

Mining Is a Driving Force in Ghana's Growth

The mining subsector contributes significantly to Ghana's socioeconomic development. The former British colony, which achieved independence in 1957, ranks tenth among the world's leading gold producers. Other mineral resources being extracted are diamond, manganese, bauxite, and aluminium. In 2011, commercial oil production began and helped to raise the extractive industry's contribution to GDP from 2.3% in 2010 to 8.5%. Mining and quarrying account for 1% of total employment, with about 20,000 Ghanaians working directly in large-scale mining and about 500,000 in small-scale gold, diamond, and quarry production. Small-scale operations, which were legalized in 1989, provide direct and indirect employment to the growing youth population.

Gold mining dominates the sector, accounting for 97.8% of total mineral export earnings in 2010. Foreign multinationals dominate the capital-intensive, high-technology activities of large-scale segment. Ghanaians dominate the small-scale segment, largely due to legislation reserving small-scale mining for local investors.

Restructuring Has Revitalized Mining Sector

Policy and institutional restructuring during the economic reform in 1983 renewed investor confidence and exploration, leading to a mining boom. The reforms improved the competitiveness of the sector for private foreign investment and developed key governmental institutions to support the industry and to respond to investor demands. The institutional reforms included promulgation of the Ghana's first independent mining code, the Minerals and Mining Law of 1986, revised in 2006 as the Minerals and Mining Act.

Some key elements of the government's mining policy are to encourage local and foreign private-sector participation in the industry consistent with a free market enterprise economy; strike a socially acceptable balance between mining and the physical and human environment and ensure that internationally accepted standard of health, mining safety, and environmental protection are observed; facilitate orderly and sustainable development of small-scale mining; empower Ghanaians to become professional miners, mine managers, and owners through minerals-related education, training, career development, and other support; and require respect for employee, gender, and human rights in mining.

A new draft mining policy to be placed before the Cabinet for approval and adoption would establish a framework for sustainable development. The main objectives of the policy include diversifying the export base and increasing foreign exchange earnings, optimizing generation of tax revenue to support development, creating skilled employment and developing local capacity for the mineral industry, building demand for local goods and services and producing raw materials for local use, and encouraging wider investment in the economy.

Conflict Between Segments

Ghana's mining industry is contending with growing antagonism between small-scale miners and large-scale companies. The effect of increasing large-scale mining operations is to crowd out small-scale indigenous miners by limiting the ground on which they operate. The tension between the two groups has led to an upsurge of reported clashes with damage to both sides. The industry is also dealing with illegal small-scale mining activities that are detrimental to land and water and often do not comply with safety regulations.

Cocoa Industry Rebounds With Improved Productivity

Ghana is currently the world's second leading cocoa producer, having lost the top spot to Cote d'Ivoire in the early 1980s due to severe drought, unfavourable world cocoa price, and other factors. The sector revived with the implementation of the World Bank/IMF economic reform in 1983 that included a special program for cocoa. Ghana's high-quality cocoa beans are a premium commodity in a sector that plays major role in employment, foreign exchange earnings, government revenue, education, and infrastructural development. Cocoa is the second most important foreign exchange earner after gold, accounting for 23% of total merchandise export earnings in 2011. Cocoa is also a major driver of Ghana's growth, having increasing its share of GDP from 2.5% in 2008 to 3.6% in 2011.

At the micro level, cocoa contributes to poverty reduction. The sector provides livelihood for more than 700,000 farmers. In the southern forest region where cocoa is produced, households engaged in cocoa farming—together with those engaged in mining and other export-oriented activities—experienced improvements in their living conditions compared with food crop farmers.

The cocoa industry has strong linkage effects through processing (e.g., milling and butter) and the food industry (e.g., beverages, bakery). The proportion of cocoa exports processed domestically increased steadily from about 12.4% in 2007 to 25.6% in 2011, a trend that is expected to continue along the cocoa value chain. Major actors in the cocoa industry include smallholder farmers, private licensed cocoa buying companies, Ghana COCOBOD (formerly the Cocoa Marketing Board), and cocoa processing companies.

Policy changes under the 1983 reform increased the farm gate prices paid to local farmers relative to those paid to farmers in Cote d'Ivoire to avert smuggling and devaluation of the cedi, which had the effect of reducing implicit taxation on farmers. Farmers were also compensated for removing trees infected with swollen shoot virus and planting new ones. The Cocoa Research Institute, the industry's research arm, assisted farmers with high-yielding cocoa tree varieties that increased productivity. In 1992, the government liberalized domestic cocoa marketing and shifted the domestic purchase of cocoa to licensed buying companies.

Policy Interventions Benefits Farms and Farmers

Along with policy interventions, other measures contributed to improved cocoa production. A set of interventions rolled out by the government through COCOBOD to improve farming practices to boost production included high-tech subsidy packages that promoted the adoption of higher and more frequent applications of fertilizer and mass spraying programmes to fight potential outbreak of cocoa diseases and pests. Additional measures targeted at improving cocoa production by enhancing the welfare of farmers include payment of remunerative producer price of at least 70% of the net projected F.O.B to farmers, payment of periodic bonuses, promotion of farmers' health through national health insurance and establishment of clinics, and scholarships for wards of farmers at the secondary school level. The government has also committed to promote internal processing to reach at least 40% by supporting domestic cocoa processing companies through price discounts, extended credit payment, permission to import essential machinery, and enforcement of Export Processing Zone (EPZ) status on companies operating in the zone.

