

INTERNATIONAL FINANCE AND THE EXTRACTIVE INDUSTRIES IN GHANA

The extractive industries in Ghana is dominated by mining of solid minerals such as Gold , diamonds , bauxite , aluminum, manganese etc. It is estimated that mining accounts for 5% of the country's GDP, 30% of exports, and about 11% of the Government's fiscal revenues. Gold production alone accounts for about 95% of total mining export proceeds.

The overall legislative framework for the mining sector in Ghana is provided by the Minerals and Mining Law of 1986, as amended by the Minerals and Mining (Amendment) Act of 1994; the Minerals Commission Law of 1986; and the Small-Scale Gold Mining Law of 1989.

Under the Minerals and Mining Law, mining companies must pay royalties of no less than 3% of their gross revenues and, depending upon their profitability rate, up to 12%; companies may also pay corporate taxes at standard rates. Companies are exempt from custom duties on accessories, equipment, machinery, and plants used for mining operations, but must pay local property taxes on their immovable properties.

Government is committed to pursuing policies that will attract investment in the mining industry so far the mining industry has attracted over US\$11,634.00 million from 1990-2007 (Minerals Commission) table attached. This heavy inflow into the sector can be attributed to the stable economic environment and the good policies pursued by Government.

The recent entry into the country's mining industry of world class companies, like AngloGold and Newmont, is an evidence of the appropriateness of government policy direction.

It is worthy to note that in the past years, the World Bank has promoted extractive sector reforms in a number of African countries including Ghana,, through support in trade and investment liberalization; privatization of state owned extractive companies; institution and capacity building apparently to improve conditions for foreign direct investment in the extractive sector; and direct finances of private sector extractive industry projects through equity and loans and guarantees.

The World Bank affiliates have helped fund major private sector extractive projects e.g. IFC from just \$22million at the end of the 2004 fiscal year, IFC investment portfolio in Ghana has climbed to over \$160 million today. In 2006,

\$125 million was approved for Newmont Mining Corporation for the Ahafo gold mine in the country.

It is expected that the Government of Ghana will over the 20-year mine life receive taxes, royalties, and profit participation totaling an estimated \$140million (discounted at 10%). It is also expected that the project will provide full time employment to about 450 people when fully operational.

INVESTMENT INFLOW INTO MINING SECTOR

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A. PRODUCING COMPANIES

	Equity (US\$m)	Senior Debt (US\$m)	Shareholder Debt (US\$m)	Total (US\$m)
1983	6.00			6.00
1984		58.04		58.04
1985	93.80	81.22		175.02
1986				-
1987	1.00	5.90		6.90
1988				-
1989	6.06	197.25	1.93	205.24
1990	18.51	159.10	90.91	268.52
1991	9.90	18.31	59.02	87.24
1992	152.95	155.00	113.35	421.30
1993	1.06	5.70		6.76
1994	3.00	7.07		10.07
1995	7.32	2.44	14.21	23.97
1996	11.02		68.75	79.77
1997	19.93	60.84	137.46	218.23
1998	27.60	131.76	13.43	172.79
1999	35.33	41.19	77.31	153.84
2000	7.76	15.09	6.25	29.09
2001	28.50	50.13	30.00	108.63
2002	40.50	45.00	25.00	110.50
2003	40.58	160.19	155.03	355.80
2004	98.42	442.35	55.00	595.77
2005	139.56	754.00	85.00	978.56
2006	254.60	1,084.95	120.00	1,459.54

2007*	290.00	1,250.00	120.00	1,660.00
TOTAL	1,293.40	4,725.51	1,172.64	7,191.56

* Provisional figures

Source: Finance and Research Unit, Minerals Commission

B. PROSPECTING COMPANIES

	Operating Expenses (US\$m)	Capital Expenditure (US\$m)	Total (US\$m)
1990	99.61	30.11	129.73
1991	133.18	58.90	192.08
1992	121.54	52.56	174.10
1993	228.36	28.78	257.13
1994	72.21	16.05	88.25
1995	46.83	94.16	140.99
1996	50.06	644.93	694.99
1997	33.51	288.52	322.03
1998	37.90	25.34	63.24
1999	14.66	9.53	24.19
2000	170.20	9.20	179.40
2001	130.20	15.01	145.21
2002	180.05	50.44	230.49
2003	188.54	60.13	248.67
2004	200.51	75.36	275.86
2005	315.00	89.00	404.00
2006	338.85	90.00	428.85
2007*	379.00	98.00	477.00
TOTAL	2,740.21	1,736.01	4,476.22

* Provisional figures

Source: Finance and Research Unit, Minerals Commission

C. MINE SUPPORT SERVICE COMPANIES

Working Capital (US\$m)	Capital Expenditure	Total (US\$m)
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(US\$m)

1997	35.30	17.46	52.76
1998	20.07	11.41	31.48
1999	105.00	26.25	131.25
2000	10.23	12.24	22.46
2001	10.49	14.56	25.04
2002	5.15	16.35	21.50
2003	12.59	22.42	35.01
2004	15.76	24.36	40.12
2005	21.64	23.36	45.00
2006	17.75	25.80	43.55
2007*	-	-	-
TOTAL	253.96	194.19	448.16

Source: Finance and Research Unit, Minerals Commission

TOTAL INVESTMENT (US\$M)

1990	398.25
1991	279.32
1992	595.40
1993	263.89
1994	98.32
1995	164.96
1996	774.76
1997	593.02
1998	267.51
1999	309.28
2000	230.96
2001	278.87
2002	362.49
2003	639.47
2004	911.74
2005	1,427.56
2006	1,931.94
2007*	2,107.00

TOTAL 11,634.00