<p style="text-align: justify;">Ghana stands to reap greater benefits from improved local procurement in the mining sector than it is currently getting from relying on royalties and corporate taxes; various experts have stated in the light of centuries of exploitation of the mineral resources of the country without much to show for it. The World Bank, the Ghana Chamber of Mines, Civil Society Organisations (CSOs) and academics agree that when mining companies buy more local goods and services than they are presently doing, the country will gain over fourfold more than it is garnering from royalties from multinational miners. </p> <p style="text-align: justify;">The procurement expenditure-royalty revenue dichotomy is exemplified by Newmont Ghana, a subsidiary of United States-based Newmont Mining Corporation, which spent over US$100 million on procurement since 2006 but paid royalties less than a quarter of that amount. In 2007, Newmont Ghana expended about US$101 million on procurement and paid less than US$9 million as royalties.</p> <p style="text-align: justify;">In a well-researched paper, "The Drive to Increase Local Procurement in the Mining Sector in Africa: Myth or Reality," Mr Chris Hanhin of Social Business Solutions Ltd., an East and Southern Africa company, decried the disturbing local procurement situation on the continent. Mr Hanhin noted: "This approach has a direct and continued impact on procurement throughout the life cycle of a mine and serves to, by default, limit the percentage of the procurement potential that is available for exploitation by the local economy. Despite the obvious potential that such commercial developments could afford for local revenue, local suppliers are seldom used and an indigenous service and supply sector for the mining industry has not developed to any significant extent outside of Ghana and South Africa."</p> <p style="text-align: justify;">In a similar vein, Mr Daniel Twerefour, a senior lecturer at the University of Ghana, has pointed out that, the failure of Ghana's mining sector to contribute meaningfully to the Gross Domestic Product (GDP) of the country is a clear indication of the weak local content of its mining policy, resulting in ineffective management of mineral resources. Mr Twerefou was contributing at a symposium during the 63rd Annual New Year School held in January.</p> <p style="text-align: justify;">"The question is: who provides the services? The truth of the matter is that Ghana is not able to take advantage because we don't have the capacity to supply these goods and services. Eventually, foreign-based companies make supplies in Ghana. It is important for government to put in place the appropriate legal framework to allow a considerable chunk of procurement money to stay in Ghana," asserts Mr Emmanuel Kuyole, Africa Regional Co-ordinator of the Revenue Watch Institute.</p> <p style="text-align: justify;">Maximise Gains
"One area government could maximise gains from the mining companies and create more jobs is the procurement sector because the companies procure a lot of goods and services in the countries in which they operate," says Mr. Kuyole. In an interview with the Public Agenda in Accra, Mr. Kuyole said even though Ghana could obtain much more revenue from local procurement in mining than from royalties, the government is not utilising the available opportunities.</p> <p style="text-align: justify;">He was reacting to a recent World Bank report published in Public Agenda of February 10, 2012 which stated that increasing local procurement in mining would spread the benefits of mining more evenly across a country's economy by creating jobs and stimulating the sustainable development of local enterprises. Focusing on Ghana, Guinea and Senegal, the report, "Increasing Local Procurement by the Mining Industry in West Africa," posited that mining companies can boost eco-nomic growth in the West African sub-region by buying more equipment, supplies and services from local companies.</p> <p style="text-align: justify;">According to��� Dr. Obiageli Ezekwesili, World Bank Vice President for the Africa

Region, "A key message of the study is that international mining companies need to be transparent about informing local communities on procurement opportunities, so that these communities can benefit economically from mining operations."</p> <p style="text-align: justify;">Mr. Kuyole said the report is merely repeating what CSOs have been advocating for years to no avail, adding that the World Bank has undertaken the study due to its renewed focus on the extractive industry in the wake of the ongoing financial crisis in the West, especially in the Eurozone.</p> <p style="text-align: justify;">More Revenue than Royalties
While emphasising that the contents of the report are not new, and concurring that local procurement in the mining industry generates more revenue than royalties paid by mining companies, Mr Sulemanu Koney, Director of Analysis, Research and Finance at Ghana Chamber of Mines, has difficulties in conceding that local capacity is lacking. "I think we have adequate local capacity to provide the products and services. If it comes to activated carbons, we have the raw materials. We have steel, palm kennel and coconut shells," Mr. Koney told Public Agenda.</p> <p style="text-align: justify;">He explicated that a Supply Manager's sub-committee has identified 27 products which are either being manufactured in Ghana or should be assessed for import substitution potential. The products include yelomine pipe, rock-bolts and split-sets, caustic soda, ventilation ducting, ammonium sulphate, mill liners, grinding media, cement and its products, calico bags, bullion boxes, among others.</p> <p style="text-align: justify;">But Mr. Kuyole insisted that the government needs to build local capacity to grab the opportunities in mining procurement. "If Ghanaian companies can be made to produce the equipment and provide the services, then Ghana will gain from procurement than it is currently doing from royalties,"��� he stressed. On royalties, Mr. William Tewiah, Managing Director of Holman Petroleum, a local supplier of fuel to mines, was more categorical: "Forget about royalties. Local content can contribute more than ten times what we get from royalties. The multinational mining companies undertake in their agreements and policies to promote local content But the problem with local content is, first, for the multinationals to stop the lies and trickery and take steps to implement plans that help local companies to grow to become world-class entities that expand to parts of the West African sub-region like Burkina Faso."</p> <p style="text-align: justify;">Disincentivising experience
Narrating his company's disincentivising experience with one particular transnational mining company (name withheld) to Public Agenda as a microcosm of the manner in which local enterprises are treated by the multinationals, Mr. Tewiah said the second problem with local content is how indigenous businesses could be encouraged to recruit first- class experts to produce and provide global-standard products and services required by the multinationals.</p> <p style="text-align: justify;">The World Bank report recommended that international miners need to ensure that local companies have full, fair and reasonable access to opportunities, and share information on their procurement needs. Thus, the cross-boundary miners, the report diagnosed, should help identify and assess the viability of suitable products and services for local supply, and broaden access to tenders and requests for quotation. Mr. Tewiah viewed this position of the report as practically problematic.</p> <p style="text-align: justify;">For this recommendation to be implemented effectively, Mr Tewiah believed "Ghana needs to have a cross-party consensus on local content for the multinationals not to manipulate us and exploit our differences. All parties have to get together because local content is something every Ghanaian will benefit from. Until we do that we are playing into the hands of the multinationals. It's for every Ghanaian to create awareness about local content and not politicians. We need to produce role models in local content for the coming generations to emulate. Though I get some contracts from a few multinationals, I will not be content until all local companies benefit from local content."</p> <p style="text-align: justify;">He debunked the excuse often given by the multinationals that local companies do not have sufficient money, and the required experience and expertise to supply and provide high quality goods for the mining companies to patronize.</p> <p style="text-align: justify;">"My disappointment about this argument is that some local companies like mine employ the best expertise from any part of the world which these very multinationals use elsewhere, and apply best international practices. But they turn round and say we don't have expertise. They make a lot of noise about helping local companies but in our case the multinational company in: question rejected our tender bid which was significantly cheaper and technically superior to that of the incumbent supplier, a multinational oil marketing company. My experience is that as soon as a Ghanaian company wants to grow to compete with a multinational, they [mining companies] act less enthusiastic about abiding by the provisions in their agreements to promote local content," he averred.</p> <p style="text-align: justify;">Implementing Local Content
Despite Mr Tewiah's strong assertions, Mr Koney contended that the multi-state conglomerates such Newmont Mining Corporation and Anglogold Ashanti have helped many companies like La Beach Hotel, Western Forgeries and Tema Steel Ltd to develop by implementing their local content policies. He intimated that the International Finance Corporation, the Minerals Commission and the Chamber of Mines have undertaken a memorandum of understanding to contract Kaiser Partners to provide consultancy services in a gap analysis initiative that has identified 27 local product categories.</p> <p style="text-align: justify;">He said local companies should stop complaining about being given a raw deal, and employ the "competitive advantage" they have to utilise the many opportunities available in the mining sector for local content development. He said local companies have some attitudinal challenges which deter them from maximizing the benefits from local content.</p> <p style="text-align: justify;">Queried about the non-consultative and unilateral nature of the chamber�s local content policy development process, Mr. Koney put it thus: �Of course, it is for us. We are partnering government through the Minerals Commission. It is an internal policy so we take responsibility for it." Yet the World Bank report recommends that West African governments should work with the mining giants, suppliers and civil society to strengthen definitions and indicators for measuring local procurement.</p> <p style="text-align: justify;">Ironically, CSOs are discontent with the operations of the Chamber's local content policy because it allows the multinationals a leeway to outsmart local companies by giving contracts to expatriate enterprises which they favour, and using compromising indigenous businesses as fronts for the foreign mining behemoths. Calling passionately for a review of the current legal and regulatory framework for local content in Africa, Mr Kuyole was emphatic: "There is a lack of coherent national development of local content. The role of mining is not well integrated, and we don't see the role of mining as a catalyst for socio-economic development. In Ghana, we don't have a very coherent local content policy."</p> <p style="text-align: justify;">He said the Mining Act is being flouted by the multi-nationals while it is being enforced to encourage the growth of local companies as the stability agreements the government has with the external companies undermine the realistic promotion of local content "There is no proactive policy to build local industries. Beyond local content; you have to develop policy in an integrated and targeted approach. It is the duty of central government and local authorities to come out with a policy that ensures transparency. There must be fair and competitive tendering processes."

The mining sector accounts for 5% of the country's GDP and minerals make up about 37% of total exports, of which gold contributes over 90% of the total mineral exports. Ghana is Africa's second largest gold producer, producing 80.5 tonnes in 2008. The country is also a major producer of bauxite, manganese and diamonds. The country has about 23 large- scale mining companies which produce gold, diamonds, bauxite and manganese. The sector contributes to government revenues through the payment of mineral royalties, employee income taxes and corporate taxes.

Source: Public Agenda</p>