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Chinese miners and Ghana's golden reform opportunity

Many are optimistic that Chinese investment in Africa will spur job creation, infrastructural investment and technological transfers. However, an influx of Chinese workers combined with alleged problems with the licensing regime has left the Ghanaian government with an expensive problem to solve

Mention Chinese investment in Africa and most people will think of major natural resource or infrastructure projects. But China is also the source of a dramatic influx of workers for the small-scale mining (SSM) sector in Ghana.

Made in Ghana (by China)

The migration of around 50,000 Chinese miners has had a “significant” impact on the way the SSM sector operates, Professor Gordon Crawford of Leeds University told a country session at the International Growth Centre’s Growth Week 2014. “They have arguably changed the nature of small-scale mining in an irreversible way,” he said.

SSM is a major economic activity in Ghana with an estimated one million people working in small gold and diamond mines although the majority are in the informal sector. The influx of Chinese workers took off in 2006 and accelerated after 2008 as the gold price hit historic highs but by 2012 was fuelling hostile reactions among both the public and the press.

Professor Crawford looked at one area where a Chinese company was permitted to work on two concessions as a “service provider” – although he said it effectively acted as the miner – and at informal Chinese miners operating in a nearby municipality.

New technologies

The research found that the Chinese influx has led to wholesale changes to the SSM sector – both positive and negative. The incomers have introduced new technology and new machinery into what was traditionally a manual activity.

The Hon Barbara Serwaa Asamoah, the Deputy Minister for Land and Natural Resources, had told the session that low level technology was a traditional characteristic of SSM. But Professor Crawford said: “The technology that the Chinese introduced has transformed the traditional method of using a pickaxe, shovel and pan. There is now widespread use of excavators. Areas that would have taken years now take weeks.”

This brought a substantial windfall for the Ghanaian miners who had turned over their concession in exchange for a minority share in the value of the output. “One concession holder told us that it was worth 25,000 Ghanaian cedis (GHC) a week (£5,000 per week)” he said. “For some people this has become big business.”

Negative impacts

However this shift has had major environmental, social and economic impacts. On the negative side the industrialisation has had a major impact particularly on alluvial mining areas where observers talked about rivers being the colour of “coffee with milk”.

Professor Crawford said there were significant direct and indirect economic benefits. It has led to increased gold production, higher employment of locals and a capital injection into the local economy. This has in turn had knock-on benefits such as sales for local traders and orders for new machinery. “We were told repeatedly that business was booming,” he said.

On the other hand there has been a reduction of farmland, reports of smuggled exports, and job losses among indigenous miners. Added to this were negative social impacts such as lower attendance and worse performance at schools, an increase in mining-related health issues, and reports of child prostitution. There have also been reports of outbreaks of violence between Chinese and locals.

Professor Crawford suggested there was evidence of a culture of impunity in how the industry operates that has led to the government facing both lost tax revenues and significant spending increases to try to deal with the consequences. In May 2013 the Ghanaian government set up an Inter-Ministerial Task Force to root out illegal SSMs but, according to Professor Crawford, these have been primarily aimed at foreigners and particularly the Chinese. “We have to ask questions about how this was allowed to develop and why it took so long for the government to act.”

He called for a review of the Minerals and Mining Act of 2006, reforms of the tax system, a review of the way concessions are granted and streamlining of the many bodies that regulate SSMs. “This whole case of foreign involvement in small-scale mining has raised wider issues within Ghanaian politics and society,” he said. “There should be some deeper introspection to ensure the institutions become more viable.”

Poverty driven

Echoing this, Professor Gavin Hilson of Surrey University warned that both policymakers and the media had become “fixated” on the negative perceptions created by images of environmental damage, child labour and health and safety hazards rather than seeking to solve the underlying problems.

“A big problem is that we have consistently viewed this activity as a [gold] rush type activity populated by rogue entrepreneurs but in many cases it is poverty driven,” he said, pointing out that every SSM job supports six jobs in ancillary activities and

many miners switched between that and traditional farming.

Professor Hilson concluded it was important to understand that informal small-scale mining took place in an era of soaring gold prices but high levels of unemployment, particularly for graduates. “That has made SSM a particularly popular destination. The worry is that the policies aimed at regularising the sector have not really changed.”

He said the current licensing regime was “inappropriate”. One miner named Festus told Prof Hilson he had to make payments of GHC3,000 (£600) just to be in a position to start the application process. The process itself was confused by the large number of agencies overseeing the industry, which had allowed local landowners and chiefs to step in and offer land informally in exchange for payments. Festus paid GHC20,000 for his land.

Professor Hilson said the real concern for miners seeking to go down the legal route was that after going through this complex and expensive process, there might not be land available for a licence. “We need more land and we need to simplify the licensing process,” he told an audience that included many Ghanaian government representatives.

“We need to create some agencies for these small-scale miners and we need to get them out of the bush, and get investment to get them in a position to get a licence,” he said. Prof Hilson said his research has highlighted the need for improved banking services for the SSM workers many of whom had no bank near their site to offer savings and loans. “These miners are struggling to manage their money,” he said.

Regulating to reform

Ebenezer Appah-Sampong, Deputy Executive Director at the Environmental Protection Agency, told the session illegal mining had been a feature of Ghana for many decades and said that migrant miners came from many African nations as well as China. The challenge, he said, was how to “regulate an illegality”. “You need to have some legality behind the activities so you pull them together and regulate them,” he said.

Mr. Appah-Sampong shared Professor Crawford’s concern over the environmental impact saying he had been “shocked” by the scale of damage he had seen from a helicopter. “It is a big challenge to organise the mines so they can operate within a certain framework that will ensure that if you dig a hole you have the capacity to restore the land,” he said, acknowledging that the estimates of the costs were large but suggesting the government is looking at legislation.

“The challenge is that we have small-scale mining that can ensure that the environment is not harmed by the process. There are institutional issues, there are capacity issues, there are issues relating to organisation and we can only work together so we can address some of the issues that have been thrown up today.”