control of the mineral-rich areas in the country. In essence, the Ordinance underscored the colonial administration’s commitment to European capital as it was passed in response to the local people’s preference to work on their own mines as opposed to working on European mines (Hilson, 2002a). In effect, not only were the local people dispossessed of their lands, they were also exploited in the form of cheap labor as they were subjected to capitalistic wage labor on European mines. Yet, the passage of these laws was also a manifestation of the ever-influential nature of foreign mining capital on national laws and policies.
regardin the sector – influences that are still glaring in the present day mining sector of Ghana. In fact, mining capital interests shaped the policies of the colonial administration regarding the sector, just as they continue to do so in the current dispensation (Akabzaa & Darimani, 2001).

Formal policy formulation regarding mining activities in Ghana is also traceable to the colonial period. Indeed, remnants of modern Ghana’s mining policy are traceable to British Colonial rule of the Gold Coast. The colonial mineral policy is best described by Tsikata (1997). As Tsikata documents, the colonial mineral policy was aimed at (1) establishing a legal and administrative framework to facilitate mining operations; (2) security of tenure for grantees of mineral rights; (3) effective management of problems that arose between companies and members of local communities; (4) obtaining revenues for Government through the levying of duties or income taxes; and (5) contributing to the self-sufficiency of the British Empire (Tsikata, 1997, p. 9). Needless to say, mining policy during this period was largely geared towards assisting and promoting the maximization of mineral production in the interests of the colonial power. As Akabzaa & Darimani (2001) have argued, developments in the mining industry at this stage were responses to economic and political developments in Britain and Europe in general rather than to market conditions. It can also be seen that these policies were nothing more than creating conditions for a favorable extraction of surpluses by European mining capital.

While not representing the beginning of foreign exploitation of gold resources in the country, the colonial period in Ghana’s mining history marked the beginning of extensive foreign capital involvement in the sector. It also marked the beginning of mining enclosures in the country and laid the groundwork for Ghana’s mining policy whilst setting the tone for accumulation by dispossession in the mining communities of Ghana. It must be noted, however, that whilst foreign capital heretofore has benefitted the most from gold mining activities in the country, local chiefs
appear to be the group benefitting the most on the African side. This can be traced right from the earlier trade with the Arab merchants where local chiefs served as the main trading partners, to the arrival of the Portuguese where they served as the middle-men between the Europeans and the local miners (not forgetting the regular payments made to them by the Europeans for maintain trading posts and building forts), up to the British colonial era where they were still needed to validate land concession rights. The ordinary community members, despite sharing in the costs of mining on several levels, seem to have, so far, benefitted the least.

3.5. Mining in the Post-Independence period up to 1986

To understand the present trends in Ghana’s mining industry, it is important to contextualize the various developments that characterized the mining sector in the post-independence era. As Hilson (2002a) notes, the attainment of Ghana’s independence in 1957 marked the beginning of a period of rapid deterioration in its gold mining sector. Many of the mining sites in the country had been neglected and left undeveloped. This led to the formulation and implementation of policies that reflected a state-led approach to the sector aimed at reviving the mining industry. As such, the 1960s marked a period of nationalization of mines and strong state involvement in the industry. But, this development in the mineral industry was less peculiar to Ghana as it mirrored a general trend in the industry across the developing world. As Wälde (1983) reports, the period between 1965 and 1980 was characterized by the declaration of permanent sovereignty over natural resources by developing countries, primarily through large-scale nationalization of mineral extractive facilities, the renegotiation of existing arrangements and the creation of state enterprises.

This state-led approach to the sector led to the establishment of the State Mining Corporation (SMC) in 1961, and the passage of the Minerals Act in 1962 (Hilson, 2002a; Tsikata,
1997; Bloch & Owusu, 2012). Essentially, the establishment of the State Mining Corporation ushered in a series of nationalizations of mines (Bloch & Owusu, 2012) such that by 1966, SMC had taken over five British-owned mines in the country (Hilson, 2002a). As Tsikata (1997) notes, the Mineral Act 1962 (Act 126) vested the ownership of minerals in the President on behalf of the State and in trust for the people of Ghana, and the associated Administration of Lands Act 1962 (Act 123) gave the Executive the power to make decisions in regards to the use of stool lands, as well as requires all payments in respect of stool lands to be made directly to the government as opposed to the community so that further appropriation to the latter would be made by the former. In effect, the passage of Act 126 marked the end of local chiefs’ authority to grant mining rights and to directly collect royalty payments from holders of mining leases. By 1972, the government had passed a legislation to acquire a majority share in those companies that it either had minority share or none at all, thereby establishing these companies as Ghanaian companies (Tsikata, 1997). Along with this nationalization exercise, were other modifications to the sector during this period characterized by high taxes and duties levied on mining companies in the country (Akabzaa & Darimani, 2001).

Clearly, the Ghanaian Mining industry from the time of independence up to 1986 was practically state-controlled. Even as the rationale behind this approach was to maximize government revenue, control resources, and above all, revive the industry, these measures proved counter-productive. As a matter of fact, the mining sector experienced a number of production, technical, and financial constraints that led to decline in output as the state-owned companies became globally uncompetitive (Aryee, 2001; Dumett, 1998; Garvin et al., 2009). Besides, the macroeconomic outlook of the country at the time characterized by persistent budget deficits and strict monetary and fiscal policies (Konadu-Agyemang, 2000) proved unfavorable and affected the
performance of the industry. Hence between 1957 and 1986, the mining industry stagnated and gold production declined substantially, falling from its 1960 peaks to as low as 3 million ounces in the 1980s (figure 2), thereby affecting foreign exchange supply (Akabzaa & Darimani, 2001).

In a move to arrest this constant deterioration of the economy, the government sought relief from the IMF and the World Bank such that in 1983, Ghana became the first sub-Saharan African country to undergo structural adjustment (SA) in what was called the Economic Recovery Program (ERP) (Awudi, 2002; Hilson, 2005). SA covered cuts in government expenditure, devaluation of the Cedi, the abolition of domestic price controls, the broadening of the tax net to mobilize government revenue, the strengthening of tax administration, and privatization, among other things (Konadu-Agyemang, 2000, p. 474).

Among the sectors to feature prominently on the adjustment program was the mineral sector (Addy, 1998; Garvin et al., 2009). In the mining sector, the adjustment represented a massive rejection of the strong state involvement in the industry that characterized the policies of the post-independence era. The program introduced significant changes in the sector’s regulatory
framework, including the immediate improvements in access to critical inputs through export rehabilitation credits, the grant of foreign exchange retention accounts ranging from 20 percent to 45 percent to the mining companies, substantial recapitalization funding for the gold mines, reorganization of the marketing arrangements for diamonds, and legalization of small-scale gold and diamond mining (Ayee et al, 2011, p. 9). However, the greatest of moves under this reform was the passage of the new minerals and mining law 1986 (PNDC Law 153) which was meant to resuscitate a series of debilitating large-scale gold projects and stimulate foreign investment in mineral exploration (Maconachie & Hilson, 2011). As a result, the PNDC Law 153 granted generous incentives to foreign mining companies under the guise of promoting foreign direct investment. More specifically, the Law put in place, among other things, tax reductions and breaks; variable royalties (3–12%); mineral and surface rights (i.e. granting of permission for a lawful occupier of land to graze livestock and cultivate the surface); and removed restrictions pertaining to the transfer of dividends. Moreover, it reduced mining tax from 45–55 percent; fixed depreciation allowances at 75 percent during a mine’s first year of operation, and 50 percent in subsequent years; and reduced import duties (Hilson, 2002a, p. 24). What was clear from the reform program, and the mining law, in particular, was that it was geared towards creating an economic condition necessary for profitable accumulation by transnational mining capital. What was, however, missing from the law was the issue of mineral royalty disbursement and what at all should be invested in mining communities hosting the various mining projects in the country (UNDP, 2015). Matters of appropriate compensation and alternative livelihoods for mining communities whose lands have been occupied by mining companies appeared to be pushed aside, at least for the time being, and all attention was focused on making mining more profitable for the investor.
These revisions in the sector together with global developments in the industry at the time (Akabzaa & Darimani, 2001) rekindled the interest of international mining companies in the Ghanaian mining industry (Campbell, 1998), a corollary of which was large-scale foreign investment throughout the sector (Hilson, 2001b; Aryeetey et al. 2004; Hilson, 2004). Essentially, the reform led to another round of gold rush in Ghana. Between 1983 and 1993, over US$ 900 million was estimated to have been invested in the Ghanaian mining sector (Addy, 1998), with over 55 gold prospecting licenses issued over the period from 1986 to 1989 (Ayee et al, 2011, p. 9). These developments greatly influenced gold production in the country, with the sector having recorded more than 700 percent increase in gold production since 1980 (Bloch & Owusu, 2012, p. 434).

Beyond this period, the Ghanaian mining sector would undergo a couple of modifications including the passage of the Minerals and Mining Act 2006 (Act 703), all of which whilst responding to developments and concerns in the industry, have a primary focus of creating an investor-friendly atmosphere in order to attract more investment to the sector. Today, a host of companies from Australia, Canada, the Netherlands, the United Kingdom, and the United States have a varying degree of controlling interest in mining operations in Ghana (Hilson, 2002b), and the mining sector accounts for more than half of all foreign direct investment in the country with Ghana ranking 9th in world gold production (Ghana Chamber of Mines, 2015, p. 13 and 2016, p. 8). Foreign investment in the mining sector is estimated to be over US$ 11 billion, since 1983 (Aryee, 2012; Aidara, 2013). Nonetheless, it remains to be seen as to whether these advances in the sector has translated into better development outcomes for the country, particularly the communities in which mining occurs.
3.6. Legal and Regulatory Framework on Mining in Ghana

For a better understanding of why there is such a high level of foreign involvement in Ghana’s mining industry, it is relevant to understand the legal and regulatory environment within which companies operate. Key players in the Ghanaian mining industry include mining companies and artisanal miners. Currently, the industry boasts of some 14 large scale companies producing gold, diamond, bauxite, and Manganese, with over 1,000 registered small-scale mining groups and 90 Mine Support service companies (Minerals Commission, 2014). Close to 85 percent of the industry is foreign owned, and the major gold producing companies include Goldfields Ghana Ltd; Anglo Gold Ashanti; Central Africa Gold; Golden Star Resources; Redback Mining Ltd, and Newmont Ghana Gold Ltd (Amponsah-Tawiah & Dartey-Baah, 2011).

The institutional framework governing mining in Ghana is multifaceted and cuts across national and local levels of governance. At the central level, the governance structure includes the presidency, parliament, central government ministries, and various departments and agencies. The mining industry is regulated by the Ministry of Lands and Natural Resources through the Mineral Commission (MC), the Geological Survey Department (GSD), the Inspectorate Division of Minerals Commission (IDMC), and the Precious Minerals Marketing Company Ltd. (PMMC) (Ayee et al., 2011). The MC regulates the use of mineral resources and coordinates mineral policy. The GSD is responsible for keeping geological information and a repository of geoscientific data. The IDMC is in charge of monitoring and enforcing health, safety, and environmental standards in mines as established by the mining and mineral laws whilst PMMC markets the country’s precious minerals and jewelry industry. At the local level, there are District Assemblies and Traditional Institutions also involved in the governance structure (Addy, 1998; Ayee et al., 2011; Minerals Commission, 2014). Other stakeholders in the sector include the Ghana Chamber of
Mines, Ghana Revenue Authority, Bank of Ghana, Lands Commission, Mining communities, Non-Governmental Organizations (NGOs), and other civil society organizations, among others (Minerals Commission, 2014).

Through a joint action, these institutions ensure that the mining industry runs in an efficient and sustainable manner while delivering required benefits to all stakeholders. However, research suggests that these institutions exhibit a lack of capacity and patronage tendencies (Akabzaa & Darimani, 2001; Ayee et al., 2011), and this risks putting corporate mining interest ahead of national and communal interests. Ayee and company have argued that the lack of constitutionalism in Ghana’s political system, manifested by the excessive power vested in the president by the constitution has fostered tendencies for patronage, particularly at the mining sector running from the executive through the various national and regional levels of the institutional structure of the industry to the district assemblies and traditional institutions at the local level, with mining communities always being deprived of their fair share of mining rent while bearing the social and environmental costs of mining activities.

The legislative framework for mining in Ghana is laid down in the Minerals and Mining Act, 2006 (Act 703) with antecedents from the Minerals and Mining Law, 1986, PNDC Law 153 as amended by the Minerals and Mining Amendment Act 1993, Act 475 (Act 475) and further modified by the provisions of the Constitution of 1992 (Article 156) (Aubynn, 2009). By law, mineral deposits in lands (and elsewhere) are vested in the President on behalf of, and in trust for, the people of Ghana (Tsikata, 1997; Hilson 2001a; Hilson 2001b, Ghana Chamber of Mines, 2015). Whilst about 80 percent of all lands in Ghana (on which minerals are likely to occur) is customarily controlled by the traditional Stools and Skins who hold such lands in trust of their respected communities, the exercise of any mineral right requires, by law, a license to be granted.
by agents of the State and not the landowner (Aubynn, 2009). This reflects a continuation of the provision in Act 126 of 1962, suggesting that local chiefs since independence have lost the authority to grant mining rights.

The enactment of a new mining code came amid a growing concern about the uncompetitive nature of Ghana’s code and the need for conformity with the codes of other resource-rich countries (Rutherford & Ofori-Mensah, 2011). Like its antecedents, Minerals and Mining Act, 2006 (Act 703) was meant to increase foreign investment by offering further favorable terms to investors. In so doing, many of the fiscal incentives in the 1986 PNDC Law 153 were either preserved or enriched. Notable revisions included the reduction in government carried interest in new mining firms to 10 percent (Ghana Chamber of Mines, 2015); the slicing of royalties by half from between 3 percent and 12 percent to between 3 percent and 6 percent; and the sanctioning of the lease of huge tracts of land for a period of 30 years, subject to renewal (Ayelazuno, 2011, p. 540). The Act also granted a list of import duty exemptions; exempted the personal remittances of expatriates from tax; offered a cut in corporate tax to 25%, and provided for companies to negotiate stability agreements which protect holders of a mining leases for a period up to 15 years from future changes in law that may impose a financial burden on the license holder (Akabzaa, 2009, p. 41). Following an increasing concern that Ghana was benefitting minimally from its resources, the Mining Act was subsequently amended in 2010 by the Minerals and Mining (Amendment) Act 2010 (Act 794) which among other things, abolished the sliding scale of royalties and provided for a 5% royalty payment across the board (Rutherford & Ofori-Mensah, 2011). Whilst this represented some improvement, it is however noteworthy that the existence of stability agreement between the government and some mining companies might have allowed some large mining companies to escape the impacts of this revision. In fact, stability
agreements bar the government for at least, 15 years, from altering the fiscal terms of the contracts held by the companies involved. In essence, by these agreements, the government hands over sovereignty over these minerals to the mining companies and has no legal recourse to exploitation, at least, for the period specified in the agreement. The latest amendment to the mining code was in 2015 where Parliament passed the Minerals and Mining (Amendment) Act (Act 900) which offered some updates on the original code (Act 703), a notable one of which was the requirement for mining lease holders to pay royalties to the Republic at a rate and in a manner that may be prescribed.

It is apparent that this legal framework is highly inspired by neoliberal ideals, emphasizing private sector-led development with little government intervention so that the state has now assumed a more promotional and regulatory role in the mining industry with the ultimate task of formulating and implementing policies aimed at promoting foreign investment in the sector. Government's continued obsession with foreign investment even after the ERP has led to the continued offering of incentives to foreign capital with little attention paid to the benefits delivered by the mining sector. Studies have shown that Ghana is not deriving adequate benefit from mining activities, particularly due to the level of tax incentives offered to mining companies (Akabzaa, 2009; Tutu, 2010; Rutherford & Ofori-Mensah, 2011). The government has also been criticized on several occasions for maintaining a mining policy framework that provides benefits to foreign multinational mining companies at the expense of the local people (Campbell, 2003; Hilson & Nyame, 2006; Taabazuing et al., 2012). A notable group in the country bearing the cost of this pro-investor attitude of the government is the mining communities. They suffer from both the shortcomings of the mining sector regulatory regime as much as from the externalities of mining operations in the country. Not the least of such ways in which mining communities suffer from the
weaknesses of the law as noted by Ayelazuno (2011), is the granting of mining lease for such a
long period as 30 years, which is even subject to renewal. These communities are dispossessed of
their lands and deprived of their source of livelihood and are exposed to the pollution and
environmental damages caused by mining activities.

In most cases, these policy frameworks are instigated by transnational mining capital
interests and promoted through international financial institutions like the World Bank (Emel &
Huber, 2008). Besides, the mobility of capital, coupled with the competition among states to attract
and maintain foreign investment have fostered a race-to-the-bottom (Moran, 2004) in which
transnational capital always emerge as the winner. In the case of Ghana, the move to adopt the
present legal framework came on the back of pressure mounted on the government by investors
that the extant mining code was uncompetitive when compared to similar codes in Mali,
Democratic Republic of Congo (DRC) and Tanzania (Campbell, 2013; Akabzaa, 2009). In the end,
what we see is capital interest always trumping national interest and resulting in super-exploitation
and substantial capital accumulation by mining finance capital at substantial costs to the country,
particularly, the mining communities co-existing with mining companies.

3.7. Conclusion

In summary, gold mining in Ghana has a long history dating back to the sixth century, and
has proved to be a viable economic activity for pre-colonial and colonial administrations, and
continues to be a major economic activity in present-day Ghana. A major revelation in the chapter
is that foreign involvement in the mining sector is not a new development as it started with earlier
gold trade between indigenous West African tribes and Arab merchants, right at the dawn of
mining in Ghana. Neither are the processes of accumulation by dispossession characterizing the
recent wave of gold rush by transnational capital in Ghana a recent development as accumulation
by dispossession in the sector dates back to the colonial period in what was regarded as the first
gold rush of the country. The chapter has also shown that the search for revival after the industry's
abysmal performance following extensive state intervention in the post-independence period led
to series of reforms characterized by extensive incentive packages to investors, and resulting in
another wave of a gold rush in the country by transnational mining capital. It has been argued that
government's persistent provision of generous incentives to investors has led to continued capital
accumulation by transnational capital, at the expense of the state and the rural communities, and
the ineffectiveness of mining sector support institutions in the country has reinforced this
accumulation. The next chapter analyses how this trend in the sector has affected poverty in rural
mining communities in the country.
4.1. Introduction

There is no doubt how important the mining sector is to the Ghanaian economy as it attracts more than half of all foreign direct investment (FDI), generates more than one-third of all export revenues, is the largest tax-paying sector in the country and makes a significant contribution to gross domestic product (GDP) (Ghana Chamber of Mines, 2015). Following a further revision of the mining code in 2006, the sector moved to a more center stage of the Ghanaian economy, recording over USD 3 billion in investment and more than 2 million oz in gold production over the last decade (Bloch & Owusu, 2012). In 2011, Ghana produced 3.6 million ounces of gold, the highest ever in the history of the country (Aryee, 2012). In fact, more than US$ 11 billion worth of investment is estimated to have gone into mining since 1983 (Aidara, 2013; Aryee, 2012). In 2013, the sector accounted for some 37 percent of export revenues and 19 percent of all direct tax payments in Ghana (Ghana Chamber of Mines, 2015).

But the question is: how have these developments impacted national development and poverty alleviation in Ghana, particularly the rural communities hosting mine operations? As Gibson (2000) argues, mining may be acceptable to the extent that its immediate negative effects are largely corrected through remediation and its socioeconomic benefits are designed to provide a bridge to a more sustainable future for the local community. This chapter presents the findings of the study on the impacts of mining operations on poverty levels in mining communities. Overall, it is argued that whilst the mining industry contributes to rural development and poverty alleviation by way of revenue generation, employment creation, and Corporate Social Responsibility (CSR), the negative livelihood impacts of mining operation, coupled with the social and environmental
externalities it generates are far-reaching, and create more impoverishment in mining communities. The chapter is made up of three sections. The first section presents the findings on the impacts of mining activities on host mining communities. These impacts are categorized into economic, environmental, and social. This is followed by a second section that analyses and discusses the various themes in the findings in relation to the objectives of the study. The final section offers a conclusion on the discussion and confirms the hypothesis of the study that mining FDI has not been able to reduce poverty in rural mining communities in Ghana.

4.2. Presentation of Findings

4.2.1. The Economic Impacts of Mining on Local Communities

(Positives)

At the local level, the economic contribution of the mining sector could be seen through revenue generation (in the form of mineral royalties) and employment creation. Revenue generation is by far the largest contribution of the mining sector to Ghana’s economy, with revenue accruing to the government through corporate income tax, royalties, dividends, and customs and excise duties (Aryee, 2001). However, a larger chunk of this revenue comes through royalty payments and corporate income tax (as shown in figure 4.1), and it is by these royalty payments that the local communities directly share in the rents generated by the mining sector.
As shown in figure 4.2, by the provisions of the Minerals and Mining Act (MMA), 80 percent of all mineral royalty receipts goes to the central government whilst the remaining 20 percent goes into a Minerals Development Fund (MDF) set up by the government to promote development in local mining communities and also to compensate the same communities for the costs associated with mining (Standing & Hilson, 2013). Half of the allocation to the MDF goes to mining sector support institutions like the Minerals Commission, the Geological Survey Department etc., and the remaining half is handed to the Office of the Administrator of Stool Lands (OASL), an office set up by the government to oversee royalty disbursement to District Assemblies (DAs) and communities on whose land mining activities are based. The OASL retains 10 percent of the amount to cover its administrative cost and distributes the remaining 90 percent among Das (55%), traditional authorities (20%), and the stools of mining communities (25%) (Bloch & Owusu, 2012; Hilson & Nyame, 2006; Akabzaa, 2009).
As shown in figure 4.3, between 1993 and 2005, over 100 billion [old] cedis (US$ 2 million) was estimated to have gone to relevant district assemblies, stools, and traditional authorities in the form of royalty disbursement. In 2014, the minerals sector accounted for over 16 percent of fiscal
receipts by the Ghana Revenue Authority (GRA), with some GHS 35, 403,184.16 (US$ 7,792,258.47) paid into the Ministry of Lands & Natural Resources (MLNR) sub-Consolidated Fund Account as MDF disbursement (GHEITI, 2014). In fact, it is this disbursement from the Minerals Development Fund that goes to finance development projects in communities located at the peripheries of mining operations. Monies received at the local level are used to undertake various community projects and infrastructural development in such areas as health, education, water and sanitation, social services, as well as agricultural and other income-generating activities, including loans to small-scale artisanal miners (Minerals Commission, 2003; Standing & Hilson, 2013), with the effect of mitigating the negative impacts of mining activities whilst reducing the incidence of poverty in these communities.

Another benefit that local communities derive from mining is employment. The existence of a mine creates both direct and indirect job opportunities for the local population. Whilst mining companies hire people directly from local communities, many local people find job opportunities in mine support service companies that form part of the mining industry value chain. The sector employs 28,000 people in large scale mines and mines’ support services (Aryee, 2012; Aidara, 2013), 98 percent of which are Ghanaians (Ghana Chamber of Mines, 2013). Some 4000 people had been employed by mine support service companies as of 2008 (Minerals Commission, 2008). As shown in figure 4.4, direct employment by producing members of the Ghana Chamber of Mines as at 2016 stood at 11,628 of which 11,438 were Ghanaians and 190 were expatriates (Ghana Chamber of Mines, 2016).
While a limited data exists on how many people are employed directly from mining communities, there is a reason to believe that the Ghanaian component of this labor force includes people from these local communities, owing to the persistent pressure put on companies by mining communities to employ people locally. For instance, in 2016, Golden Star Limited (GSL), a company with two mine operations in the Western region directly employed over 2,500 people, 99 percent of whom were Ghanaian, 66 percent were from the Western Region of Ghana whilst 51 percent were from their immediate host communities (Company website). Also at the end of the year 2016, local community members represented 39.2 percent and 47.1 percent of the total workforce (inclusive of contractors) of Newmont Ghana Gold Limited (NGGL) at its Ahafo and Akyem mine sites respectively (Sustainability report, 2016). In effect, these job opportunities serve to provide a sustainable livelihood for the local populace, by way of affording them a regular supply of income to meet their various needs, thereby shielding them against poverty.
(Negatives)

While mining projects may generally have weak links with the rest of a host national economy, they can have a decisive impact on the communities in which or near which they are located (Anyemedu, 1992 cited in Amponsah-Tawiah & Dartey-Baah, 2011). Despite the contributions elaborated above, mining activities have had serious livelihood consequences in the communities living side-by-side with them. Indeed, the appropriation of large tracts of land to mining companies has the effect of depriving mining communities of their sources of livelihood (Akabzaa & Darimani, 2001; Amponsah-Tawiah & Dartey-Baah, 2011). Land is regarded as the most important factor of social reproduction in mining communities, serving as a principal source of livelihood in a combination of ways such as hunting and gathering (snails and mushrooms), farming (both staple crops like maize, cassava, plantain, etc. and cash crops like cocoa), and the provision firewood (from forested lands) as a source of fuel for cooking (Ayelazuno, 2011). More importantly, a majority of people in mining communities are engaged in agriculture (Tenkorang & Osei-Kufuor, 2014; Jnr et al, 2016; Bush, 2009). As such, a deprivation of access to land in the rural setting amounts to a serious economic and livelihood deprivation. While state-owned mining companies prior to the mining sector reforms in 1986 practiced deep shaft mining, the privatization of these companies as part of the reform, coupled with the restructuring of such companies by the new owners resulted in the conversion of operations from deep shaft to surface mining, such that almost all mining companies in Ghana now operate surface mining (Akabzaa, 2009; Akabzaa & Darimani, 2001; Bush, 2009). However, surface mining often erodes livelihood foundations, forcing populations to relocate and farmers to develop alternative income strategies (Kumah, 2006). The entry of mining companies into local communities has, therefore, meant that access to large tracts of land owned by local people and used to sustain their livelihoods are curtailed or
denied (Tenkorang & Osei-Kufuor, 2014). For instance, the first phase of Newmont Ghana’s Ahafo project in the Brong Ahafo region displaced some 9,500 people from their land, about 95 percent of whom were farmers (Jnr et al., 2016). Between 1986 and 2002, about 5000 hectares of farmland were lost to surface mining in the Wassa District in the country’s Western region (Schueler et al., 2011). Also between 1986 and 2006, over 660 hectares in agricultural lands were lost in the Bogosu-Prestea area, also in the Western region, largely due to mining activities (Duncan et al., 2009). In effect, these dislocations expose the farmers to economic insecurity and draw them onto the path of poverty.

Yet, compensation paid for these land losses are mostly inadequate (Garvin et al., 2009; Bush, 2009; Ayelazuno, 2011; Tenkorang & Osei-Kufuor, 2014). Households are only compensated for crops in the ground as opposed to their total farm size, and compensation for ‘long life-span-crops’ like cocoa trees are paid without considering the total gestation period of the trees (Bush, 2009). For instance, Newmont Ghana paid 69,000 cedis (about US$8) for a Cocoa tree to Cocoa farmers in Kenyase when a Cocoa tree can earn a farmer about half a bag of Cocoa beans for a year (about US$25 per year) and the economic life of a Cocoa tree is between 40 and 50 years (Owusu-Koranteng, 2008, p. 469). This underscores the extent of loss to farmers in the event of dislocation by mining companies. In most cases, migrant farmers and women are the most hard-hit by these land losses. Migrant farmers only have access to stool land by renting or through sharecropping (Cotula et al., 2004), and like women, they have no claims to land, and hence when land gets leased to mining companies, they mostly do not receive any compensation (Akabzaa & Darimani, 2001; Carson et al., 2005).

Furthermore, the granting of larger concessions to mining companies has affected Artisanal Small-scale Mining (ASM) activities in mining areas, as it has made land unavailable to the latter.
However, ASM is known to contribute to poverty alleviation, particularly in rural areas where employment opportunities are scarce (Taabazuing et al., 2012; Akabzaa, 2009). Aside from agriculture, a lot of people in mining communities depend on ASM for their livelihood. In fact, ASM is estimated to employ more than 100,000 people in rural communities (Hilson, 2002; Akabzaa & Darimani, 2001; Akabzaa, 2009). Since ASM is not permitted on concessions granted mining companies (Hilson et al., 2007), a lot of people who lose their lands to mining companies without securing job opportunities on the mines have limited means of livelihood, and have had to resort to illegal mining activities (Hilson & Yakovleva, 2007) or remain jobless. In the studies by Bush (2009) and Taabazuing et al (2012), it is found that the clampdown on ASM as a result of large-scale mining has negatively affected the local economy as it has increased the unemployment rate, limited cash flows, thereby increasing hardships and exacerbating poverty in these communities.

However, the dispossession of farmers of their lands and the limit in ASM activities are without corresponding employment by mining companies. This is because mining companies have limited job opportunities on offer. The operation of surface mines is capital-intensive with relatively low labor requirements (Akabzaa, 2009). In view of this, the mining sector accounts for just about 1 percent of Ghana’s labor force (Aidara, 2013). This demonstrated low capacity of mining companies for labor absorption has added to the unemployment situation emanating from the loss of farmlands and mining concessions of ASM operators. Thus the inability of mining to provide the local people with alternative livelihood has made them vulnerable and reduced their livelihood security thereby increasing poverty in mining communities (Adjei, 2007).
4.2.2. The Environmental Impacts of Mining on Local Communities

Although some mining companies have undertaken certain projects such as oil palm plantations, the purpose of which, among other things, is to address environmental concerns by helping rehabilitate and reclaim degraded land (Jnr et al., 2016), the impacts of such projects on the environment have not been particularly visible. However, the environmental externalities of mining such as pollution, land degradation, and deforestation in mining communities have been more pronounced. The surface mining method, together with the cyanide heap operations adopted by virtually all mining companies have serious consequences on the environment (Akabzaa, 2000). Particularly, the use of heavy machinery in the exploitation of minerals destroys the vegetation and generates more dust and noise pollutants (Amponsah-Tawiah & Darney-Baah, 2011). Besides, the granting of forest reserves as mining concessions has resulted in rapid deforestation in mining communities. According to the National Coalition on Mining (NCM), a consortium of mining and environmental stakeholder groups in the country, Ghana is only left with 1.6 million hectares of virgin forest, and the government’s bent on distributing them as mining concessions risks triggering desertification in the country (Hilson & Nyame, 2006, p. 182). The depletion of forest reserves has led to erosion and deterioration in the viability of land for agricultural purposes, with significant loss of biodiversity in rural communities (Yeboah, 2008).

Again, mining activities frequently result in toxic waste that causes water pollution and health problems (Schueler et al., 2011). The use of cyanide and mercury for the processing of ore has also contributed to both underground and surface water pollution. In Prestea, a mining community in the Western region, there have been several reports of the spillage of cyanide and other poisonous chemicals into water bodies in the area (Segbor, 2015). Essentially, Ghana is reported to have recorded more than nine cyanide spills since the liberalization of the mining sector.
in the 1980s (DownToEarth, 2006). In 2009, NGGL Ahafo mine in the Brong Ahafo region spilled cyanide from its processing plant at Kenyase into river Asunua which flows into river Subri that killed a large number of fish and other life forms and threatened the water of local communities (WACAM, 2009). In addition to these chemicals, Sulphur dioxide fumes from mining companies and heavy metals from mining operations have huge pollution effect on water in mining communities (Akabzaa & Darimani, 2001). However, mercury contamination of water is mostly caused by small-scale and illegal (galamsey) mining activities mostly undertaken by jobless farmers who have lost their farmlands to mining companies (Hilson et al., 2007; Jnr et al., 2016; Bush, 2009). Within the Tarkwa area of the Western region, water from boreholes, wells, and streams are reported to have very high abnormal content of fecal chloroform, suspended solids, chloride, color and manganese content (Akabzaa & Darimani, 2001). A scientific survey of water bodies within the Tarkwa area in 2013 revealed that the levels of heavy metals in water samples from the area in most cases exceeded GS 175-1/WHO permissible guideline values (Obiri et al., 2016).

Moreover, mining activities have substantial negative effects on land. Chemicals such as cyanide and mercury used for mining contribute to land degradation in communities surrounding mining operations. In fact, these chemicals have a destructive impact on crops and soil fertility. Farmers in mining communities in the Western region have widely reported that the mines have constructed drains that drain waste water from the mines into their farms, and this wastewater kills their cocoa trees and has poisoned the land such that crops like cassava cannot yield anymore (Ayelazuno, 2011, p. 545). Reports from some mining areas of the Brong Ahafo region confirm that industrial waste from mining activities has resulted in declining soil fertility which has
negatively impacted farming, the main occupation in the area (Auwah-Nyamekye & Sarfo-Mensah, 2012).

4.2.3. The Social Impacts of Mining on Local Communities

(Positives)

Local communities benefit from mining through the Corporate Social Responsibility (CSR) initiatives of mining companies. As a way of securing the social license to operate, almost all mining companies in Ghana undertake to provide certain social services that have far-reaching impacts on poverty alleviation and the well-being of people living in communities directly affected by mine operations. Since mining projects are usually located in remote areas, mining companies have had to invest in considerable physical and social infrastructure such as roads, schools, hospitals, electricity and water supplies, and communities within mine locations have generally benefitted from some of these facilities (Akabzaa & Darimani, 2001). In 2016, the producing members of the Ghana Chamber of mines, as shown in table 4.1, invested US$ 12.29 million in their host communities, investments that went into the development of human resources and infrastructure such as schools, colleges, clinics, roads, and housing (Ghana Chamber of Mines, 2016). These projects have the effect of helping improve the social well-being of the rural populace.
In view of this, different mining companies have adopted different programs oriented towards this grand goal. Notable among such programs is the Gold Fields Ghana Foundation, a charitable organization by Gold Fields Ghana Limited that primarily focuses on the communities around the company’s operating mines within the Western Region of Ghana. This foundation boasts of a number of development projects covering such key areas as health, education, water and sanitation, infrastructure development, including the granting of scholarships to brilliant students in the company’s host communities. Through the foundation’s medical outreach program, over 1,500 Tarkwa and Damang community members receive free medical care and medicines. The foundation has invested over US$963,000 in improved water systems for catchment communities, covering water supply systems, mechanized boreholes, hand-pumped borehole and water tanks. In 2012, the foundation commissioned a US$150,000 Clinic and Nurses Quarters in

<table>
<thead>
<tr>
<th>Socio-economic contributions</th>
<th>2007 (US$)</th>
<th>2008 (US$)</th>
<th>2009(US$)</th>
<th>2010 (US$)</th>
<th>2011 (US$)</th>
<th>2012 (US$)</th>
<th>2013 (US$)</th>
<th>2014 (US$)</th>
<th>2015 (US$)</th>
<th>2016 (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>1,010,246</td>
<td>1,466,203</td>
<td>1,259,262</td>
<td>2,826,680</td>
<td>1,767,790</td>
<td>2,627,407</td>
<td>1,615,706</td>
<td>1,938,895</td>
<td>4,661,435.29</td>
<td>1,295,078</td>
</tr>
<tr>
<td>Health</td>
<td>565,596</td>
<td>415,711</td>
<td>777,460</td>
<td>1,055,360</td>
<td>407,632</td>
<td>606,267</td>
<td>1,479,904</td>
<td>2,278,188</td>
<td>1,245,166.87</td>
<td>1,185,726</td>
</tr>
<tr>
<td>Electricity</td>
<td>456,797</td>
<td>338,611</td>
<td>285,319</td>
<td>536,218</td>
<td>1,917,227</td>
<td>675,537</td>
<td>405,501</td>
<td>601,149</td>
<td>306,239.52</td>
<td>946,225</td>
</tr>
<tr>
<td>Roads</td>
<td>699,146</td>
<td>2,612,992</td>
<td>1,375,626</td>
<td>1,459,049</td>
<td>1,386,497</td>
<td>1,619,177</td>
<td>2,029,564</td>
<td>1,464,607</td>
<td>1,166,673.44</td>
<td>3,295,488</td>
</tr>
<tr>
<td>Water</td>
<td>220,876</td>
<td>649,703</td>
<td>284,868</td>
<td>678,976</td>
<td>1,437,529</td>
<td>1,001,819</td>
<td>1,561,261</td>
<td>724,822</td>
<td>767,569.62</td>
<td>545,497</td>
</tr>
<tr>
<td>Housing</td>
<td>618,531</td>
<td>668,523</td>
<td>112,435</td>
<td>155,266</td>
<td>165,633</td>
<td>277,236</td>
<td>264,196</td>
<td>512,284</td>
<td>75,397.95</td>
<td>500,729</td>
</tr>
<tr>
<td>Agro-Industry</td>
<td>356,668</td>
<td>778,970</td>
<td>50,624</td>
<td>-</td>
<td>54,962</td>
<td>155,544</td>
<td>130,361</td>
<td>57,024</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Agriculture</td>
<td>743,907</td>
<td>1,551,903</td>
<td>610,353</td>
<td>809,228</td>
<td>1,407,674</td>
<td>1,531,716</td>
<td>374,280</td>
<td>354,172</td>
<td>83,605.72</td>
<td>54,097</td>
</tr>
<tr>
<td>Sanitation</td>
<td>262,663</td>
<td>405,266</td>
<td>227,844</td>
<td>196,426</td>
<td>202,762</td>
<td>404,767</td>
<td>583,364</td>
<td>689,403</td>
<td>242,125.46</td>
<td>206,555</td>
</tr>
<tr>
<td>Resettlement Action Plan</td>
<td>4,503,381</td>
<td>567,820</td>
<td>800,183</td>
<td>1,100,371</td>
<td>29,345,274</td>
<td>7,563,140</td>
<td>68,634</td>
<td>3,025,322</td>
<td>4,614,555.77</td>
<td>3,380</td>
</tr>
<tr>
<td>Alternative Livelihood</td>
<td>2,897,767</td>
<td>992,973</td>
<td>748,658</td>
<td>2,214,364</td>
<td>175,633</td>
<td>1,853,390</td>
<td>960,471.14</td>
<td>489,250</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*Table 4.1: Socio-economic Contributions of Mining Companies to host communities 2007-2016. Source: Ghana Chamber of Mines 2016 Factoid.*
Damang and constructed five school blocks, including a two-unit teachers’ quarters across two catchment communities (2012 annual report).

NGGL has also established a development foundation for each of its two operating mines: the Newmont Ahafo Development Foundation (NADeF) and the Newmont Akyem Development Foundation (NAkDef) in which the company has made an investment up to US$ 24.4 million and US$ 5.8 million respectively, meant to support development projects in its operating communities. In 2016, NAkDef launched a School Feeding Program, which provides free meals to kindergarten and primary school students.

AngloGold Ashanti has also established a Malaria Control Program in Obuasi and neighboring communities where its mine operations are based. Since its establishment in 2006, the program, through residential spraying and other methods, has successfully reduced the number of new cases of malaria recorded in the area, bringing new cases to 500 in 2014, down from 6,683 in 2005. Similar initiatives exist across almost all companies operating mines in the country, with the same purpose and motivation, and tailored to promote rural development and the social well-being of people in mining communities in Ghana. In the study by Segbor (2015), it is reported that the mining companies have provided electricity, and built an ICT center, schools, Community Center, and water reservoir for the Prestea community.

(Negatives)

Whilst mining communities have been beneficiaries of some of these social facilities and programs provided by mining companies, these communities have also been victims of social externalities generated by mining activities.
The relocation of communities is found to have significant social and psychological implications. In fact, between the late 1990s and early 2000s, over 20,000 people from 15 villages were dislocated from a mining concession held by Gold Fields Ghana Limited (Bush, 2009). Similarly, as shown in table 4.2, the first phase of Newmont Ghana’s Ahafo project displaced some 9,500 people from their land, with more than 35,000 people expected to be displaced when the company’s Ahafo and Akyem mines are in full operation (Jnr et al., 2016).

Table 4.2: Number of people displaced by the operations of Newmont Ghana Gold Limited and Gold Fields Ghana Limited Source: Adopted from Jnr et al., 2016

<table>
<thead>
<tr>
<th>Company</th>
<th>Displaced people/communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newmont Ghana Gold Limited</td>
<td>1,700 households, 9,500 farmers</td>
</tr>
<tr>
<td>(Ahafo operations)</td>
<td></td>
</tr>
<tr>
<td>Newmont Ghana Gold Limited</td>
<td>35,000 people*</td>
</tr>
<tr>
<td>(Ahafo and Akyem operations)</td>
<td></td>
</tr>
<tr>
<td>Gold Fields Ghana Limited</td>
<td>14 farming communities, with about 30,000 people</td>
</tr>
<tr>
<td></td>
<td>20,000 people from 15 villages, including</td>
</tr>
<tr>
<td></td>
<td>4,000 farmers from 3 communities</td>
</tr>
</tbody>
</table>

* Expected number of people when company is in full operation

These relocation exercises have greatly disrupted and undermined the culture of the communities affected. It is believed that the historic ties that communities have with their lands define and make their livelihood strategies easier (Segbor, 2015). Also, most forests in certain communities are designated sacred areas and constitute religious sites, housing the shrines and defining the belief-system of the people (Ayelazuno, 2011). In most cases, rituals carried out on these sites are believed to have direct connections with the livelihood of the people. For instance, some rituals are believed to be precursors for rain (Segbor, 2015), in which case relocation does not only constitute a cultural disruption but also serves as an economic barrier to the affected communities.
Yet, mining communities have also been victims of the various health problems associated with mining activities. The dust, air and noise pollutants generated by mining activities, coupled with the pollution of both underground and surface water have significant negative effect on the health of people living close to mines. For instance, the blasting and drilling activities of mines with their resultant noise and dust have negative health impacts such as the creation of hearing losses and silicosis (Amponsah-Tawiah & Dartey-Baah, 2011). Statistics from the Inspectorate Division of the Minerals Commission on occupational health problems caused by mining activities from 2000-2004 include malaria and upper respiratory tract infection, the two topmost causes of outpatient morbidity between 2000-2006 (Amponsah-Tawiah & Dartey-Baah, 2011).

Besides, mining operations have triggered intense migration into mining communities. The operation of mines in particular communities draws people from outside those communities primarily in search of job. The resultant effect of this has ranged from overpopulation, congestion, pressure on social amenities, to increased crime rate in the communities involved (Yeboah, 2008; Akabzaa, 2009; Sarfo-Mensah et al., 2009). The influx of people also carries with it several diseases into mining communities. A three-month socio-economic study of the Obuasi Municipality in 2009 found that the increased migration of people into the Municipality is associated with increased commercial sex work which has given rise to high prevalence of HIV/AIDS in the Municipality and its catchment communities (Sarfo-Mensah et al., 2009). Regional statistics from the Ghana Health Service (GHS) on the prevalence of HIV/AIDS in 2010 also showed that Tarkwa, a renowned mining hub which has seen population increases, comes second to Takoradi, the capital of the Western region in terms of the prevalence rate of the virus (Modern Ghana news, 2010).
Related to the spread of diseases as a result of increased immigration is the rising cost of living in mining communities. Increased population resulting from increased immigration is associated with increased local demand for food, services, and housing, which forces the price of same upwards (Garvin et al., 2009). Migration into mining communities and the reduction in agricultural activities largely attributable to surface mining, has resulted in high food price and rent charges for the local Inhabitants (Sarfo-Mensah et al., 2009). Statistics from the GLSS6 shows that next to the Greater Accra region in terms of high food prices in the country, is the Western region, a region with the highest concentration of mining companies in the country (Akabzaa & Darimani, 2001; Amponsah-Tawiah & Dartey-Baah, 2011a). Although it is hard to establish causality between mining activities and high food prices, the loss of farmlands to mining activities makes correlation between the two possible.

Another negativity associated with mining has been the violation of human rights by mining companies. Due to the loss of land and other negativities that come with mining, the establishment of a mine is always met by resistance by community members (Hilson & Nyame, 2006). In response to such resistance, mining companies subject rural people to a range of human right abuses such as arbitrary arrest, physical assaults, and in some cases, murdering people. Sometimes, these atrocities are carried out by or in conjunction with the state as a way of clearing the way for mining investment to take place. The freedom of movement in most mining communities is trampled upon by mining companies as movement on mining concessions are designated as ‘trespassing’. A study by Ayelazuno (2011) in the Western region recounts of a man arrested and detained for three days for cutting wood from a mining concession, with fifteen others having been jailed for similar offenses. A human right study by the Commission on Human Right and Administrative Justice (CHRAJ) in 2008 also reports of military and police brutalities meted
out on protesters against mining companies in mining communities to the point of shooting a
protestor to death in one instance (CHRAJ, 2008). Oxfam, an international humanitarian
organization, has continually reported that Police and private security companies working for
mining companies in Ghana often forcibly evict people from mining areas without adequate
respect for their basic rights (Oxfam, 2011). In 2011, Oxfam reported of a man alleged to be an
illegal miner shot to death by an employee of a private security firm hired by gold mining company,
Anglo Gold Ashanti in the company’s Obuasi mine, the same company whose security forces shot
two men to death in 2005 and 2009, one alleged to be an illegal miner, and the other for cutting
through a rock of waste dump that blocked access to his farm. Essentially, these are serious cases
of human right violations suffered on a daily basis by communities hosting mine operations, and
contributing to their misery.

4.2.4. Company Responses to Livelihood Impacts on Local Communities.

On the back of the livelihood impacts of mining activities witnessed in the local
communities, mining companies have sought to implement various Alternative Livelihood
Programs (ALP) aimed at compensating for the losses suffered by mining communities and
building their capacities for sustainable livelihood. For instance, the Gold Field Foundation
operates a Sustainable Community Empowerment and Economic Development program (SEED),
an agribusiness project that features oil palm plantation, vegetable plantation and aquaculture,
providing an alternative source of employment for the women and youth in the catchment areas of
the company’s mines. The Foundation also runs a Youth Apprenticeship Program meant to equip
the youth in the vicinity of the mines with employable skills to facilitate their absorption into the
mine as well as their integration into the formal economy.
GSL also runs the Golden Star Oil Palm Plantation (GSOPP) initiative, a community-based program meant to address environmental and food security concerns, whilst providing employment opportunities for people within the neighborhood of its mine operations. GSOPP runs on a smallholder basis where farmers are each given 4 hectares of land to cultivate, and receive loan and technical assistance from GSOPP, who in turns purchases the fruits from the farmers (Jnr et al., 2016).

The NADeF of NGGL has, in partnership with another Foundation, established a bamboo bicycle manufacturing facility to train and employ youth from the local communities hosting its operations. The facility is expected to annually produce 375 bamboo bicycle frames for local and international customers. The company also runs a similar apprenticeship program that offers skilled mechanical and electrical specialist training to members of the local community. Out of a total of 182 graduates, since the program began in 2005, Newmont currently employs 125, who work in a variety of roles including process operators, specialized trades, and maintenance (Sustainability report, 2016).

4.3. Analysis and Discussion of Findings

The findings show that mining has indeed made some advances towards poverty alleviation in mining communities by way of revenue generation, employment creation, and CSR. However, a number of factors have distorted the effectiveness of the mining sector to carry out this mandate of poverty alleviation in mining communities. As Davis & Tilton (2002) argue, whilst not denying the fact that the mining industry brings benefit to resource-rich countries by way of fiscal revenues, the extent of these benefits depends on the share of rents received by the said countries as much as on the manner in which such rents are managed. Essentially, the ability of the mining industry
to make any meaningful contribution to poverty alleviation at the community level depends on the share of mining revenues accruing to the mining communities and the prudent management of such local benefits (Akabzaa, 2009).

In terms of revenue generation, the disbursements to local communities are reported to be insufficient and hence fall short of being capable undertaking any viable development projects in the relevant communities. This stems in part, from the formulae being used for the disbursement (figure 2) which allows only a limited amount to reach the communities involved. From the formulae, only half of the money that goes to the MDF gets disbursed to the mining communities, and that is even after the OASL has taken its 10 percent administrative share. So the actual amount that gets to these communities gets so squeezed that it becomes insufficient to develop any viable community project. The remaining half of the MDF allocation goes to mining sector support institutions where such monies are mostly used to support capacity building in these institutions as opposed to funding projects that improve local economic development and compensate for the social and environmental cost of mining to the mining communities (Standing & Hilson, 2013).

The insufficient nature of revenues disbursed to the local communities is also attributed to the limited amount of rent that the government derives from the mining sector. Without regard to the formulae being used for disbursement, the amount of money that goes to the local level is largely dependent on how much government makes from the mining sector. However, the various tax breaks and incentives offered to mining companies in government's bid to attract foreign investment to the sector has resulted in a disproportionate distribution of rents from mining activities in favor of mining companies. As a result, as shown in figure 4.5, revenues flowing from the sector to the government by way of taxes, royalties, dividends, and other fees are only a small fraction of the total rent generated by the sector. For instance, whilst gold exports in the year 2008
toted US$ 2.2 billion, only US$ 116 million was received by the government in taxes and royalties from mining companies that year (Ayelazuno, 2011). Thus the mining sector fiscal regime allows for substantial amount of capital to be accumulated by mining companies at the expense of the state, and this hinders the ability of government to generate revenue from the sector substantial enough to be able to effect sufficient disbursements to communities affected by mine operations.

*Figure 4.5: Contribution of the Mining Sector to Government Revenue. Source: Adapted from Rutherford and Ofori-Mensah, 2011*

Even as revenues disbursed to the local communities are insufficient, the management of these flows is yet another setback to the mining sector’s ability to contribute effectively to poverty alleviation at the local level. Some 55 percent of the disbursement to the local communities goes to DAs to be used to carry out development projects and also to repair environmental damages in mining communities (Akabzaa, 2009). However, with District Chief Executives (DCEs) and a third of local assembly members being appointed by the President, DAs are more vulnerable to direct lines of patronage and cronyism running from the center to the local level, as such appointments are influenced by party loyalty (Ayee et al., 2011). This creates opportunities for corrupt benefits and weakens political accountability at the district level, such that mineral
revenues are appropriated for personal use. For instance, it was reported in 2011 that the Kwabre East District in the Ashanti region had only received just a tenth of some US$ 1.3 million dispensed into its District Common Fund that year, with the remainder being unaccounted for (Standing & Hilson, 2013). As the Extractive Industries Transparency Initiative (GHEITI) report in 2005 shows, there are no guidelines for the use of mineral royalties at the DA level. Hence, royalties received by DAs are paid into a general revenue pool with no special attention given to the development of local communities (Akabzaa, 2009). Except for few instances of road construction and health infrastructure provision, the expenditure from these disbursements tend to be dominated by such things as rehabilitation of Assembly buildings, maintenance of Assembly vehicle and equipment, Assembly stakeholder meetings, and waste management (GHEITI, 2014).

In addition to these problematic tendencies of DAs in relation to the disbursement of mining wealth, the functioning of chiefs, who are also entrusted with the remaining share of mining royalties, has also been equally problematic. Whilst the mining law provides for some 45 percent of this royalty disbursement to go to traditional rulers, the law neither specifies the manner in which such monies should be used in the local communities nor provides any means by which these traditional rulers would be held accountable for the money being used. At best, the law requires the part of the allocation that goes to the stool to be used for the ‘maintenance of the stool’ (Standing & Hilson, 2013), without explaining what it means by maintaining the stool. This has resulted in an elite capture situation where local chiefs have taken advantage of this ambiguity of purpose to appropriate mineral revenue disbursements for personal use (CHRAJ, 2008; Opoku, 2006), claiming that this the meaning of ‘maintenance of the stool in keeping with its status’ and that it is only the royalties allocated to DAs that belong to communities (Opoku, 2006, p. 15). Hence, the failure of the constitution to explicitly clarify the role of chiefs in local political process
is partly to blame, as it has created a loophole in Ghana’s political system, and hindering development at the local level.

Hence, these findings show that the ability of the mining sector to alleviate poverty in mining communities is hindered by the problem of institutions on many levels, finding expression in a weak mining code that reinforces capital accumulation by mining companies and squeezes government revenue from the sector, and also manifesting through corruption and the lack of accountability on the part of DAs and traditional rulers of communities hosting mine operations.

The findings also show that the misery of mining communities does not end with the aforementioned complications in their supposed benefit from mining activities, as this is aggravated by the very nature and organization of mining operations in the country. The operation of surface mining by mining companies and its associated displacement of local communities divorces the local people from their source of livelihood. Article 72 (3) of the MMA provides for the lawful occupier of land within an area subject to a mineral right to retain the right to graze livestock upon or to cultivate the surface of the land if the grazing or cultivation does not interfere with the mineral operations in the area. This means farming could co-exist with mining activities. However, the same MMA also allows mining companies, with few limitations, to do anything necessary to exploit the minerals (Article 46). As surface mining relatively cost-effective, these profit-seeking mining companies act upon this provision to operate this method of mining, displacing communities in the process, whilst dispossessing farmers of their land and depriving rural people of their source of livelihood, and exposing them to economic uncertainties. This confirms the observation by Amin (2002) that capital always chooses conditions of production that maximizes profit.
The findings also report that compensations paid to affected communities are woefully inadequate and that mining companies often refuse to pay compensation for lands that are not under cultivation. Meanwhile, MMA has made various provisions that are to ensure that owners of a land are well compensated (Article 72(5-5b)). The meager compensation paid by mining companies amounts to a breach of the MMA, and it also underscores the assertion by Ayelazuno (2011) that capital is inherently exploitative of and unjust to specific classes of people. The inadequacy of compensations, however, does not afford affected members of the community to undertake any sustainable alternative livelihood, and with such a disrupted livelihood foundation, such households are prone to vicious cycle of poverty, considering the lifespan of mining leases (30 years, subject to renewal), and the fact that post-mine land quality (fertility) is not assured.

As the findings suggest, even as the dispossession of farmers by mining companies and the limit in ASM operation render people unemployed, the promise of job opportunities by mining companies are not delivered. As the literature suggests, the operation of surface mining as adopted by virtually all mining companies in the country is capital-intensive with relatively low labor requirements (Akabzaa & Darimani, 2001; Bush, 2009). Yet the little opening for labor tends to favor high-skilled labor, and since rural people tend to lack such employable skills, their chances of securing jobs on the mine are only marginal. This makes unemployment a commonplace in mining communities. Yet, the unemployment situation is worsened by the migration of people, particularly, those without employable skills into mining communities in search of non-existent mining jobs. The result is the acute unemployment situation we see in mining communities and all the vices associated with it like robbery, prostitution, among others (Sarfo-Mensah et al., 2009).

The findings also show that there have been responses from mining companies to mitigate this unemployment situation in the form of alternative livelihood programs that are being run under
CSR in affected communities. However, the challenge with such programs has been that they only reach a limited number of people. For instance, whereas the operations of Gold Fields Ghana have displaced over 30,000 people, the company’s SEED program is reported to have benefited just 3,000 people (Jnr et al., 2016). Again, for more than 11 years of operation, the Newmont Apprenticeship program has only produced 182 graduates, and this number comes nowhere near the number of local community members desperately looking to secure job positions on the mines. In essence, whilst the various CSR initiatives of mining companies help address the incidence of poverty in the mining communities, the scope of such programs vis-à-vis the needs and demands of these communities makes poverty alleviation through this medium unrealistic.

Again the findings show that mining generates social and environmental externalities that impact negatively on the livelihood and health of the inhabitants of mining communities. Whilst deforestation threatens rural culture and livelihoods based on forest products, the degradation of land and pollution of water bodies through industrial mining waste worsens the already impoverished life of the local people. The MMA enjoins mining companies to obtain approval from the Forestry Commission (FC) and the Environmental Protection Agency (EPA) for the protection of natural resource, public health, and the environment before undertaking any operation (Article 18). This in turns requires mining companies to submit a report on the Environmental Impact Assessment (EIA) of their projects in order to obtain this approval (Appiah & Osman, 2014). Even when operation has commenced, the mines are still obliged to prepare and submit their environmental action plans, annual environmental reports and environmental audit reports to the EPA (Akabzaa & Darimani, 2001). Still, the MMA provides for mineral operations to be limited in or near rivers, lakes, dams, forests, and streams, among others (Article 110). Yet these laws are not enforced (Segbor, 2015), and mining companies also see EIA as a burden on
their operations (Appiah & Osman, 2014). Hence, even if they do, EIAs as Nadeem et al (2016) argue, are mostly undertaking by companies as a mere formality.

Particularly, the EPA is identified to lack the required capacity in terms of personnel and finances to ensure compliance and enforcement of environmental quality standards (Akabzaa & Darimani, 2001). Despite the fact that half of the MDF disbursement goes into building the capacity of mining support institutions, funds to the EPA, an institution with such a critical mandate, are reported to be inadequate, and in some cases, non-existent at all (Standing & Hilson, 2013). The pollution and environmental destruction suffered by rural communities as a result of mining operation are the corollaries of the EPA's incapacity. Hence, the natural tendency of capital for profit-seeking propels mining companies to take advantage of the limited capacity of these regulatory institutions in the country by circumventing the EIA and other environmental requirements that essentially affect their bottom line. Even when they are apprehended for environmental violations, the penalties faced are cost-effective in the eyes of these companies, like the case of GGL’s 2009 cyanide leakage where the company only paid US$ 5 million in fines to the government (GhanaWeb, 2015). Meanwhile, the damages of such spillages are irreparable. However, for their exploitative proclivity, companies would always do the cost-benefit analysis of violating environmental regulations and pursue their business interest without recourse the well-being of their host communities. The findings, therefore, confirm the sentiment in the literature that the limited state capacity of developing countries makes mining investments perilous for them (Haglund, 2008; Hilson, 2012).

Indeed, the findings confirm the assertion by many that the gains from the mining sector in the form of increased investment and foreign exchange earnings are being achieved at some significant environmental, health and social costs to the people living in mining communities
(Amponsah-Tawiah & Dartey-Baah, 2011; Tenkorang & Osei-Kufuor, 2014). The discussion suggests that just as natural resources have the potential to make possessing countries fare poorly economically in relation to resource-poor countries (Auty, 2002), they also have the potential to make possessing regions in a particular country fare poorly in relation to the resource-poor regions on that country. The findings of the study attest to the fact that mining has, instead, created poverty in its multiple dimensions in the various mining communities. This is seen in how powerless the local people have become after losing their lands to mining companies; the low/lack of income resulting from their loss of access to land; the lack of respect suffered through the human right abuses by mining companies; and the lack of clean drinking water as well as the poor health they experience due to the environmental and other social externalities of mining activities. This corroborates the result of a report by the National Strategic Environmental Impact Assessment (NSEIA) that poverty is more endemic in communities directly impacted by mining activities, adding that communities proximate to mining projects are generally poorer than those far away from mining (NSEIA, 2007 cited in Akabzaa, 2009).

4.4. Conclusion

On a whole, the findings suggest that despite the contribution by mining companies to rural development, the negative impacts of mining activities are more pronounced on the local communities and far outweigh the gains from them. The analysis suggests that mining communities suffer on two counts from mining operations. On the one hand, these communities suffer from the institutional weaknesses in the mining industry governance structure, manifesting through the pro-investor MMA, to the limited regulatory capacity of mining support institutions, and economic mismanagement on the part of local political and traditional institutions, all of which
work together to deprive the local communities of their fair share of mining benefits. For this reason, mining investments have not been able to reduce poverty at the local level. On the other hand, these communities also suffer from the very nature of mining operations. The displacement of communities, the dispossession of farmers and ASM operators of their land, the human right abuses, and the health-related problems resulting from the environmental externalities of mining activities all work together to push mining communities further down from their original position hitherto the arrival of mining companies.

In essence, whilst the benefits from mining activities have not been able to reduce poverty in mining communities, the livelihood impacts, as well as the social and environmental externalities of mining operations, have actually worsened the poverty situation in mining communities. In this regard, the findings affirm the hypothesis of the study that mining FDI has not reduced rural poverty in Ghanaian mining communities, and also support the argument of the study that the operations of mining FDI have, in fact, worsened the plight of rural mining communities in Ghana.
CHAPTER 5
CONCLUSION AND RECOMMENDATION

5.1. Introduction

This study has been driven by the desire to contribute to the debate on the discrepancy between FDI flows and poverty levels in the developing world. Particularly, the study is a corollary of an urge to contribute to research on the impacts of mining-sector FDI on poverty in Ghana’s mining communities. Following the acceleration in foreign investment in Ghana’s mining sector over the past two decades, studies on the impacts of these investments on mining communities have become necessary. It is out of this necessity that this research has been conducted. This chapter concludes the study. It summarizes the findings of the study and provides some recommendations for policy consideration. The findings are summarized in light of the research question being answered by the study, which is, has FDI in the mining sector reduced poverty in rural mining communities in Ghana? The recommendations offered, therefore, trace directly from the response provided to this question.

5.2. Summary

This study reveals that mining has not only constituted a problem for mining communities as it has made some advances towards community development and poverty alleviation in these communities. Mining activities have generated rents in the form of mineral royalties that go to support community development and poverty alleviation programs in mining communities. The sector has also created employment opportunities for the local people. This has largely resulted from mining companies’ commitment to, and the pressure mounted on them, to hire locally from their immediate host communities. Besides, the various CSR initiatives of mining companies in the provision of social services like electricity, ICT, water systems, and infrastructural
development in such areas as education and health have contributed immensely to improving the social well-being of the people living close to mines. Much as the various apprenticeship and alternative livelihood programs ran by mining companies have contributed to building the capacity of the rural people for alternative livelihoods, they have also served as a source of employment, especially for the women and youth in these communities.

However, the study has also shown that some factors have held the mining sector back on its advancement of community development and poverty alleviation at the local level. Particularly, mining communities have been victims of corruption and weak institutional capacity in the mining sector. Whilst the mining sector fiscal regime has created insufficiency in the amount of rent retained at the local level, the mismanagement of this limited inflow of revenue by DAs and traditional authorities has also constrained any advances in community development and poverty alleviation that could have resulted from the rents generated by the sector. Besides, the sector's ability to alleviate poverty through job creation has been hijacked by the capital-intensive nature of mining operations. Even as this has low labor requirement, the allowable labor in-take tend to be high-skilled, and with the rural people exhibiting a lack of such employable skills, their chances of securing job positions on the mines are further diminished. Although mining companies have sought to mitigate this problem by offering various apprenticeship and alternative livelihood programs in the local communities, the impacts of such programs have generally been minimal, considering the limited number of participants permissible.

On top of these institutional and operational complications, mining communities have however suffered from the negative livelihood impacts of mining activities in the country. Land is the primary factor of production in rural communities, serving as the main source of livelihood for rural people through farming, hunting and gathering of forest products, and ASM activities.
However, the intensification of large-scale mining in Ghana has marked the massive dislocation of rural people from their land, depriving them of their source of livelihood. With a majority of people in mining communities engaged in agriculture, the taking over of agricultural lands in these communities, and the destruction of farms by mining companies with inadequate or no compensation have taken away the livelihood sources of people living in mining areas, leaving them at the mercy of economic hardship and poverty.

Yet, mining communities have also been victims of the social and environmental externalities generated by mining activities. These communities have been sites of human right abuse in the country as local people face restricted movement on mining concessions, face arbitrary arrest and repression by national security forces, and are sometimes being murdered by mining companies. Besides, the relocation of communities has caused serious disruption to local culture, while mining-induced migration has led to increased cost of living, congestion, high crime rate, and increased prevalence of diseases including HIV/AIDS in mining communities. Additionally, the generation of air and noise pollutants by mining activities and the pollution of water bodies from mining industrial waste have created serious health problems in communities within the catchment of mines.

In conclusion, whilst the contribution of the mining sector to the Ghanaian economy at the macro level by way of foreign exchange generation, fiscal receipts, and contribution to GDP cannot be denied, this study has revealed that these gains have delivered few benefits to the communities hosting mining activities. Practically, these gains are being achieved at the economic, social and environmental expense of the communities where mining activities occur. Although mining communities benefit from revenue generation, employment opportunities, and some corporate social initiatives of mining companies, the institutional and capacity constraints on these benefits
have made them ineffective means of alleviating poverty. For this reason, mining FDI has not been able to reduce poverty in rural mining communities in Ghana. However, the negative livelihood impacts, coupled with the social and environmental externalities immanent in mining operations have exacerbated the poverty levels in these communities. In essence, not only has FDI in the mining sector failed to reduce poverty, it has actually worsened the plight of mining communities in Ghana. On a whole, this study has shown that while Foreign Direct Investments have the potential to promote economic development and poverty alleviation, the realization of this potential is dependent on the institutional capacity of the recipient country to effectively regulate and prudently manage the benefits from such investments, as capital is inherently profit oriented and exploitative, and for that matter, cannot be trusted to carry out this mandate by itself.

5.3. Recommendations

For quite a long time, Ghana’s mining industry has lacked a concrete national policy framework that integrates the industry into the overall national development agenda of the country, and has as Akabzaa (2009) notes, largely been governed by pieces of legislation that are sometimes contradictory. This is partly responsible for most of the problems identified in this study. In this regard, the adoption of a National Mining Policy in 2014 was a step in the right direction.

According to the UNDP, international best practices for resource-driven development require resource-rich countries to first define the role of the industry in the overall national development strategy of that country in the form of a national policy. This policy will then inform the appropriate legislation required to enforce the former. However, Ghana’s situation has gone the other way round, with the national policy coming after the legislation. For this reason, this
study recommends that the legislative framework governing the mining industry -i.e. the Minerals and Mining Act, 2006 (Act 703) - be revised in accordance with the National Mining Policy so that the goals articulated in the policy in lieu of national development could be attained. Although a similar recommendation has been made by the UNDP as well as Akabzaa (2009), it has still not been considered by the government. However, the evidence on the ground, as this study has revealed, makes this call still relevant to make.

In terms of specific areas of the law to be revised, the study recommends that a consideration is given to restricting mining methods to underground mining. This is to allow landowners to at least, maintain surface interest in the land and to allow agriculture which employs the bulk of the rural population to persist on mining concessions. This would also help reduce the rate of forest depletion in the country whilst helping to preserve local cultural practices linked to forest reserves in mining communities.

Also, the study recommends that the fiscal regime of the industry be revised to ensure that sufficient rents are generated to support the national/communal development and poverty alleviation strategies. In lieu of this, consideration should be given to an upward adjustment of the corporate tax and royalty rates. In relation to this, it is also recommended that clear guidelines be provided for the utilization and accountability of mineral revenues at the local level by DAs and traditional authorities, who are entrusted with the development of local communities, particularly, those affected by mining operations.

A consideration should also be given to requiring mining companies to negotiate compensation packages with affected landowners and community members so as to ensure that the local people receive a fair compensation for their lost property.
Aside from revising the legislative framework, the study also recommends that primacy is given to building the capacity of mining support institutions, especially the EPA. This is to enable the EPA effectively enforce the various environmental regulations and standards in order to save local communities and the country at large from pollution and environmental destruction that result from the negligence of mining companies. In addition to adequate staffing and funding provision, it is recommended that the EPA has offices in mining areas (at least, one in a cluster of mining communities) so as to make the institution more proactive, efficient and effective in executing its mandate.
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NAME: Gabriel Adu

PLACE OF BIRTH: Kumasi, Ghana

YEAR OF BIRTH: 1991

EDUCATION:
University of Windsor, Windsor, Ontario, 2018
M.A. Political Science

University of Ghana, Legon, Ghana, 2014
B.A. Hons. Political Science

Simms Senior High School, Fawoade, Ghana, 2009