

Special Issue on Africa

---

---

# ARE LOCAL GOVERNMENT AUTHORITIES SLEEPING OVER CHINESE INVOLVEMENT IN SMALL SCALE MINING IN GHANA?

By Hamza Bukari Zakaria

---

---

## INTRODUCTION

The upsurge of China's economic supremacy is being monitored carefully in many parts of the world largely because the impact of this new 'economic power house' would have significant implications for developed and developing countries throughout the world. While there are arguments that effective policy reforms may have triggered robust export of Chinese manufactured products that increased the economy's international competitiveness, China is showing no signs of losing its grip of the global economy as yet. The ramifications of this increasing economic might on Sub Sahara African countries cannot be underestimated. In order to consolidate its influence over the global market, covert and overt attempts are being made by China to penetrate into new and emerging markets. As if the wild quest to find destinations for their exports is not enough, the Chinese have relentlessly launched a grandiose search for raw materials such as gold, petroleum, copper, and coal to keep their economy in motion. Ngomba (2007) observed that China's hunger for natural resources in Africa seem to be influenced by the support the former rendered to many resource rich countries in Africa during nationalist movements that led to independence in many African countries. This has led to the intensification of interaction between China and many African countries in recent decades, culminating in what could be described as significantly 'profit oriented' (Sautman, 2006). Ghana, a relatively small West African country has become attractive to Chinese mercantilist



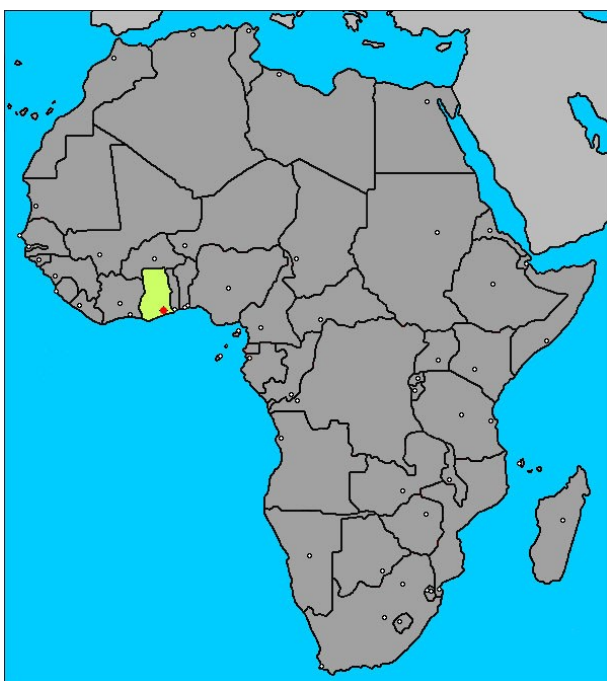
interests chiefly as a result of her natural resource endowments, more especially by her richness in gold deposits.

It is important to note that mining and other forms of mineral exploration in Ghana is appropriately regulated by state institutions that are enjoined by law to manage the mining sector. Even though these agencies discharge their duties on a daily basis, it is quite disturbing that illegal mining, popularly known as *galamsey* in Ghana is growing at an alarming rate. Originating from the expression ‘gather and sell’, *galamsey* operations are inherently small scale alluvial mining activities dominated by native Ghanaians because the law does not allow non-natives to operate small scale surface mines. This is however changing rapidly due to Chinese involvement in the gold trade. The paper argues that the preponderance of illegal mining in Ghana can be understood better by looking beyond popular justifications by Ghanaian nationals who attribute their involvement in the trade to mere joblessness and nationwide poverty. The proliferation of illegal mining must be situated within the context of massive participation of Chinese nationals in the illegal

gold mining business. The paper offers a local government perspective to ongoing debates about the Chinese involvement in small scale mining activities in Ghana. Firstly, the paper highlights the status of small scale artisanal mining by focusing on illegal mining activities. A brief overview of Ghana-China relations is given, followed by a description of the study areas and the participants interviewed for the study. Attempts by key stakeholders to address the opportunistic mad rush for gold is explored, and the perspectives of residents in mining communities, community leaders, local government administrators and elected representatives of mining communities are elicited to ascertain the perceived ‘foreign invasion’ of the mining industry. The consequences and implications of Chinese participation in unauthorized gold mining in the study areas are examined, and some recommendations proposed accordingly.

#### THE ANATOMY OF SMALL SCALE MINING IN GHANA

Small scale mining in many parts of the world is seen as an informal economic activity regardless of its potential destructive environmental impacts. Nonetheless, what may be described as ‘small scale mining’ tends to be influenced by the degree of sophistication and level of technological investment it attracts, and this invariably differs from one place to another. In Ghana, small-scale (gold) mining, for example, is defined as “...mining (gold) by any method not involving substantial expenditure by an individual or group of persons not exceeding nine in number or by a co-operative society made up of ten or more persons” (Government of Ghana, 1989). It is mostly seen as an activity for people with little alternative means of survival especially in rural hinterlands where mineral deposits are found. In Ghana, the geographic landscape of illegal mining



stretches along the southwestern and northeastern parts of the country where production begins with the identification of prospective sites that are believed to be endowed with precious minerals. Appiah (1998) reported that about 200,000 people are involved in the small scale mining industry in Ghana alone, even though recent estimates place the figure at 1 million people (UNECA, 2011).

To many analysts, the growth of Small Scale Mining (SSM) can be attributed to the liberalization of investment codes in the mining sector aimed at attracting both local and foreign investors. Arguably, the most important piece of legislation that accelerated the *'galamsey boom'* was the enactment of the Minerals and Mining Law 1986 (PNDCL 153). According to Gavin and Potter (2005), this law promoted liberalization of the mining sector by introducing measures that include: "a reduction in the government's entitlement (10 per cent) of equity in new mining operations; implementation of a low investment allowance (5 per cent) during the first year of operation; complete capitalization of all pre-production expenses; and provision of favourable amortization levels (75 per cent the first year, 50

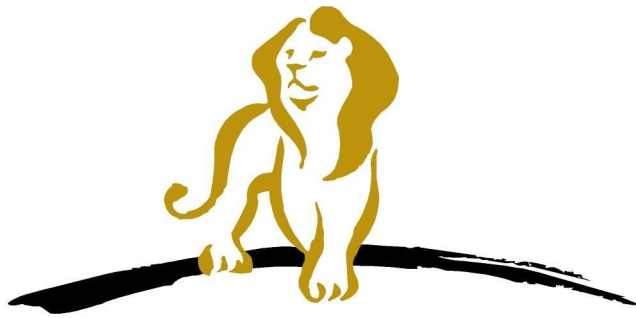
per cent thereafter), elimination of import duties on capital equipment, and generous retention allowances on foreign exchange profits" (p. 107). Around the same time, some attempts were made to formalize small scale mining, and this culminated in the promulgation of the Mercury Law (PNDCL 217), Small-Scale Gold Mining Law (PNDCL 218), and Precious Minerals and Marketing Law (PNDCL 219) in 1989. With the support of the World Bank, the government established a Small-Scale Mining Project (SSMP), with the Geological Survey Department, Minerals Commission, Precious Minerals and Marketing Corporation (PMMC), and Mines Department playing key roles.

From the legal and regulatory frameworks mentioned above, the intentions of the State to inject some orderliness by specifying acceptable operational standards for mining in Ghana could not be in doubt. It was therefore not surprising that in 1998; about 23 new companies had acquired mining permits to start operations, whilst 237 companies were known to be prospecting for gold, out of which 154 were Ghanaian owned whilst 83 were owned by non

Ghanaians (Banchirigah, 2008). Records have shown that approximately 13.7% of Ghana's land area (31,237 sq km) was obtained by mining companies by 2006 (Ghana Chamber of Mines, 2006). This demonstrates that prospective miners may obtain licenses from the appropriate authorities before starting their businesses, provided



Small-scale gold miners in Ghana



# ANGLOGOLD ASHANTI

they are able to complete the requisite paper work, attend an interview with government officials, undergo an Environmental Impact Assessment (EIA) and pay some fees (Gavin and Potter, 2005). Companies that comply with laid down registration procedures to obtain permits are mostly referred to as 'small scale mining companies' whereas unregistered and unlicensed companies are popularly called *galamsey* operators. The latter often spring up either within the perimeters of concessions obtained by giant multinational mining companies (such as Anglogold Ashanti, Goldfields and Newmont) or sometimes very close to such concessions. Whereas any Ghanaian citizen 18 years and above is eligible to apply for a license to operate a small scale mine, there are countless miners who disregard the legal framework and operate illegally without any entitlements to the land they exploit (Gavin and Potter, 2005; Teschner, 2012). Because foreign nationals may not have the same privileges as natives of mining communities in the acquisition of concessions for the purpose of small scale mining, many foreign nationals, particularly Chinese, collude with natives who obtain licenses that allow them to mine areas that are defacto owned by non natives. This has

created a situation whereby plots of land are owned by natives on paper, but in reality, are managed and owned by Chinese nationals who disguise their ownership rights by dealing in the sale of equipments at the mines. Apart from selling rock crushing machines known as Chang Fa, these expatriates also play a key role in the supply of banned substances such as cyanide, mercury and dynamites which

are used in the refinery process.

It is regrettable to note that this clandestine conduct in natural resource extraction has tremendously failed to create jobs as advocates for Chinese involvement argue. Conversely, what is obvious is rather the perpetuation of illicit practices in the mining industry that does little to overturn the wanton deterioration of social and economic wellbeing of the people. It is common knowledge that despite the need to adhere to environmental regulations, miners continue to use hazardous substances such as mercury and cyanide that do not only pollute water bodies in mining communities, but also threaten the health of inhabitants who rely on these water sources for domestic purposes especially in rural areas. As if the deleterious deterioration of the environment as manifested in serious land erosion in many mining communities is not enough, the destruction, movement and improper resettlement of entire communities due to mineral extraction has had perverse consequences on social structure, family relations, cultural and social norms. Apart from the proliferation of youth unemployment caused by the displacement of mining communities, many of these young folks who often possess less skills and



expertise end up embarking upon rural-urban migration in search of non existing jobs in urban areas. There are reports of increasing prostitution in mining areas that mostly target expatriate employees in multinational mining firms. This could have huge implications on the spread and fight against HIV and AIDS in Ghana. The foregoing discussions suggest that a proper socio-economic cost analysis of illegal gold mining might be needed if policy makers want to find a lasting solution to the *galamsey* phenomenon.

#### **ANTECEDENTS OF DIPLOMATIC AND ECONOMIC COOPERATION BETWEEN GHANA AND CHINA**

It is believed that diplomatic relations between Ghana and China dates back to 1960 when Ghana became a Republic after the Convention Peoples' Party, led by Osagyefo Dr. Kwame Nkrumah led the struggle for independence in 1957. At that time, Ghana lobbied for the reinstatement of China to the United Nations, and in return, it was rewarded with the strengthening of bilateral cooperation between the two countries. Since 1972 when diplomatic relations was restored between the two countries, China's financial and technical assistance has resulted in many benefits to Ghana. In the least, it has resulted in the construction of a state of the Art national theater in the heart of Accra, a district hospital in the Dangme East District, and the reconstruction of a 17.4 km road from Ofankor to Nsawam on the Accra-Kumasi Highway with the aid of a US\$28 million interest-free loan. Ghana also benefited from the cancellation of \$25 million of debt under the Highly Indebted Poor Country (HIPC) initiative. Furthermore, an estimated 700 or more Ghanaians have undertaken various training courses in China to boost their capacities in the areas of agriculture, communication, energy, business development and aquaculture to mention but a few. The Chinese government also

provided a US\$99 million interest-free loan to support the construction of landing sites for fishing communities in Ghana. Recently the government of Ghana obtained two credits from the Exim Bank of China: a concessional loan up to the tune of US\$ 270 million at 2% interest; and a commercial loan of US\$292 million to supplement the US\$ 60 million contribution of the government for the project. On 20<sup>th</sup> September, 2010, the Ministry of Finance and Economic Planning (MoFEP) on behalf of the government of Ghana signed an unprecedented financial agreement with the China Development Bank Corporation (CDB) up to the tune of US\$ 3 billion. While this framework agreement is aimed at accelerating Ghana's economic development within the overall framework of strengthening the long-standing bilateral relationship that exists between the two countries, its dividends are yet to be seen.



### THE STUDY AREA AND DATA COLLECTION

This study was conducted in two local government areas namely, Amansie Central District and the East Akim Municipality in the Ashanti and Eastern regions of Ghana respectively. These areas are predominantly in the forest belt where chiefs and traditional leaders exercise usufructuary rights over the use of land. Almost every clan in these districts possesses some parcel of land on which food crops are produced. However, several decades of exploration and prospecting for gold have popularized small scale mining in these regions. The most popular gold mining companies are the West Chester Resources Limited; Apponi limited, Realistic Enterprise and the Achcolo mining company limited. As important stakeholders in natural resource extraction, local communities and local government councils who are respectively affected by the operation of licensed companies and unlicensed miners are not

enthused by the wanton depletion of the environment. The study targeted this group of people in order to understand their frustration at the alarming rate of Chinese intrusion into small scale mining in the districts.

Interviews were conducted with community leaders such as traditional (local) chiefs, elected councilors (assembly members as they are known in Ghana) as well as local government officials including District Chief Executives (mayors), Coordinating Directors, Planning Officers and Finance Officers. In addition, the views of some natives whose farmlands are being endangered by illegal Chinese mining activities in the areas was sought to appreciate the veracity of the threat to livelihoods posed by *galamsey*. The local government actors offered a local development perspective by highlighting the challenges of illegal mining to the local economy, and the need for regulatory agencies to strengthen the enforcement of mining codes aimed at eliminating



the Chinese invasion of concessions in mining communities.

#### **DEALING WITH CHINESE OPPORTUNISTIC INVOLVEMENT IN THE MAD RUSH FOR GOLD**

It is common knowledge that what drives many people into the mining industry is almost always linked to the quest to get rich quickly. It is therefore not surprising that the recent surge in gold prices has tremendously attracted Chinese migrants into rural areas in Ghana in search for gold. However, there have been several reports in the media (print and electronic, most of which are ugly) about the detention of Chinese nationals caught in illegal gold mining. Whereas some of these victims pay huge sums of money to local landowners and farmers to explore for gold, many of them tend to encroach on lands that have been legally acquired by licensed gold mining (Akabzaa and Darimani, 2001).

It is not uncommon for these registered companies to employ the services of security agencies such as the Ghana police service or even the military to undertake raids of these illegal mines. The reason why armed security contingents are used is because the illegal Chinese miners often wield offensive weapons and sophisticated arms and ammunitions. Even though the latter purport to be protecting themselves from armed robbers who might threaten the transportation of their precious metals to urban commercial centres; this claim cannot be verified since there are several instances when these illegal miners fired shots indiscriminately, without any provocation, intimidating local residents. For instance in October 2011, it was reported that a Chinese teenager; Chen Long, who was only sixteen year old was shot dead after he fired a rifle to resist arrest by a joint mission of police and immigration officers who were flushing out illegal immigrants

in the gold industry in the Ashanti region. It turned out that dozens of these illegal miners neither had work and residents permits nor the requisite license to operate a small scale gold company. Consequently, about 40 of these illegal immigrants were duly deported.

In recent times, Civil Society Organizations have stepped up their campaigns, agitating for improved standards of living in mining communities. The formation of the National Coalition on Mining (NCOM) has further intensified the momentum of lobbyist to demand appropriate action in the form of policies and the enforcement of mining regulations. They are seriously perturbed by the extent of deprivation and misery faced by people in local communities where illegal mining continues unabated (Hilson and Yakovleta, 2007). Land owners who offer their lands to these gold merchants are unable to use the lands for farming afterwards because the large pits they dig are often left uncovered, causing significant physical destruction to the environment which consequently leads to loss of livelihoods. The work of the Environmental Protection Agency (EPA) in preserve the sanctity of natural resources in mining communities leaves much to be desired (Hilson and Potter, 2003).

#### **PERSPECTIVES FROM LOCAL GOVERNMENT LEVEL**

It is important to note that every local government authorities in Ghana are enjoined by law to take full responsibility for development management in their areas of jurisdictions. The Local Government Act 1993 (Act 462) equips Metropolitan, Municipal and District Assemblies with executive, legislative, deliberative and administrative powers. Local councils are empowered to exercise administrative authority, provide guidance, give direction to, and supervise all other administrative authorities within any given district; formulate and execute plans,



programmes and strategies for the effective mobilization of resources necessary for the overall development of the district; promote and support productive activity and social development in the district by removing obstacles to initiative and development; initiate programmes for the development of basic infrastructure and provide works and municipal services in the district and must be responsible for the development, improvement and management of human settlements and the environment in the district. The combination of the aforementioned litany of powers and responsibilities of local governments reflects their capacity to tackle their development challenges to foster the achievement of their development goals. This certainly does not exclude districts with mineral deposits.

Many local government officials acknowledge the existence of laws and regulations for the acquisition of land but blame traditional leaders and land lords for releasing their lands to *galamsey* operators. They also indicated that the local government authorities generate revenue by issuing business operating permits to licensed small scale mining companies as well as local Chinese businesses that sell the inputs used by small scale miners. However, it is believed that a considerable amount of money is lost due to the inability of local government officials to reach out to the majority of illegal miners operating in the hinterlands. According to the District Coordinating Director in the Ashanti Region:

*“Lack of vehicles is impeding our capacity to undertake routine monitoring of physical development projects that we commissioned ourselves, how then can we take record of illegal mining networks so that we could issue our business operating permits to them. This is severely affecting our revenue mobilization targets”*

While this might appear to be a genuine concern,

the following options could be considered. Firstly, local government authorities must ensure that their sub structures, notable, the area councils and unit committees are functionally active and vibrant to support in revenue mobilization. In addition, the assembly members that represent these communities can be used as the conduit to sensitize local residents not to evade taxes and obtain business operating permits accordingly.



The operators of small scale mining companies in communities where the phenomenon seem to be flourishing with the covert involvement of Chinese nationals accused politicians and policy makers including the Ghana Minerals Commission for promoting illegal mining. They claim that partisan politicization of debates on the legalization of small scale mining to create more jobs for the youth in mining communities has further exacerbated the phenomenon. An interviewee reiterated that:

*“efforts to ban galamsey in this area will fail woefully because politicians promised that they were going to legalize it so that people can earn some money to alleviate their poverty. How then can they break their promise after securing our votes, that galamsey will be banned. That is impossible!”*





It was obvious that local chiefs were unhappy about the spate of environmental damage, incidence of crime, alleged prostitution and the threat to the education of young people in the community owing to the mad rush for gold syndrome. Traditional leaders expressed their willingness to cooperate with regulatory bodies such as the Ghana Minerals Commission, the Environmental Protection Agency and the District Assembly as well as Civil Society Groups and Non Government Organisations (NGOs) to find a lasting but enduring solution to the menace. From the two districts that were visited, the officials of the assemblies unequivocally stated that they have always planned to tackle illegal mining by promoting the registration of local companies to enable them contribute positively to the growth of the local economy. A Municipal planning officer in the East Akim Municipality noted that financial constraints have always undermined their ability to implement strategies aimed at managing the fraudulent gold trade. This raises questions as to whether local authorities actually perceive *galamsey* as a major development priority.

#### CONCLUSION

Ghana is often hailed as a net exporter of gold; a reputation it obtained due to the huge quantities of gold produced per annum. Even though the commodity has been the country's highest foreign exchange earner for decades, studies have shown that mining communities have benefited little compared to what goes to central government and large multi-national mining companies (Awudi, 2002; Hilson and Potter, 2005). The implications of this situation for Metropolitan, Municipal and District Assemblies that have mining communities where there is evidence of Chinese participation in the local gold mining industry cannot be underestimated. It is affirmed that serious environmental degradation is

underway in most of these communities, creating a lot of discontent amongst rural folks. The alarming rate of indiscriminate gold mining at the behest of Chinese illegal miners has left many people wondering as to whether foreign nationals can also replicate what the Chinese are perpetrating in Ghanaian mining communities in China. It seems foreign businesses that supply inputs to 'supposed' locally owned small scale companies are rather abusing Ghanaian mining codes by providing heavy machinery such as bulldozers and excavators to operate on designated lands that are indirectly managed by Chinese illegal gold cartels.

The study also revealed that local government authorities face serious capacity challenges that worsen their financial ineptitude. The resulting consequence of this situation is an affront to the fight against illegal gold mining. One could argue that lack of political will and effective leadership may be responsible for the politicization of issues that border on illegal gold mining. Mayors find it difficult to arrest and clamp down on *galamsey* operators because periodic swoops initiated by the Assemblies in conjunction with the Ghana Police Service and the Military make the ruling government unpopular. There are also serious questions about the enforcement of environment by-laws and regulations due to weak coordination between regulatory agencies such as the Environmental Protection Agency, the Minerals Commission and the Metropolitan, Municipal and District Assemblies. This is largely due to lack of decentralized departments of the EPA and the Mineral's Commission at the local level.

At this juncture, it is important to re-examine the country's quest to attract foreign investors to ensure that potential investors and those who assist them to implement their investment decisions stick to 'the rules of the game'. This



might require a thorough assessment of visa applications to Ghana by Chinese migrants to ensure that they obtain appropriate documentation that defines permissible and prohibited areas of investments. At the local government level, a comprehensive assessment of the social cost of illegal mining would be imperative in two ways. Firstly, it will enable local government authorities to ascertain the enormity of the challenges posed by mining and the resources required to deal with them. Secondly, a proper assessment will guide the design of mitigation strategies that might be introduced to uplift local communities from the ills of illegal artisanal mining. Even though local government officials proclaim to be addressing the mad rush for illegal gold; how effective these efforts turn out remain to be seen and evaluated by the people. Until such time that a reasonable consensus is reached by all relevant stakeholders at the local level with respect to dealing with the Chinese intrusion into the local gold mining industry, local government authorities would be seen to be taking a very long doze.

**NOTES:**

\* **Hamza Bukari Zakaria** is a Doctoral Researcher at Institute for Development Policy and Management (IDPM,) School of Environment and Development (SED), the University of Manchester.

1. Akabzaa, T., Darimani, A., (2001). Impact of Mining Sector Investment in Ghana: A Study of the Tarkwa Mining Region. Draft Report for SAPRIN, Washington DC.
2. Appiah, H., (1998). Organization of small scale mining activities in Ghana. The Journal of the South African Institute of Mining and Metallurgy. November/ December, 307–310.
3. Awudi, G. B. K., (2002) 'The Role of Foreign Direct Investment (FDI) in the Mining Sector of
4. Ghana and the Environment'. Paper presented at the conference on 'Foreign Direct

*Investment and the Environment', OECD, Paris (7–8 February).*

5. Banchirigah, S. M., (2008). Challenges with eradicating illegal mining in Ghana: A perspective from the grassroots. Resource Policy. 33: 29–38.
6. Ghana Chamber of Mines (2006). Ghana Chamber of Mines Factoid 2006. Ghana Chamber of Mines, Accra. See <http://ghanachamberofmines.org/internet/index.phpS>.
7. Government of Ghana (1989). Small-Scale Gold Mining Law 1989, PNDC Law 218.
8. Gu, J., (2009). China's Private Enterprises in Africa and the Implications for African Development. European Journal of Development Research Special Issue, Vol. 24, No. 1.
9. Hilson, G., Potter, C., (2003). Why is Illegal Gold Mining Activity so Ubiquitous in Rural Ghana? African Development Bank. Blackwell Publishing, Oxford.
10. Teschner, B. A., (2012). Small-scale mining in Ghana: The government and the galamsey. Resources Policy 37 (2012) 308–314.
11. Hilson, G., Potter, C., (2005). Structural adjustment and subsistence industry: artisanal gold mining in Ghana. Development and Change 36 (1), 103–131.
12. Natalia (2007). Strained relations: a critical analysis of the mining conflict in Prestea, Ghana. Political Geography 26, 98–119.
13. Hilson, G, and Yakovleta, N., (2007). Strained relations: a critical analysis of the mining conflict in Prestea, Ghana. Political Geography 26, 98–119.
14. United Nations Economic Commission for Africa (UNECA) (2011). Minerals and Africa's Development: The International Study Group Report on Africa's Mineral Regimes. Addis Ababa, Ethiopia: UNECA.