

2nd Draft: Policies Related to Ghana's Gold Mining and Galamsey Sectors

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Since Ghana's independence in 1957, the gold mining sector has been a critical component of the country's economy, contributing significantly to GDP, foreign exchange, and employment.



Highlights

- Post-Independence Era: Nationalization and State Control
- Recent Policies: Addressing Illegal Mining (Galamsey) and Environmental Sustainability
- Current and Future Policy Directions

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2nd Draft: **Executive Summary: Policies and Bills in Ghana's Gold Mining Sector**

Since Ghana's independence in 1957, the gold mining sector has been a critical component of the country's economy, contributing significantly to GDP, foreign exchange, and employment. Over the years, various governments have enacted policies and laws aimed at regulating and maximizing the benefits of this sector while addressing associated environmental and social challenges. These policies have evolved from a focus on state ownership and control in the early post-independence years to a more liberalized regime encouraging foreign investment and private sector participation.

The key legislations governing the gold mining sector have revolved around ownership structures, revenue sharing, environmental protections, and measures to curb illegal mining activities such as galamsey. This section provides a comprehensive overview of the major policies and legislative acts that have shaped Ghana's gold mining sector since independence.

Post-Independence Era: Nationalization and State Control

1. Mining Ordinance (1957): Shortly after independence, Ghana retained the Mining Ordinance enacted during British colonial rule. This law focused on controlling the exploration and extraction of minerals, requiring companies to obtain licenses and pay royalties to the government. However, the ordinance largely maintained the status quo established by colonial authorities, which prioritized foreign ownership of mining ventures.

2. The Minerals Act, 1962 (Act 126): In 1962, the first major post-independence reform was enacted with the Minerals Act, which granted the government control over the exploration, mining, and sale of minerals. The government was given authority to participate in mining ventures through joint ventures and ensure a more equitable distribution of mining revenues. This law laid the foundation for greater state involvement in the mining sector.

3. Establishment of the State Gold Mining Corporation (SGMC): The Ghanaian government established the State Gold Mining Corporation (SGMC) in the 1960s to oversee and manage the state's interest in the mining industry. SGMC managed multiple gold mining concessions, including Prestea Goldfields and Tarkwa Goldfields, and sought to increase state revenues from the sector while reducing foreign control.

The Provisional National Defence Council (PNDC) Era: Economic Recovery and Liberalization

4. The Minerals and Mining Law, 1986 (PNDCL 153): In response to a severe economic crisis in the early 1980s, Ghana's Provisional National Defence Council (PNDC) government sought to revitalize the mining industry by enacting the Minerals and Mining Law in 1986. This law marked a shift towards economic liberalization by encouraging foreign investment in the mining sector. It granted favorable terms to international companies, including tax holidays, exemptions on duties, and the right to repatriate profits.

The law also established the **Minerals Commission** to regulate the sector and encourage private participation. It was instrumental in attracting foreign capital and expertise to modernize Ghana's mining operations, which had been struggling under state control.

5. The Small-Scale Gold Mining Law, 1989 (PNDCL 218): Recognizing the significance of small-scale mining to rural livelihoods and the economy, the government passed the Small-Scale Gold Mining Law in 1989. This legislation sought to formalize and regulate small-scale gold mining activities, which had previously operated outside the legal framework. The law created provisions for individuals and cooperatives to

acquire licenses for small-scale mining and aimed to curtail the illegal mining activities that were rampant.

1990s to Early 2000s: Expanding Private Sector Participation

6. Minerals and Mining Act, 2006 (Act 703): The Minerals and Mining Act of 2006 was a landmark piece of legislation that further liberalized the mining sector. It repealed the 1986 Minerals and Mining Law and consolidated previous mining laws into a comprehensive framework. The 2006 Act maintained incentives for foreign investors, such as tax concessions and the ability to transfer profits abroad. Additionally, it strengthened the regulatory role of the Minerals Commission and introduced provisions for environmental management, including Environmental Impact Assessments (EIAs) for mining projects.

7. Local Content and Participation Regulation (LI 2173, 2012): In an effort to maximize the benefits of mining for Ghanaians, the government introduced the Local Content Regulation in 2012. This regulation required mining companies to prioritize the procurement of goods and services from local businesses and ensure that Ghanaians were employed in key positions within mining operations. It also required mining companies to submit local content plans to the Minerals Commission, with penalties for non-compliance.

Recent Policies: Addressing Illegal Mining (Galamsey) and Environmental Sustainability

8. The Minerals and Mining (Amendment) Act, 2015 (Act 900): This amendment to the 2006 Minerals and Mining Act introduced stiffer penalties for illegal mining activities, including higher fines and longer prison sentences. The law was enacted in response to the growing galamsey crisis, which had led to widespread environmental degradation, particularly in Ghana's water bodies.

9. The Multilateral Mining Integrated Project (MMIP) 2017: In 2017, the Ghanaian government launched the Multilateral Mining Integrated Project (MMIP), a policy initiative aimed at tackling illegal mining (galamsey) and promoting sustainable mining practices. The MMIP sought to formalize small-scale mining activities by providing training, financial support, and access to more efficient technologies for artisanal miners. The initiative also focused on reclaiming lands degraded by illegal mining and restoring water bodies affected by pollution.

10. Minerals Development Fund Act, 2016 (Act 912): The Minerals Development Fund Act was passed in 2016 to ensure that mining communities directly benefited from the revenues generated by mining activities. The Act established a dedicated fund to finance development projects in communities impacted by mining, including infrastructure, education, and health services. A percentage of royalties from mining operations is allocated to this fund, with the aim of mitigating the social and environmental impact of mining.

11. Ghana Landscape Restoration and Small-Scale Mining Project (2021): In response to the environmental challenges posed by illegal mining, particularly deforestation and water pollution, the government launched the Ghana Landscape Restoration and Small-Scale Mining Project in 2021. This project, supported by the World Bank, aims to restore degraded landscapes, promote sustainable land use practices, and support small-scale miners in adopting environmentally friendly methods.

Current and Future Policy Directions

Ghana's gold mining sector continues to face challenges related to illegal mining, environmental sustainability, and equitable distribution of revenues. In response to these issues, the government has committed to further strengthening the regulatory

framework and enhancing the capacity of the Minerals Commission to enforce mining laws. Additionally, there is a focus on improving the integration of small-scale miners into the formal economy through the provision of training, financing, and access to technologies that reduce environmental impact.

Future policy directions are likely to emphasize environmental sustainability, local community development, and improved transparency in revenue management. The government's approach will also likely continue to balance foreign investment with greater participation by Ghanaians in the mining sector.

Key Statistics:

Annual gold production (2021): Over 140 tonnes.

Gold exports: Gold accounts for over 90% of Ghana's mineral exports.

Employment: The mining sector provides direct and indirect employment to hundreds of thousands of Ghanaians.

Royalties: Mining companies are required to pay royalties of up to 5% of gross revenue to the government.

Local content requirement: Mining companies must ensure 60-70% of their procurement is from local businesses.

In summary, Ghana's gold mining sector has undergone significant transformation since independence, shaped by both economic challenges and opportunities. The sector has moved from state control and nationalization to liberalization and foreign investment, with recent years seeing a growing focus on sustainability, local participation, and formalization of small-scale mining. While these policies have brought significant economic benefits, challenges such as illegal mining and environmental degradation remain, requiring continuous regulatory attention and policy innovation.

