

Diagnostic Facility for Shared Growth – 3rd Call

Ghana and Zambia: Micro-Macro Mining Sector Benefits

1. Objective(s) of the proposed work:

At the macroeconomic level mining has been the most important industrial sector in both Ghana and Zambia for most of the time since their independence, led by gold in Ghana and copper in Zambia. Nevertheless, there is often a great amount of dissatisfaction, controversy and lack of knowledge with respect to the benefits of this sector to local communities and sub-national regions, whether one is concerned with employment, income, or service provision. The uncertainty surrounding the sector's impact makes it difficult to make policy recommendations with confidence. Part of the problem arises from the fact that, unlike in the past, modern large mining operations generally do not need many workers so the perception is often that the benefits are limited and highly concentrated. However, these same operations do generate substantial employment through outsourcing (and sub-contractors to sub-contractors). The amount that is procured locally or nationally depends on the extent to which linkages have been developed over time. In addition, of course, there are the multiplier effects of the expenditures of the mine and sub-contracting firms' employees. Finally, the mining operations often pay large amounts of tax revenues, the expenditure of which can generate more jobs and incomes as well as provide social and infrastructure services.

However, almost all reports on employment and incomes generated by mining operations are based on the use of limited data, parameters drawn from the general literature and educated guesses. In this context, the main objectives of this work are: (1) For one large well-established mining operation in Ghana and two large mining operations in Zambia¹, carefully quantify the amount of employment and income generated directly (in the mine), indirectly (through sub-contracting) and via multiplier effects, as well as any service delivery provided directly by the mining operation; (2) Quantify the amount of employment, income, and service delivery provided in the area of the mine through the use of fiscal revenues collected from the mining or related operations; (3) Project for the entire economy the amount of employment and income generated directly, indirectly and via multiplier effects by the large mining sector; and (4) Based on the analysis in parts (1) to (3), make policy recommendations that could increase the amount of benefits generated by large mining operations and expand the inclusiveness of these benefits at the micro and macro levels.

2. Technical and innovative aspects of the proposed work:

Objective 1: An important part of this effort will be collecting reliable micro data and integrating it with existing country data bases. While firm data is readily obtainable with respect to employment, income and outsourcing, surveys will have to be conducted on sub-contracting firms in order to collect data on their employment, salaries and inputs. The income earners will

¹ One of the Zambian studies will be funded from other sources. One of the Zambian case studies will be a mine established when local concerns, if considered at all, were done so in a paternal manner. The other study will be on a more recent mine, which began operations at a time when it was important to consider community concerns in a sustainable manner right from the beginning.

be differentiated according to income class and their propensities to spend on local, national and imported goods in order to obtain better estimates of the local and national benefits.

Objective 2: Tax revenues and royalties paid by the mining operation will have to be carefully traced as to its ultimate destination (national, sub-national or local governments). Analysis will then be undertaken of the use of this fiscal revenue and resulting job, income and service creation. It may be necessary to compare the local region with a comparable region not benefiting from mining revenues if a significant portion of the revenue goes back to the host communities.

Objective 3: The micro data will then be linked to existing data on the large mine sector in order to make macro projections.

Objective 4: Impediments to the amount and distribution of the benefits of the large mining sector will be made through analysis of policies (including the mining law) and programs affecting the sector, including appropriate capacity building of individuals and firms and infrastructure development. Recommendations will be made on policy and institutional reforms.

3. Relevance to country priorities:

In Ghana the study would complement strongly the work ongoing under in the Natural Resources and Environmental Governance (NREG) DPO. One of the objectives of NREG is to reduce social conflict issues in mining communities, many of which are due to the perceptions of the communities that they are not receiving their share of the benefits. This in-depth study will throw much greater light on the types of benefits that a typical mining community in Ghana receives (or does not receive) and what types of policies and programs could improve these benefits. The study could also feed into the larger planned cost/benefit analysis of the mining sector that the Minerals Commission in Ghana plans to undertake with NREG support.

The results of the recent EITI++ scoping mission in Zambia, whose ultimate goal is to develop a work program with the Ministry of Mines, concluded that “there is uncertainty over whose responsibility it is to ensure that communities in mining districts see tangible benefits from mining and what arrangements are needed to ensure that services and economic opportunities are delivered. The field of players is crowded, with central government agencies, local authorities and municipalities, ZCCM-IH (the state holding company), the Copperbelt Development Foundation, NGOs and the mining companies themselves all looked to by communities for support. Without significant progress in addressing this issue, there will remain a risk that mineral sector development fails to carry public trust and support.” The results of this study could help diminish the mistrust and recriminations that currently dominate public dialogue in Zambia. It will also allow for analysis of the effectiveness of the new approach to sustainable community development by modern mining operations.

4. Linkages with knowledge sharing, dissemination, and capacity building:

The study will be led by an international consultant, working in conjunction with a local firm or research center in each country. In turn they will have to work closely with the selected mining company, sub-contractors of that company, and local communities and governments, as well as the Minerals Commission in Ghana and Ministry of Mines in Zambia. The study will be disseminated through local and national workshops in each country as well as print and

electronic copies of the final product. The results should be of widespread interest throughout sub-Saharan Africa and in other countries with important mining sectors.

5. Client and donor engagement:

In Ghana the TTL and individuals involved in the study will work closely with the Minerals Commission to ensure that all of the main factors are being considered in the analysis and that work done in this study complements the work being done under NREG. In Zambia, the TTL and consultants will work closely with the Minerals of Mines and the EITI++ scoping team as the results of the study will be an important input in the design of their work program. In both countries civil society organizations and NGOs will be kept closely informed of the work in order to increase the acceptance or validity of the results and act as a natural link to mining communities.