

EITI Workshop, 15th July 2006, Sunyani

Contributions of Mining Companies to their Host Communities-Issues

Mineral Royalty

- Ownership of Minerals
 - ❖ **Every mineral** in its natural state in, under or upon any land in Ghana, rivers, streams water courses throughout the country, the exclusive economic zone and any area covered by territorial sea or continental shelf is the **property** of the **Republic** and is vested in the **President in trust** for the people of Ghana –section 1 of Minerals & Mining Act 2006 (Act 703)

Disbursement of Stool Lands Revenue

- **Administrator of Stool Lands**

 - Takes 10% of Gross Amount Received to Cover its Administrative Costs.

- **The Remaining 90% is distributed as follows:**

Beneficiary	Share (%)
Stools	25
Traditional Authority	20
District Assembly	55

Source: Section 267(6) of Constitution

Does Constitutional Requirement Apply to Mineral Royalties?

- Technically not
 - Because minerals are the property of the Republic of Ghana, vested in the President in trust for the people of Ghana.
 - ⑩ Hence Paid into Consolidated Fund
 - ⑩ Land revenues include ground rent and allied payments but not mineral royalties
- However by Administrative Fiat Government decided to disburse 10% of Mineral Royalties according to Section 267(6) of the 1992 constitution.

Concerns

- **Though Government has been Generous by its fiat, it is felt that the amount that gets back to the Host Communities is not adequate.**
- **Practices elsewhere and equity requires that a significant proportion is returned to Host Communities.**
- **No visible manifestation of the use of Mineral Royalties in Mining Districts.**

Current Disbursement of Mineral Royalties

Beneficiary	Share (%)
Government in Consolidated Fund	80
Minerals Development Fund	10
Office of the Administrator of Stool Lands	10
❖ Administrator of Stool Lands takes 10% of the 10% it receives to cover administrative costs and the remaining 90% is apportioned as follows:	
● District Assemblies	55
● Stools	25
● Traditional Councils	20

Disbursement of Mineral Royalty to the Districts (millions of Cedis) 2005

	District Assembly	Stool	Traditional Council
% share of Mineral Royalty	4.95	2.25	1.80
Wassa West	8,180	3,718	2,975
Adansi West	2,351	1,068	855
Bibiani Ahwianso Bekwai	872	396	317
Mpohor Wassa West	510	232	185

Royalties Disbursement- Factors to Consider

Derivation

- Return Mineral to the district where it can be best estimated that it came from
- **Per Capita Distribution**
 - Give each district a share equal to its share of country's population (proxy for need)
- **Balanced Development**
 - Backward Gets more than the Relatively Advanced

Proposed Model

- **An Iterative Approach**
 - **Top Down**
 - **Allocate from Royalty Proceeds**
 - **Bottom Up**
 - **Allocate based on Cost of Planned Development Projects at the Mining Districts**

Proposed Formula (Top- Bottom Approach)

<i>Element</i>	<i>%</i>
Derivation	25
Per Capita Distribution	30
Balanced Development	15
Government Overheads	20
Minerals Development Fund	10

Amount to districts could be shared such that the current quantum to the Administrator of Stool Lands, Stools, and Traditional Councils would be unchanged. **The rest would go into infrastructure development**
Formula not cast in Stone

Comparison of Gross 2004 & Proposed Situations

District	2004 Mineral Royalty (billions of cedis)	Proposed Mineral Royalty (billions of cedis)	% Increase
Wassa West	13.9	35.9	157
Adansi West	4.3	11.8	171
Bibiani Ahwianso Bekwai	2.1	5.8	182

Gross interest increase in plough back is about 30-40% from the current 10%
Percentages may not compute exactly due to rounding up.

Bottom Up Approach

- Consult Mining Districts and Agree Development Projects to Enhance Communities' Livelihood
- Cost Projects and Feed into Model.
 - Vary Proportions in Top-Down Approach and Adapt Costs of Projects to Achieve Match

Limitations

- **Development Index of District**
 - Basis is subjective, therefore obtain a more objective basis.
- **District or Host Community?**
 - Model refers to districts whereas the emphasis would appear to be the immediate host communities, who should benefit from the increased plough back.
 - Select Projects that directly benefit the host communities.

Property Rate Payments by Mining Companies 2005

District Assembly	Millions of Cedis
Wassa West	1,831
Adansi West	676
Bibiani Ahwianso Bekwai	380

Producing Chamber Members' Socio-economic Contribution to Host Communities (USD) 2003

Sanitation	4,474,336
Electricity	2,872,389
Health	2,727,396
Housing	1,820,665
Water	790,000
Education	405,150
Resettlement	311,308
Roads	170,324
Agro-Industry	143,232
Agriculture	90,074
Other Alternative Livelihood Projects	2,000
Total	13,806,874