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**LOCAL CONTENT AND LOCAL PARTICIPATION IN THE MINING INDUSTRY:  
CHALLENGES, PROSPECTS, AND THE WAY FORWARD**

**By**

**AHMED TIJANI  
(Student No. u22907107)**

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**Prepared under the supervision of**

**Adv. Lloyd Kuveya**

**Member, Executive Committee**

**Centre for Human Rights**

**University of Pretoria**

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## DEDICATION

I dedicate this project to the name of Allah, the Entirely Merciful, the Especially Merciful.

All praise is Due to Allah, Lord of the worlds,  
The Entirely Merciful, the Especially Merciful,  
Sovereign of the Day of Recompense,  
It is You we worship, and You we ask for help.  
Guide us to the straight path.

Whatever has been accomplished and whatever has been the product of every endeavor, there is the manifest presence of Allah; the great source of all effort, striving, guidance and gracious blessings without whom this task would have been impossible.



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## ABSTRACT

One of the main contentious issues within the mining sector is the embedment of the indigenous communities and companies within the mining activities that happen in the communities where minerals are extracted. This necessitated the emergence of a concept known as local content by policy makers. This concept tried to bridge the gap between indigenous companies and multinational companies in terms of employment and contracts. The primary aim in this study is to examine local content and participation in the mining industry of Ghana. The challenges, prospects, and the way forward were also considered. Firstly, the study looks at how effective the local content policy/legislation has fared within the Ghanaian mining sector. Secondly, the challenges of the local content policy were considered. And finally, the recommendation for policy decisions and considerations were properly assessed.

The findings revealed that one of the main challenges of the local content policy is that indigenous companies are poorly structured and have limited capacity to do business in the extractive industry of Ghana. Also, some of the local companies have limited financial capacity to deliver on large contracts, and even lack international certifications such as the International Organization for Standardization (ISO). Additionally, the result suggests that there is a promising future for the local content policy, particularly in the small-scale mining sector. Essentially, building the capacity of the local population is a fundamental requirement to achieve the necessary level of expertise and skill. The government of Ghana, in collaboration with operating companies and other stakeholders, have obligations to make sure that there are initiatives and programs for Ghanaians in the mining sector.

**Key Words:** Local content, Local participation, Local content policy, Ghana, Mining.



## LISTS OF ABBREVIATION

LCPs	Local Content Policies
SAP	Structural Adjustment Programme
L.I	Legislative Instrument
CSR	Corporate Social Responsibility
EDC	Enterprise Development Centre
IOC	International Oil Companies
SMEs	Small and Medium Enterprises
FDI	Foreign Direct Investment
ISO	International Organization for Standardization
EHS	Environment, Health, and Safety
CEO	Chief Executive Officer
GNASSM	Ghana National Association of Small-scale Miners
PMO	Policy Maker Official
POCO	Private Mining Company Official
UNCTAD	United Nations Conference on Trade and Development
LCC	Local Content Committee
SME	Small and Medium Enterprise



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## CHAPTER ONE - INTRODUCTION

### 1.1 Background of the study

Globally, countries are excited when they discover natural resources because of its contribution to their economies and the well-being of their people.<sup>1,2</sup> In countries where there are insufficient natural resources and a lack of technical know-how, RA Kelanic *Black gold and blackmail: oil and great power politics* (2020)<sup>3</sup> mentioned that expatriate firms mostly hired to exploit local people. To fully reap the benefit for their countries, governments and their agencies usually develop policies that will ensure that their citizens also enjoy some of the benefits.<sup>4</sup> The Minerals and Mining Act, 2006 (Act 703) as amended; Minerals and Mining (Amendment) Act, 2015 (Act 900) and the Minerals Income Investment Act, 2018 (ACT 978) are the foundational base of the policies that governs the conduct of mining companies and how the revenue generated from the minerals resources will be shared between the government and the mining companies.<sup>5</sup> This is similar to the “revenue management bill,” which prescribes how the revenue generated from petroleum resources is being spent by the government. The most common framework is the “Local Content Development Policy, which is described as government imposing mandatory requirements on mining companies procure, and employ labour from the local markets”.<sup>6</sup> These policies generally aim to create further benefits to the economies of the host nations beyond the direct contribution of the sector but through activities that link to other sectors of the economy.<sup>7</sup>

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<sup>1</sup> Ackah, CG & Mohammed, AS *Local content law and practice: the case of Ghana. In mining for change* 139 160 (Oxford University Press 2020)

<sup>2</sup> Hartwell, CA, Horvath, R, Horvathova, E & Popova, O Democratic institutions, natural resources, and income inequality (2019) 61(4) *Comparative Economic Studies* 531 550.

<sup>3</sup> Kelanic, RA *black gold and blackmail: oil and great power politics* (Cornell University Press 2020)

<sup>4</sup> Stoicheff, CW ‘The policy of foreign takeovers in Canada's non-renewable resource sector’ Doctoral dissertation, University of Saskatchewan 2017

<sup>5</sup> Ba, DG & Jacquet, JB Local content policies in West Africa's mining sector: Assessment and roadmap to success. (2021) *The Extractive Industries and Society* 101 030

<sup>6</sup> Alhajri, A *Local Content Development as a Sustainable National Economic Strategy: Lessons Learned from Oman'S Oil & Gas Industry* (Michigan State University 2021)

<sup>7</sup> Narula, R & Zhan, J Using special economic zones to facilitate development: policy implications (2019) 26(2) *Transnational Corporations Journal*



Literature has revealed that countries that are rich in natural resources usually experience slow economic development,<sup>8,9</sup> as well as poverty, as the extraction of natural resources is unable to translate into a sustained economic growth.<sup>10</sup> Mining communities and nearby areas may not benefit fully from the wealth of their minerals and can also be exposed to increased poverty, particularly during bust periods.<sup>11</sup> This phenomenon is described as the “the resources curse”.<sup>12,13</sup> The United Nations Development Program regional bureau for Africa noted that the resource curse is particularly known by African countries.<sup>14</sup> P Ackah-Baidoo ‘Implementing local content under the Africa Mining Vision: an achievable outcome?’ (2020) 41 *Canadian Journal of Development Studies* 486<sup>15</sup> described sub-Saharan African countries that are rich in natural resources as an “enclave economy”, which is disconnected from other sectors. An enclave economy is characterised by an export-oriented industry dominated by multinational corporations extracting mineral resources from another country. Globally, the continent has been identified as having less diversified export bases, with the United Nations Conference on Trade and Development *World Investment Report 2019: Special economic zones* (2019) 126<sup>16</sup> stating that close to 50% of its exports are in the form of oil and solid minerals. Within the continent, Nigeria and Angola are identified as the top two producers of petroleum products,

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<sup>8</sup> Jahanger, A, Usman, M, Murshed, M, Mahmood, H & Balsalobre-Lorente, D The linkages between natural resources, human capital, globalization, economic growth, financial development, and ecological footprint: The moderating role of technological innovations (2022) 76 *Resources Policy* 102 569

<sup>9</sup> Usman, M & Balsalobre-Lorente, D Environmental concern in the era of industrialization: Can financial development, renewable energy and natural resources alleviate some load? (2022) 162 *Energy Policy* 112 780

<sup>10</sup> Adika, G Economic growth dynamics between resource-rich and resource-poor countries in sub-Saharan Africa: The role of politics and institutions (2020) 32(3) *African Development Review* 303 315.

<sup>11</sup> Ba & Jacquet (n 5) 101

<sup>12</sup> Adams, D, Ullah, S, Akhtar, P, Adams, K & Saidi, S The role of country-level institutional factors in escaping the natural resource curse: Insights from Ghana (2019) 61 *Resources Policy* 433 440.

<sup>13</sup> Marques, AC & Pires, PS Is there a resource curse phenomenon for natural gas? Evidence from countries with abundant natural gas (2019) 63 *Resources Policy* 101 466.

<sup>14</sup> United Nations Development Programme-Regional Bureau of Africa. (2016). Primary

<sup>15</sup> Ackah-Baidoo, P Implementing local content under the Africa Mining Vision: an achievable outcome? (2020) 41(3) *Canadian Journal of Development Studies/Revue canadienne d'études du développement* 486 503

<sup>16</sup> United Nations Conference on Trade and Development (UNCTAD) *World Investment Report 2019: Special economic zones* (New York and Geneva: United Nations 2019) 126 206



whereby crude oil accounts for 93% and 98% of their exports respectively. Ghana, which is the second-largest producer of gold and the tenth in the world has been identified as facing similar challenges.<sup>17</sup> These challenges are also applicable to the country's large resource sector whereby minerals account for 40% of its export.

In efforts to address these challenges in mineral-rich African countries, Africa Mining Vision (AMV), which is “a pathway, formulated by African Heads of States in 2009 to put the continent's long-term and broad development objectives at the heart of all policy-making concerned with mineral extraction”, was established.<sup>18</sup> The organisation recognised that “unless the community where the mine is located benefits from the investment and infrastructure associated with the mine, it will remain an enclave.” As a result, the local content policy and legislation were developed.<sup>19</sup> In 1986, the country extended its support to the mining sector and propagated its first Minerals and Mining law. The legislation was made up of a number of tax incentives and reduced state participation in the sector to 10%, with the option of increasing it to 20%.<sup>20</sup> Further, in 2006, with the perspective of giving new energy to the contribution of the mining sector to the economic growth of the country, a new Minerals and Mining Act 2006 (Act 703) was enacted to encourage localisation and expedite the linkages of production. Specifically, section 50 (3) of Act 703 of 1986 seeks to encourage the participation of the local workforce in the sector.<sup>21</sup>

Although legislations and “local content policies (LCPs) possess the ability to stimulate economic development”, which is an essential tool in the alleviation of poverty and the sustainability of economic development and social outcomes in the oil and gas industry of Ghana, its implementation has, in most cases received mixed results in most developing

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<sup>17</sup> Amoah, P & Eweje, G ‘Barriers to environmental sustainability practices of multinational mining companies in Ghana: an institutional complexity perspective’ (2021) *Corporate Governance: The International Journal of Business in Society*

<sup>18</sup> Busia, K & Akong, C ‘The African mining vision: Perspective on mineral resource development in Africa’ (2017) 8 (1) *Journal of Sustainable Development in Africa* 145 192

<sup>19</sup> Ablo, AD ‘Scale, local content and the challenges of Ghanaians employment in the oil and gas industry’ (2018) 96 *Geoforum* 181 189

<sup>20</sup> Akabzaa, T ‘Mining in Ghana: implications for national economic development and poverty reduction’ (2009) *Mining in Africa: regulation and development* 25-65.

<sup>21</sup> Suleman, S & Zaato, JJ ‘Local Content Implementation and Development in the Upstream Oil and Gas Sector in Ghana: Contemporary Issues on Policy Management’ (2021)



economies that have these resources.<sup>22</sup> “This study, therefore, seeks to examine the challenges, prospects, and the way forward of local content policies in the mining sector of Ghana”.

## 1.2 Problem Statement

Policy researchers and experts have argued that the development and implementation of policies do not guarantee their successful operation.<sup>23,24</sup> According to Guyadeen and M Seasons ‘Evaluation theory and practice: Comparing program evaluation and evaluation in planning’ (2018) 38(1) *Journal of Planning Education and Research* 98 110,<sup>25</sup> the evaluations of such policies in most cases do not result in what they were developed for. This, according to DW Hubbard *The failure of risk management: Why it's broken and how to fix it* (2020)<sup>26</sup> is based on the fact that the ideas written on paper look good when documented, but usually fail when put into practice or they are being practiced wrongly or are not put into practice at all. In addition, citizens of mineral-rich African “countries believed that the wealth of the resources do not reflect or improve their living conditions. This is usually attributed to the” “mismanagement of its revenues”.<sup>27,28</sup> Ghana has confirmed this belief, by following the footsteps of other African countries such as Angola, Equatorial Guinea, Gabon, and Nigeria, if adequate measures are not put in place to ensure that revenue generated from the resources “trickle down to the grassroots and power economic development”.<sup>29</sup> Among the aforementioned African nations, Ghana is advantageous since it has a mature democracy and an active media.<sup>30</sup>

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<sup>22</sup> Ackah & Mohammed (n 1) 139

<sup>23</sup> Ackah & Mohammed (n 1) 139

<sup>24</sup> Tienhaara, K ‘Regulatory chill in a warming world: The threat to climate policy posed by investor-state dispute settlement’ (2018) 7(2) *Transnational environmental law* 229 250

<sup>25</sup> Guyadeen D & Seasons M ‘Evaluation theory and practice: Comparing program evaluation and evaluation in planning’ (2018) 38(1) *Journal of Planning Education and Research* 98 110

<sup>26</sup> Hubbard, DW *The failure of risk management: Why it's broken and how to fix it* (John Wiley & Sons 2020)

<sup>27</sup> Hubbard (as above)

<sup>28</sup> Rudin, C ‘Stop explaining black box machine learning models for high stakes decisions and use interpretable models instead’ (2019) 1(5) *Nature Machine Intelligence* 206 215.

<sup>29</sup> Ablo (n 19) 181

<sup>30</sup> Ablo (n 19) 181



“Despite the fact that local content legislation is in force, history suggests that in most developing nations, enacting a law does not necessarily translate into implementation”.<sup>31</sup> At present, the country’s implementation record is inconsistent with history. The Minerals and Mining Act (Act 703) as amended, contains some local content provisions which, according to Ackah and Mohammed (n 1 above)<sup>32</sup> and Suleman and Zato (n 21 above)<sup>33</sup> are not being implemented. According to AD Ablo ‘Actors, networks and assemblages: local content, corruption and the politics of SME’s participation in Ghana’s oil and gas industry’ (2019) 41(2) *International Development Planning Review* 193<sup>34</sup> “government policymakers often tend to develop broad, sweeping policies which lack the capacity for implementation”.

This is important because Ghana has a history of failure with the extraction of gold “which dates as far back as the last quarter of the 19th century,<sup>35</sup> to engender any significant transformation of the country”.<sup>36</sup> According to the Lands and Natural Mineral Resource Minister, Hon. Samuel Abu Jinapor, 10% of mining royalties is allocated to the minerals commission. To this end, a question is asked if the implementation of the local content law can be of benefit to the local people”. This study is aimed at investigating challenges, prospects, and the way forward of “the local content and local participation in the Ghanaian mining industry”.

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<sup>31</sup> Ablo, AD ‘Enterprise development? Local content, corporate social responsibility and disjunctive linkages in Ghana’s oil and gas industry’ (2020) 7(5) *The Extractive Industries and Society* 321 327.

<sup>32</sup> Ackah & Mohammed (n 1) 139

<sup>33</sup> Suleman and Zato (n 21)

<sup>34</sup> Ablo, AD ‘Actors, networks and assemblages: local content, corruption and the politics of SME’s participation in Ghana’s oil and gas industry’ (2019) 41 (2) *International Development Planning Review* 193 215

<sup>35</sup> Hilson, G ‘Small-scale mining in Africa: Tackling pressing environmental problems with improved strategy’ (2002) 11 (2) *The Journal of Environment & Development* 149 174

<sup>36</sup> Whitfield, L & Buur, L ‘The politics of industrial policy: ruling elites and their alliances’ (2014) 35(1) *Third World Quarterly* 126 144.



## 1.2 Aim of the Study

The aim of this study is to examine the effectiveness of the local content and local participation in the mining sector of Ghana.

## 1.3 Research Objectives

1. To explore the effectiveness of the local content and local participation legislation in the mining sector of Ghana
2. To identify the challenges of local content and local participation legislation in the mining sector of Ghana
3. To make recommendations for policy decisions.

## 1.4 Research Questions

1. How effective is the local content and local participation legislation in the mining sector of Ghana?
2. What are the challenges of local content and local participation legislation in the mining sector of Ghana?
3. What are the recommendations for local content and local participation policy decisions and considerations?

## 1.5 Proposed Methodology

CR Kothari 'Research design: Qualitative, quantitative, and mixed methods approaches' (2004) *New Age International. New Delhi* 12 15 <sup>37</sup> defined a research design as "a map that guides the researcher to investigate a phenomenon to gain answers to questions. This study used qualitative/interpretivist approach. This guided the researcher to gather and analysed data through thematic analysis. This study employed a sample frame of participants within the local mining sector. The study used an interview guide to collect primary data and used to obtained responses from the participants. The data gathered from the study population is analyzed using thematic analysis.

## 1.6 Significance of the Study

This study is aimed at investigating challenges, prospects and the way forward of the local content legislation of the Ghanaian mining industry. The findings of the study will assist in advising policymakers on the practicality of the LCP in benefiting the citizens of Ghana. It will

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<sup>37</sup> Kothari, CR 'Research design: Qualitative, quantitative, and mixed methods approaches' (2004) *New Age International. New Delhi* 12 15.



also add to the academic literature on the importance and challenges of the LCP. Finally, the study will serve as a reference point for other African and developing nations that have mineral resources but are yet to implement LCPs”.

### **1.7 Chapter Disposition**

This study as required is divided into five chapters. Chapter one will introduce the work. This will include the background, problem statement, aims, objectives and questions of the study, significance of the study as well as the chapter disposition. Chapter two will review the literature while chapter three will present the methodology of the study. The fourth chapter will analyse the data collected. And the final chapter will summarize and discuss the work and also provide recommendations for policy makers and future academic studies.



## CHAPTER TWO – THE GHANAIAN MINING INDUSTRY AND THE CONCEPT OF LOCAL CONTENT AND LOCAL PARTICIPATION

### 2.1 Introduction

The mining sector refers to the collection of activities that are engaged in the extraction, handling, and processing of naturally occurring solid minerals from the earth's surface. Coal, diamonds, metals ores, oil, and other goods of high economic value may all be acquired by mining.<sup>38</sup> Processes related to surface mining, mineral processing, the market for mining equipment, etc. are also a part of the mining industry. Because the expansion of the mining industries typically regulates the resource acquisition potential and economic growth of the countries, the mining industry is one of the most significant earning sources of many different countries. Ghana is one of the rich-resource countries in this world. Therefore, this chapter seeks to discuss the mining industry in Ghana and the concept of local content within the Ghanaian mining sector.

Accordingly, Section 2.2 elaborates on the general overview of the mining sector in Ghana. This is followed by Section 2.3 which shows the mining areas in Ghana and what is being mined there. Then section 2.4 talks about the key players within the Ghanaian mining industry. This is followed by further analysis of the concept of local content in section 2.5. The final section discusses the local content in Ghana's Mining sector.

### 2.2 Overview of the Mining Sector in Ghana

Ghana is a West African country on the Gulf of Guinea and is rich in natural resources. The country is roughly the size of Great Britain, with a total area of 238,555 square kilometres. The population of Ghana is estimated to be around thirty-one million people, and Burkina Faso, Cote D'Ivoire and Togo are border nations. It was previously known as the Gold Coast under the British colony, because of its abundance of gold reserves. Ghana has a long history in mining. The history of mining in Ghana, particularly gold mining, stretches back over 2500 years, although the sector grew rapidly when the structural adjustment program was implemented in 1983.<sup>39</sup> The country Ghana is rich in mineral resources deposition, making it

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<sup>38</sup> Hussain, C, Paulraj, MS & Nuzhat, S (2021). *Source Reduction and Waste Minimization*. Elsevier.

<sup>39</sup> Amoah, P. (2021). *Sustainability in the mining sector of Ghana: an empirical study: a thesis presented in partial fulfilment of the requirement for the degree of Doctor of Philosophy in Management at Massey University, Albany, Auckland, New Zealand* (Doctoral dissertation, Massey University).



an ideal location for mining and small scale/artisanal mining.<sup>40</sup> The Minerals and Mining Law (PNDC Law 153) was enacted in 1986 to encourage and control the sector's orderly growth. The Ghanaian government in 1983 established the Economic Recovery Programme (ERP), and at the time, the export industry, especially mining, was regarded as one of the important areas that might assist the economy recover. Gold, diamond, bauxite, and manganese are among the economically exploited minerals in Ghana, with gold accounting for almost 95% of the country's overall mining earnings.<sup>41</sup> Ghana is now Africa's second-largest gold producer, after only South Africa. Prior to 1983, most of Ghana's mining production was controlled by the government; however, following the Economic Recovery Program, Ghana has welcomed international investment and campaigned for privatization and state divestment. Although the industry has become primarily foreign-owned, the Ghanaian government still owns a minority (10%) free carried interest in the majority of the country's operating large-scale mines. Ghanaians have exclusive access to the small-scale mining business. The Ghanaian mining industry has grown significantly since 2000, accounting for 5% of the country's Gross Domestic Product (GDP).

Gold contributed 93.28% of gross mineral income in 2019, with bauxite, manganese and diamond accounting for 0.54%, 6.17% and 0.01% respectively (The Ghana Chamber of Mines, 2019). Within the mining industry in Ghana open pit and underground mining are the two most common types of mining in the nation. However, in the small scale/artisanal mining industry, alluvial mining is also prevalent. The Ghanaian legislators sought to encourage companies to invest in mineral mining in Ghana by enacting laws that favoured the companies.<sup>42</sup> As a result of these activities, Ghana had 180 mineral exploration businesses and 37 mineral extraction companies as at 2014.<sup>43</sup> The mining sector contributes considerably to Ghana's overall export and tax earning: the mining industry accounted for 37 percent of export revenues and 19

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<sup>40</sup> Gough, K. V., & Yankson, P. W. (2012). Exploring the connections: Mining and urbanisation in Ghana. *Journal of Contemporary African Studies*, 30(4), 651-668.

<sup>41</sup> Attiogbe, F., & Nkansah, A. (2017). The impact of mining on the water resources in Ghana: Newmont case study at Birim north district (new abirem). *Energy Environ. Res*, 7(2), 27-36.

<sup>42</sup> Nsoe Adimazoya, T. (2013). Staying ahead of the curve: Meeting Ghana's commitment to good governance in the mining sector. *Journal of Energy & Natural Resources Law*, 31(2), 147-170.

<sup>43</sup> Lawson, ET & Bentil, G Shifting sands: changes in community perceptions of mining in Ghana (2014) 16 *Environment, development and sustainability* 217-238.



percent of all total direct tax payment in Ghana. This clearly demonstrates the importance of mining in Ghana, as evidenced by its contribution to GDP and Direct employment.

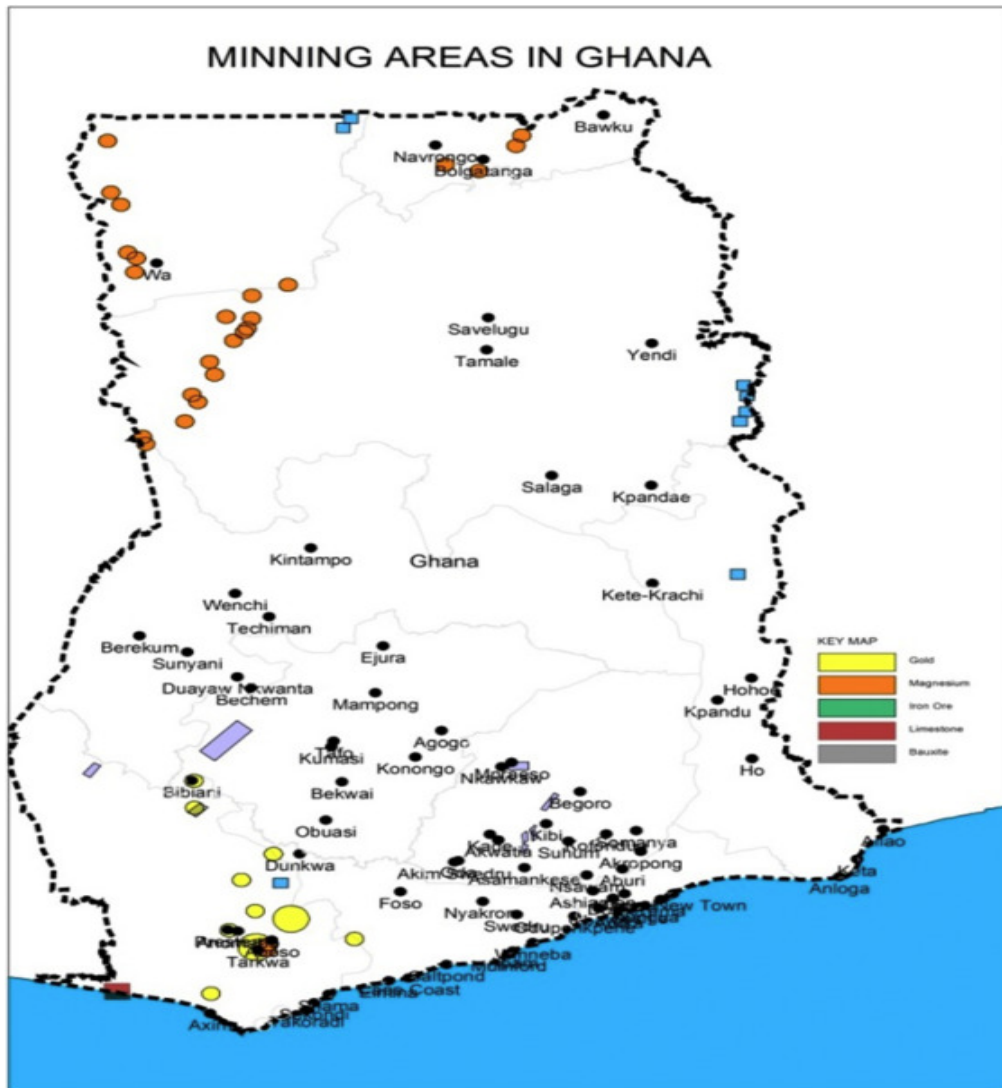
Within the Ghanaian mining sector gold is the most commercially exploited mineral. The large-scale sector increased gold production by 6% in 2019, from 2.808 million ounces in 2018 to 2.989 million ounces in 2019. However, on the other hand the amount of gold tested, which is regarded as a proxy for small-scale mine output, decreased by 20% from 1.984 million ounces in 2018 to 1.588 million ounces in 2019. Due to the difference in performance between the large and small-scale sectors, Ghana overall gold output fell from 4.792 million ounces in 2018 to 4.577 million ounces in 2019.<sup>44</sup> Further, the Ghana Manganese Company raised their manganese export by 18% from 4.551 million tonnes in 2018 to 5.383 million tonnes in 2019. Similarly, Ghana Bauxite Company's export increased by 10% from 1.011 million tonnes in 2018 to 1.116 million tonnes in 2019.

### **2.3 Areas in Ghana where Minerals are mined**

Bauxite, diamonds, gold and manganese are the most common minerals mined in Ghana. However, gold mining has been the most significant mining sector in Ghana, and the country is one of the world's top gold producers. The sector is one of Ghana's largest significant exporters and a key source of revenue and foreign direct investment for the government. Mining was an important part of Ghana's economy throughout the colonial period. Gold played a significant part in Ghana's economy at the time of independence and continues to do so many years after. In Ghana minerals deposit can be found across the country. The Ashanti belt, that spans most of Ghana's Ashanti and Western regions, is the most active gold and prospecting region. The Sefwi belt in the north-west of the Western region and the WA-Lura, Bole, and Bui belts in the northern regions, are both active gold prospecting areas. Further, bauxite and diamond as well as gold exploration, are prevalent in the Kibi belt in the Eastern Region, of the country. Figure 1 shows the geographical map of mining areas within Ghana.

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<sup>44</sup> The Ghana Chamber of Mines, *2019 Annual Report Promoting Environmentally and Socially Responsible Mining* (2019)



**Figure 1: Mining Areas in Ghana**

**Source:** Cobbinah, PB & Amoako, C “From Gold Coast to Ghana: Changing political economy of mining towns” (2018) 83 *Cities* 83-91.<sup>45</sup>

### Gold production

The region in southern Ghana is regarded to have the highest gold mining potential in the country. This is the location of one of Ghana's major gold mines. In Ghana major areas in which gold are extracted includes towns like Obuasi, Tarkwa, Wassa, Damang, Akyem, Kenyasi, etc., which contribute to the total gold production in country. The Obuasi mine is regarded as the richest deposit. Obuasi is a mining community and town in Ghana's Ashanti Region, located in the southern portion of Obuasi Municipal. The Obuasi Gold Mine, one of

<sup>45</sup> Cobbinah, PB & Amoako, C “From Gold Coast to Ghana: Changing political economy of mining towns” (2018) 83 *Cities* 83-91.



the world's largest underground gold mines, is located in Obuasi. Gold has been mined in Obuasi since at least the seventeenth century. Further, in terms of natural resources, Tarkwa district is one of Ghana's richest. Gold is the primary natural resource in Tarkwa, just like Obuasi in the Ashanti Region of Ghana. Tarkwa is the capital of the Tarkwa-Nsuaem Municipal District, which is located in the Western Region of Ghana. The Tarkwa district is seen with a cluster of mining companies formed between the towns of Aboso and Tamso. The Tarkwa mine, is one of the large open-cast gold mines, established in the northwest of the town, and each year, about 24 tons of gold are produced from the Tarkwa mine. Also, the Iduapriem Gold Mine is located near Tarkwa. Also, Wassa is one prudent area in Ghana notable for gold mining and another auriferous area in Ghana. Wassa is a town in Ghana's south-western region.

#### Diamond Bauxite and Manganese Production

In Ghana the country's diamond mining is located in the Birim valley, near Akwatia. In 1919, diamonds were discovered near the Birim River.<sup>46</sup> Akwatia is a town in the Denkyembour district of south Ghana, located west of the Atewa Range in the Birim River basin. The region has yielded more than 100 million carats of diamonds. The chief producers of diamonds in Ghana and the town are the state-owned Ghana Consolidated Diamonds (GCD), which functions in the Birim River, with a total concession area of 185.35 square miles in the Birim diamond field. The main bauxite deposit in Ghana is located in Kibi, Awaso, Nyinahin and Mt. Ejuamena. Bauxite is usually present in the topsoil and is mined using strip mining, which involves removing of rocks and levels of soil to reach the minerals beneath. Since 1941, the Ghana Bauxite Company has been operating on the Awaso mining site, which is estimated to have sufficient reserves to last for more than three decades. Awaso is a town located near Bibiani, the district seat of the Bibiani-Anhwiaso-Bekwai Municipal District in Ghana's Western North Region. Ghana is a large producer of manganese carbonate ore, which is required for the production of stainless steel. Nsuta-Tarkwa, which is located in Tarkwa Bansa in the Western Region, is Ghana's only active manganese ore mine which uses an opencast, strip-mining technique. The Nsuta manganese mine in Ghana's western area is owned and operated by Ghana Manganese Company. Ghana Manganese Company has a manganese

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<sup>46</sup> Yelapaala, K & Ali, SH "Multiple scales of diamond mining in Akwatia, Ghana: Addressing environmental and human development impact" (2005) (30)3 *Resources Policy* 145-155.

mining concession of 175 square kilometers in and around Nsuta in Ghana's Western Region. Some of the images of the mining sites in Ghana can be found below.

## **2.4 Key players within the Ghanaian Mining Industry**

In Ghana, large scale miners and the small scale/artisan miners are the two major players in the industry. About 300,000 individuals work in the small-scale/artisanal industry, the majority of them are uneducated and use very basic mining methods at the risk of their lives in Ghana. These miners rely on pick axes, dynamite, mercury, and the power of their hands to extract minerals. Small-scale operations can be located all over the country. The main minerals that attract the interest of small-scale miners are gold and diamonds within Ghana. The majority of small-scale mining operations have been located in the southern part of Ghana. Nonetheless, there has been a gradual increase in these operations in the north-eastern sector in recent years. Most of the minerals extracted is alluvial/eluvial occurrences. Small-scale mines are legally recognized in Ghana since there is a structured method for mining minerals on a small scale. Ghanaian people above the age of 18 can apply for small-scale mining licences for a piece of land.

On the other hand, large scale mining sector in Ghana employs a small number of highly trained workers and uses highly automated equipment. Social, health, closure, safety, environmental, and governance requirements apply to large-scale gold mining, which is regulated by a network of governmental regulations, inspections, and permits. Large-scale mining entails paying royalties and other fees to government in exchange for developing publicly-owned mineral resources. Within the large-scale mining industry, the chief gold extraction companies in Ghana are: Anglo Gold Ashanti (Iduapriem and Obuasi mines); Goldfields Ghana Ltd (Abosso and Tarkwa mines); Golden Star Resources (Akyempim and Prestea /Bogosu mines); Central Africa Gold (formerly, AngloGold Ashanti Bibiani Mines) and newly Newmont Ghana Gold Ltd (Akyemmines and Ahafo) and Redback Mining Ltd (Chirano mine). Ghana Bauxite Company Limited (GBC) runs the country's sole bauxite mine at Awaso, while Ghana Manganese Company Limited's Nsuta-Wassa open pit mine is the country's only substantial manganese ore producer. The Akwatia diamond mine, owned by Ghana Consolidated Diamonds, is also the country's sole active diamond mine.

### **2.4.1 Small Scale/Artisan Mining**

The Artisanal and Small-Scale Mining (ASM) in Ghana is incorporated into Small Scale Mining (SSM). The small-scale mining has advanced from the artisanal phase through the



utilization of basic tool like, pick axes, shovels, and sluice boards to presently the use of semi-mechanised production involving the use of instruments such as bulldozers, excavators, and washing plants. Small scale/artisan mining is recognized as 90% producers of gold within Ghana. The small scale and artisanal mining sector play a very important role in the socio-economic development of the country. It's without doubts that it contributes largely towards foreign exchange incomes, direct and indirect employment for several individuals across the country. These and many other advantages, notwithstanding, the small scale and artisanal sector is also plagued with various short and long-terms challenges and problems, for instance, water pollution, environmental wastage etc. Since the small scale and artisanal mining sector, as mentioned above is one of the key players within the Ghanaian mining sector it is worth assess the impact of organizational culture on their organizational readiness to adapt to a modern formal economy.

## **2.5 The Concept of Local Content**

The mining industry is a significant development engine in many resource-rich nations, particularly during moments of commodities boom.<sup>47</sup> This is a result of significant investment inflows and mostly export-driven income growth. But when it comes to maximizing its potential for industrial growth and economic change in developing nations, the mining industry typically does not have a strong track record. But mining has a lot of potential. If used effectively, it can increase value addition in industrial activities, open up local procurement for the domestic private sector, especially close to mine sites, produce indirect jobs along the supply chain, and open up new economic opportunities, particularly through the use of infrastructure and mining-related skills in other economic sectors.<sup>48</sup> Therefore, governments are progressively implementing local content regulations in order to reap greater benefits from mineral resources. According to estimates from 2013, 90% of resource-rich nations (both developed and developing) had local content policies in place.<sup>49</sup>

Local content refers to the benefits an extraction project provides to the local, regional, or national economy.<sup>50</sup> A drive for local content is to promote citizen participation and to make

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<sup>47</sup> Kumah, A "Sustainability and gold mining in the developing world" (2006) 14(3-4) *Journal of Cleaner Production* 315-323

<sup>48</sup> Kragelund, P. (2020). Using local content policies to engender resource-based development in Zambia: A chronicle of a death foretold? *The Extractive Industries and Society*, 7(2), 267-273.

<sup>49</sup> Dobbs, R, Oppenheim, J, Kendall, A, Thompson, F, Bratt, M & Van Der Marel, F *Reverse the curse: Maximizing the potential of resource-driven economies* (McKinsey Global Institute, 2013)

<sup>50</sup> Tordo, S, Warner, M, Manzano, O & Anouti, Y *Local content policies in the oil and gas sector* (World Bank Publications, 2013)



sure that a business uses local labour and buys products and services from the host nation. The development of regional expertise, transfer of oil and gas technology, use of regional labour, and regional manufacturing are all components of local content. One may define local content more practically as creating a skilled labour force and a competitive supplier base locally.<sup>51</sup> It has grown to be a crucial problem since, in the modern world, every nation wants its people to control the direction of its economy and contribute to keeping riches inside its borders while also supplying jobs for the growing population. This is accomplished through developing capacity, establishing SMEs, and providing goods and services locally.

## 2.2 Local Content in Ghana's Mining Sector

The economic reforms brought about by structural adjustment programs in the 1980s led to a major decrease in the government of Ghana's involvement in mining. Although revitalising and fostering a stagnant industry was the goal, there were very little resources available at home. Policies that are targeted and support a favourable business climate would draw FDI.<sup>52</sup> Ghana reinforced the institutions that support the mining industry in 1986 and enacted the country's first Minerals and Mining Law. That is,

- *“The legislation included several tax incentives and diminished the participation of the State in mining activities by restricting the State participation to 10% of mandatory equity participation in all mining investment (With the option of increasing its participation to 20%)”*<sup>53</sup>
- *“In 2006, with a view to give a new impetus to the contribution of mining to the economy, a new Minerals and Mining Act (Act 703) was passed to promote a localisation policy and facilitate production linkages. In particular, section 50(3) of Act 703 of 1986 sought to increase the participation of local labour in the industry. However, the frameworks provided in the legislation were too generic and left the Ghana Minerals Commission with considerable discretion in enforcement”*<sup>54</sup>

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<sup>51</sup> Hansen, UE, Nygaard, I, Morris, M, & Robbins, G “The effects of local content requirements in auction schemes for renewable energy in developing countries: A literature review” (2020) 127 *Renewable and Sustainable Energy Reviews* 109843.

<sup>52</sup> Akabzaa (n 20) 25

<sup>53</sup> Akabzaa (n 20) 25

<sup>54</sup> Amoako-Tuffour, J, Aubynn T & Atta-Quayson A ‘Local Content and Value Addition in Ghana’s Mineral, Oil, and Gas Sectors: Is Ghana Getting It Right’ (2015) *ACET: Accra, Ghana*



The Minerals and Mining (General) Regulations, 2012 (L.I 2173), which marked the commencement of local content rules in the mining sector and represented a significant departure from earlier approaches, is the principal piece of legislation that intends to increase local involvement in mining and was passed in 2012. By emphasizing the three topics indicated below, Regulation LI 2173 emphasizes how Mining Act 703 of 2006 is to be interpreted.

- “Employment and promotion of local workforce as well as training requirements”
- “Procurement of locally produced goods and services”, and
- “Additional licensing and reporting requirements.”

By encouraging the use of local products and services and the employment of Ghanaians, the Local Content Regulations hope to increase job creation while also strengthening the domestic mining industry's ability to compete globally. The ultimate objective is to complete localization, removing reliance on foreign service providers and expatriates for the necessary skills in the mining sector. In Ghana, the local content regulations apply to; holders of mineral rights (i.e., holders of reconnaissance and prospecting licences and mining leases); holders of licences to export or deal in minerals; and registered mine support service providers (MSSP) (together, Covered Entities). The industry authority in charge of enforcing the Local Content Regulations is the Minerals Commission (Commission). Existing Covered Entities were expected to create and submit to the Commission arrangements and plans for adhering to the Local Content Regulations' requirements within a year of the regulations' taking effect.



## CHAPTER THREE - PROSPECTS, AND CHALLENGES OF LOCAL CONTENT IN THE MINING INDUSTRY OF GHANA.

### 3.1 Introduction

After establishing the meaning of local content and its relation to the mining sector, this chapter deliberates on the prospects, and challenges of local content in the mining industry. This highlights, why local content in the mining sector is relevant in section 3.2. This will be followed by section 3.3 which discusses the importance of local content policies. Besides the importance of local content policies, the study shall also review literature on the effectiveness of local content policies in the mining sector in section 3.4. The chapter ends by indicating the challenges faced by policies makers in implementing local content policy in section 3.5.

### 3.2 Why Local Content in the Mining Sector is Relevant

Many developed and developing nations that produce mineral resources have implemented policies or are thinking about doing so in order to maximize the economic gains from the extraction of these finite resources.<sup>55</sup> One significant strategy in the sector is local content, that is the extent to which the extractive industrial sector's production creates additional advantages to the economy further than the direct contribution of its value-added through its connections to other sectors. Government involvement in the mining and petroleum industries to promote broad-based economic growth is scarcely a recent development. However, the scope and nature of intervention has changed over time from import tariffs and direct state intervention to more complicated policies intended to create backward linkage (i.e. generating value added in domestic supply sectors, providing input to the local economy through technology transfer, generating local employment opportunities, and increasing local ownership and control) and forward links (i.e. processing the sector's output for export).<sup>56</sup>

Although local content policies have the potential to promote widespread economic growth, their implementation in nations with abundant natural resources has had conflicting results. The sector is distinguished by the use of specialized input that is frequently at the upper end of the technological spectrum and that is supplied through internationally interconnected supply chains.<sup>57</sup> As a result, there are several industry-related sub-sectors with high levels of supplier concentration, which raises more obstacles to the growth of a local supply sector. Obviously, it

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<sup>55</sup> Nwapi, C “Defining the “local” in local content requirements in the oil and gas and mining sectors in developing countries” (2015) 8(1) *Law and Development Review* 187-216.

<sup>56</sup> Esteves, AM, Coyne, B & Moreno, A “Local content in the oil, gas and mining sectors: Enhancing the benefits at the subnational level” (2012) *Revenue Watch Institute*

<sup>57</sup> Nwapi (n 55 above)



would be challenging for nations with constrained economies to build local supply industries at the rate, scale, and quality required to meet the demand from mining. Fast-growing mining and petroleum industries in these nations, coupled with overly aggressive local content goals, may exacerbate supply constraints brought on by elevated local demand, adversely affecting employment and output trends in other economic sectors, leading to inefficiencies, and in some cases, even fostering corruption.<sup>58</sup>

Although expenditure on products, services, and equipment as a whole often accounts for a sizeable portion of the expenses associated with mining operations, just a few local supply chains have grown in emerging nations that are abundant in minerals. Mining activities frequently take place in isolated areas with no access to infrastructure or electricity, far from domestic manufacturing hubs. An effective supply response from domestic entrepreneurs is frequently constrained by restrictive business conditions, such as challenges obtaining capital, a lack of essential skills, and knowledge asymmetry.<sup>59</sup> As a result, a significant portion of the value of the products and services utilized in mining operations are frequently imported, with local content being restricted to distribution companies, port handling, and transportation services.

The mining and petroleum sectors are well recognized for their relatively high levels of market concentration and significant R&D expenditures for cost-cutting, productivity enhancement, and securing competitive technical advantages. To build a sustainable local industrial capacity, cooperation between mining corporations, their integrated service providers, and domestic suppliers is essential.<sup>60</sup> Countries' experiences suggest that industry agglomeration may boost productivity and efficiency through knowledge transfer, synergies, improved coordination, and efficient access to public resources. Governments have employed resource corridors, regional integration, sectorial and geographic clusters, and special economic zones to hasten the growth of competitive local businesses.

For the extractive sectors, local sourcing makes strong financial sense in theory. Companies in the mining and petroleum industries must contend with cost increases that are occurring

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<sup>58</sup> Nwapi (n 55)

<sup>59</sup> Khoury, TA & Prasad, A “Entrepreneurship amid concurrent institutional constraints in less developed countries” (2016) 55(7) *Business & Society* 934-969.

<sup>60</sup> Esteves et al. (n 56)



rapidly and a shortage of management and technical competent workers.<sup>61</sup> Import tariffs (or the bureaucracy involved with duty exemptions) raise additional difficulties. Long logistical chains combined with port and boundary constraints are causes of delay and consequently cost. Local sourcing will aid in cost control if it dependably supplies goods and services that fulfil necessary requirements. The social license to operate of the firms may also be supported through connections with neighbouring suppliers. Additionally, a staff with more education is more productive and able to adjust to new routines and technology advancements. Local sourcing generally indicates excellent corporate citizenship by mining businesses since it produces more noticeable advantages than just foreign exchange earnings and taxes.<sup>62</sup>

Citizens of resource-rich nations are concentrating more and more on maximizing the returns from investments in the extractive industries.<sup>63</sup> Employment is therefore the top issue of civil society and communities in extraction producing regions, and the credibility of the government frequently depends on its capacity to provide jobs. It is common for the societies closest to and possibly most impacted by mining installations to impose the most pressure for job creation and the growth of a domestic private sector, even though policies typically refer to local content without indicating its location within the economy. Companies frequently agree on employment and skill training targets with local communities. For impacted communities, even modest increases in the proportion of local supplies going to mining enterprises can provide significant potential. In some circumstances, the complexity of creating effective and long-lasting local content regulations may increase due to demand from civil society.

### 3.3 Importance of Local Content Policies

“Protecting infant industries is one of the most important arguments given for introducing local content requirements into various industries.<sup>64</sup> Supporters of this position argue that local industries in developing countries are not as mature as their multinational counterparts who may have been in the industry longer and enjoy economies of scale”.<sup>65</sup> “They, therefore, argue that these domestic companies are given some sort of shield to enable them to catch up and

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<sup>61</sup> Litvinenko, VS “Digital economy as a factor in the technological development of the mineral sector” (2020) 29(3) *Natural Resources Research* 1521-1541

<sup>62</sup> Litvinenko (as above)

<sup>63</sup> Upadhyay, A, Laing, T, Kumar, V, & Dora, M. “Exploring barriers and drivers to the implementation of circular economy practices in the mining industry” (2021) 72 *Resources Policy* 102 037.

<sup>64</sup> Ado (n 41) 137

<sup>65</sup> Warner, M *Local Content Solutions: Participation of Domestic Industry in Procurement for Oil, Gas and Mining Projects* (Sheffield: Greenleaf Publishing 2011)



compete effectively with their international competitors. <sup>66</sup> As such, LCPs will enable them to partner with the bigger companies and learn from them, as is evident in Norway's model". <sup>67,68</sup>

"Closely related to this argument is the market power argument, which is of the view that big multinational companies usually supply the mining industry and as such, have the market power to put domestic firms at a disadvantage in the value chain". <sup>69</sup> "This argument is different from the infant industries argument in the sense that by putting in place local content requirements, the infant industry may be at an advantage", "but to check the market power of multinationals, LCPs are specifically introduced to deal with the issue, for example, in the Australian LCP, there is a requirement to demonstrably not disadvantage any domestic suppliers". <sup>70</sup>

"Another major argument for using LCPs is the argument that they can be used to support social objectives like employment and also be used as social compensation for the communities where the resource is being extracted". <sup>71,72</sup> "OR Ogri 'A review of the Nigerian petroleum industry and the associated environmental problems' (2001) 21 *The environmentalist* 11 21 <sup>73</sup> argues that the sheer nature of oil and gas extraction activities is prone to social and economic disasters (as cited in Ado, 2013). This is because members of the communities may temporarily or permanently lose their sources of livelihood, and as such need to be adequately compensated through LCPs". <sup>74,75</sup> "Using LCPs in this way may require companies to consider suppliers who source materials and labour from the local community

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<sup>66</sup> Warner (as above)

<sup>67</sup> Tordo *et al.* (n 39)

<sup>68</sup> Heum, P. "Local content development: Experiences from oil and gas activities in Norway." (2008)

<sup>69</sup> Tordo *et al.* (n 39)

<sup>70</sup> Warner (n 53)

<sup>71</sup> Ado (n 41) 137

<sup>72</sup> Tordo *et al.* (n 39)

<sup>73</sup> Ogri OR 'A review of the Nigerian petroleum industry and the associated environmental problems' (2001) 21 *The environmentalist* 11 21

<sup>74</sup> Tordo *et al.* (n 39)

<sup>75</sup> Warner (n 53)



and may also require that a percentage of locals are given employment. In this vein, LCPs can be seen as an ‘extension of Corporate Social Responsibility (CSR)’.<sup>76</sup>

The “misalignment argument against local content policies believes that there may be different ways to tackle externalities and market failures other than using content requirements.<sup>77</sup> Policymakers need to first determine if indeed there is an externality and if there are other ways to correct them before using LCPs”. “They make this argument based on the fact that if there are externalities due to the inadequate training of locals to work in the industry, a better approach will be to look at that country’s educational system to determine shortfalls” “rather than using policies, because in the long-run, locals will still not have the necessary training, and the policy will be deemed a failure. Tordo *et al.* (n 39 above)<sup>78</sup> suggest that in this case, incentives for training will be a better alternative to LCPs”.

### 3.4 Review of Related Studies on the Effectiveness of Local Content Policies

J Balouga ‘Nigerian local content: challenges and prospects’ (2012) 4 *International Association for Energy Economics* 23 26<sup>79</sup> carried out a study titled “Nigerian Local Content: Challenges and Prospects” to examine the challenges the country face in harnessing the full potential of the oil and gas industry through the implementation of a local content policy. Findings of the study showed that most of the time local companies in the country lack the financial capacity to bid for contracts, though there are new exceptions such as Dangote, who recently built a multi-billion-dollar oil refinery. This, Balouga (n 66)<sup>80</sup> argued was a result of the inadequate financial base of Nigerian banks. Some other study findings also revealed that indigenous companies lacked administrative capacity as a majority of them were mostly small companies. This meant that contracts were given to other foreign companies even though indigenous companies did not necessarily lack technical competence.

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<sup>76</sup> Ado (n 41) 137

<sup>77</sup> Tordo *et al.* (n 39)

<sup>78</sup> Tordo *et al.* (n 39)

<sup>79</sup> Balouga, J. "Nigerian local content: challenges and prospects." (2012) 4 *International Association for Energy Economics* 23 26

<sup>80</sup> Balouga (as above)



AD Ablo ‘Local content and participation in Ghana's oil and gas industry: Can enterprise development make a difference?’ (2015) 2(2) *The Extractive Industries and Society* 320 <sup>81</sup> in his study examined the impact of an Enterprise Development Centre (EDC) on the capacity building and skill enhancement of local firms in the oil and gas industry in Ghana. The study which was a longitudinal one spanning for more than 13 months, used semi-structured questionnaires to elicit responses from 132 interviewees. The site for the collection of data was carried out in the main oil and gas jurisdictions in Ghana namely Takoradi, Tema and Accra. The main finding of the study showed that the EDC carries out activities and workshops (skill development) that enhances the knowledge of indigenous companies and allows them to achieve entry points to IOCs contracts in the oil and gas industry. Further results however showed that not all indigenous companies are able to leverage on this opportunity to expand their operations with only a handful of companies taking advantage of the EDC capacity building and skill enhancement programs.

AD Ablo ‘The micro mechanisms of power in local content requirements and their constraints on Ghanaian SMEs in the oil and gas sector’ (2017) 71(2) *Norwegian Journal of Geography* 67 78 <sup>82</sup> in his study also looked at the various requirements that characterize the Ghanaian oil and gas industry and how that affects the participation of indigenous companies in the oil and gas industry. The study employed the qualitative method of enquiry using interviews and observations to gather data on the topic under study. Findings of the study revealed that financial, technological and administrative requirements limited the activities of indigenous companies in the oil and gas industry. That is to say that, based on the interview results, it was seen that many of the indigenous companies lacked the capacity (i.e., technological, financial and administrative) that most IOCs require to be able to do business with them.

SP Baba ‘An assessment of local content policy and its significance for Foreign Direct Investment (FDI) in the oil and gas industry in Ghana’ (2018) <sup>83</sup> investigates the significance of

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<sup>81</sup> Ablo, AD ‘Local content and participation in Ghana's oil and gas industry: Can enterprise development make a difference?’ (2015) 2(2) *The Extractive Industries and Society* 320 327

<sup>82</sup> Ablo, AD ‘The micromechanisms of power in local content requirements and their constraints on Ghanaian SMEs in the oil and gas sector’ (2017) 71(2) *Norwegian Journal of Geography* 67 78

<sup>83</sup> Baba, SP "An Assessment of Local Content Policy and its Significance for Foreign Direct Investment (FDI) in the Oil and Gas Industry in Ghana." PhD dissertation, University of Ghana, 2018



local content policy for foreign direct investment in the oil and gas industry of Ghana. The study leveraged the qualitative method of data collection and used both open-ended and close-ended questionnaires to elicit responses from 31 respondents comprising policy makers, implementers and indigenous companies in the oil and gas industry of Ghana. Findings of the study revealed that foreign direct investment in the oil and gas industry had increased due to the implementation of the local content policy. The passing of the policy had also increased the participation of indigenes in the upstream oil and gas companies in the country thereby creating employment for the locals. One however clear evidence was that the local content policy was still far from achieving the intended purpose for which it was implemented and issues like IOCs not following the requirements as laid down by the policy kept on resurfacing even though it has been more than 5 years after it was passed.

H Chalu *et al.* "Business networks, regulation and local content in Tanzania's oil and gas sector" (2021) 8(2) *The Extractive Industries and Society* 100<sup>84</sup> also looked at the extent to which local content is fully adhered to in Tanzania's oil and gas sector through business networks and interconnectedness. The study employed the survey method to elicit responses from 191 senior practitioners in the oil and gas industry in Tanzania. Findings of the study revealed that industry regulation in itself was not sufficient to achieve complete local content practice without the cooperation of the respective business networks of various companies in the oil and gas sector of Tanzania.

### **3.5 Challenges Faced by Policy Makers in Implementing Local Content Policy**

One of the main advocacies of the local content policy is the preference to indigenous companies and the first right over contracts in the mining industry. As CG Ackah and AS Mohammed *Local content law and practice: The case of the oil and gas industry in Ghana* (2018)<sup>85</sup> put it, the local content seeks "to increase the capability and international competitiveness of domestic businesses and to create petroleum and related support industries to sustain Ghana's economic development." That said, the reality of what was envisioned remains far-fetched. There remains a lot of challenges that indigenous companies face in

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<sup>84</sup> Chalu, H, Juma, H & Thomas H "Business networks, regulation and local content in Tanzania's oil and gas sector." (2021) 8(2) *The Extractive Industries and Society* 100 880

<sup>85</sup> Ackah, CG & Mohammed AS *Local content law and practice: The case of the oil and gas industry in Ghana*. No. 2018/152. WIDER Working Paper, 2018



meeting the requirements of operating mining companies, which makes it difficult for them to enjoy the full benefits of the local content policy.

According to evidence in extant literature,<sup>86,87</sup> “indigenous companies are poorly structured and have limited capacity to do business in the extractive industry in Ghana. One of the fundamental challenges indigenous companies’ face is the lack of skilled personnel to provide services that meet the standards of operating companies”. Many indigenous companies have relegated skills training of personnel to the background and pay little attention to improving the skill set of employees which is a prerequisite in dealing with IOCs.

Also, many indigenous companies tend to “have limited financial capacity to deliver on large contracts, which is largely because financial institutions in Ghana do not trust their creditworthiness”. Some even lack international certifications, “such as the International Organization for Standardization (ISO)” that will make them look more attractive to these operating companies. According to Ackah and Mohammed (n 72)<sup>88</sup> “international certification is a prerequisite for doing business with operating companies. Therefore, its absence is a disincentive for operating companies to engage with local SMEs. These standards apply to the environment, health, and safety (EHS), insurance requirements, and business ethics, including anti-bribery policies.”

Further, “the dominance of international suppliers in the extractive industry in Ghana” means that many of the indigenous companies are bypassed if not neglected entirely as far as the delivery of services to operating companies is concerned.<sup>89</sup> Boyefio and Ochai (n 76)<sup>90</sup> intimated that, many of the “goods and services that could ordinarily be made or supplied by local SMEs are being carried out by international companies. They noted that, although most

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<sup>86</sup> Bugri, J & Kumi S ‘Dynamics of community perceptions, common resources and compensation practices in mining: the case of Newmont Ghana Gold Ltd at Ahafo’ (2018) 12 *International Journal of the Commons*

<sup>87</sup> Ansu-Mensah, P, Marfo, EO, Awuah, LS & Amoako, KO ‘Corporate social responsibility and stakeholder engagement in Ghana’s mining sector: a case study of Newmont Ahafo mines’ (2021) 6(1) *International Journal of Corporate Social Responsibility* 1 22

<sup>88</sup> Ackah & Mohammed (n 72)

<sup>89</sup> Boyefio, G & Ochai, P ‘Another look at Ghana’s petroleum (local content and local participation) regulation: The underlying prospects and intrigue’ (2014) 3(4) *Orient Energy* 4 12

<sup>90</sup> Boyefio & Ochai (as above)



operating companies profess support for local content, the reality is that they prefer to deal with their global suppliers” and are reluctant to break such supplier relationships. It is therefore not surprising that many indigenous companies tell of the “difficulty in identifying the entry points”.<sup>91</sup>

There is also the issue of partisan politics that bedevils the mining industry of Ghana. The Minerals Commission whose sole mandate has been to ensure the successful implementation of the local content policy has operated since its establishment as a government institution. This means that the “appointment of management and technical staff to the Commission is partisan and tenure in office depends on the tenure of the political party in power.” The lack of continuity in personnel may give rise to inconsistency in monitoring which will serve as an opportunity for operating companies to have their way. The foregone is corroborated by Ackah and Mohammed (n 72)<sup>92</sup> who in their study revealed that “some operating companies provided distorted and inconsistent reports on local content implementation.”

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<sup>91</sup> Ackah & Mohammed (n 72)

<sup>92</sup> Ackah & Mohammed (n 72)



## CHAPTER FOUR - LOCAL CONTENT AND THE WAY FORWARD

### 4.1 Introduction

After establishing the prospects, and challenges of local content and local participation in the mining industry in earlier chapters, the objective of this chapter is to suggest some recommendations in effective implementation of local content in the mining sector in Ghana. As a result, the emphasis in this chapter will be on presenting some recommendations, which will have an impact on local content and local participation in the mining sector in Ghana.

### 4.2 Local Content Local Participation and the Way Forward

The preceding discussion has demonstrated the nature of the policies created by the Ghanaian government to guarantee that local enterprises and the citizenry have a say and a role to play in the mining industry. Although commendable, the rules established under the banner of "local content and local participation" have difficulties being put into practice. This article offers suggestions on the course that should be taken to guarantee that these policies are implemented and, eventually, contribute to improving the socioeconomic position in the nation as a whole. Some of the recommendations and the way forward are as follows.

First of all, the requirement to include small and local enterprises in the mining industry suggests that there is a need for staff training, particularly in the SME sector. Building the capacity of the local population is a fundamental requirement to achieve the necessary level of expertise and skill, so it is the responsibility of the government of Ghana, in collaboration with operating companies and other stakeholders, to make sure that there are initiatives and programs for Ghanaians to pursue further studies in various fields. For instance, it was found in Angola that, there is typically a ready market for the goods and services that the educated SMEs are offering since the extractive industry, more than any other, is subject to state regulations to source and recruit locally.<sup>93</sup>

The government must make significant investments into education, if a nation is to build its human capital base so that universities and other training institutions can afford to employ and retain excellent teachers and purchase the necessary instructional resources. Therefore, the Ghanaian government's arrangement of scholarship packages for Ghanaians to study in a variety of areas as part of the country's capacity-building and local content initiatives is a

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<sup>93</sup> Ovadia, JS "The dual nature of local content in Angola's oil and gas industry: development vs. elite accumulation" (2012) 30(3) *Journal of Contemporary African Studies* 395-417



welcome development.<sup>94</sup> Additionally, in order to make the local content a reality, it is crucial that subcontractors or contractors hire Ghanaians at all levels of their operations who possess the necessary skills or credentials. Instead of favouring foreign goods and services for their operations, contractors and subcontractors should employ items and services manufactured or offered in Ghana. Ghana may indeed benefit from Angola's example, which has achieved progress with its local content strategy. Angola increased its capacity to source from international extractive companies and developed its supply chain network through the efforts of an enterprise development centre. By 2012, 124 enterprises had received certification as suppliers to the mining sector, more than 1,500 Angolan-owned businesses had taken part in the centre's program through training and technical support, and the centre's engagement had led to almost 300 contracts and contract renewals.<sup>95</sup> The requirements of the mining sector have led to the growth of some of the SMEs that the centre mentored into larger-scale businesses.

Therefore, it is encouraging that the World Bank gave Ghana a \$38 million loan in 2010 to help Ghanaians develop their skills in the extractives, which the mining sector is a party. The capacity-building project has two main goals: first, to strengthen the institutions overseeing and managing the sector in order to improve public management and regulatory capacity and increase sector transparency; and second, to support the growth of indigenous technical and professional skills required by the sector by providing support to participating educational institutions. In order for the extractive industry to successfully carry out their tasks in supervision, coordination, policy planning, and implementation, as well as monitoring and evaluation, the project would give institutional assistance to those organizations. Upgrading the extractive industry (Ghana's Minerals Commission) data repository and helping the Environmental Protection Agency to improve its capacity to manage and monitor environmental concerns in the industry are two other particular duties that need to be improved. Other beneficiaries include the attorney general's office, the Economic and Organized Crime Office, and the Ministry of Finance and Economic Planning (especially the Ghana Revenue Authority and the Extractive Industries Transparency Initiative Secretariat).

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<sup>94</sup> Arthur, P & Arthur, E "Local content and private sector participation in Ghana's oil industry: An economic and strategic imperative: (2014) 61(2) *Africa Today* 57-77.

<sup>95</sup> Mushemeza, ED & Okiira, J *Local content frameworks in the African oil and gas sector: Lessons from Angola and Chad* (ACODE, 2016)



The Ghanaian government is collaborating with technical and vocational institutions to develop new curricula that would include subjects and courses in the mining sector in order to provide more opportunities for students in second-cycle institutions to be better positioned on the job market in the mining sector.<sup>96</sup> Additionally, a fund for mining and business growth as well as local content would be formed to aid in the building of local capacity, particularly for research and development in the mining industry. Contributions from approved operators, income from the sale of mining produce, taxes, grants, and other types of assistance from Ghana's development partners would all be sources of the fund. The distribution of the fund would be under the direction of the ministry in charge of lands and natural resources. Given the important role that civil society is expected to play in enhancing accountability and community involvement, the bank's governance partnership facility is providing an extra grant of US\$2 million to support a wide variety of initiatives to be advocated and implemented by civil society and community-based groups. Additionally, an SME office was set to open in Ghana's western area to provide local business owners with the knowledge and methods that are required by the mining industry on a global scale.<sup>97</sup>

Subsequently, global marketing might improve the capacity of regional mining companies. Therefore, encouraging international mining companies to award sub-contracts to regional companies will significantly increase the likelihood that the local content effort will ultimately aid Ghana's socioeconomic growth. Success on the local markets would help SMEs get funding and have an indirect multiplier effect on the economy. Providing and enhancing financial access and training for local mining industries might complement this. Additionally, it is necessary to strengthen and empower a strong civil society organization that will be in charge of keeping an eye on international mining companies and making sure that the requirements for local content are enforced and adhered to. For instance, in the United Kingdom, this task is carried out by the Offshore Supplies Office, the Goods and Services Office in Norway, and the Local Business Development Office in Nigeria.<sup>98</sup> This committee would oversee and guarantee adherence to national agreements, laws, policies, and regulations pertaining to mining activities' health, safety, and environmental requirements. It would register service providers and international mining companies, who would then have to show

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<sup>96</sup> Ansu-Mensah et al. (n 87)

<sup>97</sup> Arthur & Arthur (n 94)

<sup>98</sup> Hackman, NA (2009) Creating a Framework for Ghanaians to Benefit from Oil-Rich Ghana. <http://www.modernghana.com/news/220829/1/creating-a-framework-for-ghanaians-to-benefit-from.html>.



that they are committed to promoting local content in the plans they submit for approval as part of the registration process. Mining producers and service providers in the sector would have to submit their plans for local content to the Local Content Committee (LCC) in order to be held to the plans, and the LCC would have to furnish the commission with quarterly reports on its efforts.

Infrastructure improvements and financial incentives made by the government may frequently lay the groundwork for procurement-based tactics that are effective.<sup>99</sup> For instance, in Nigeria, improving the environment might lead to the provision of youth-friendly employment prospects as well as the development of the nation's industrial base through the offering of special concessions, and tax breaks to businesses that agree to establish production units.<sup>100</sup> The prevention of social disorder, restiveness, radicalism, abduction, and other social problems that have emerged as a result of the extreme unemployment, particularly in the regions with mining sites, is another possible benefit of public investment. The difficulties that local firms encounter when applying for bank loans might be mitigated through SME access to finance. The issue of financial inadequacy and difficulties obtaining credit and loans from commercial banks is a constant concern for many SMEs in Ghana and other developing nations; however, without access to the necessary financial services, businesspeople will struggle to save money, expand their operations, and reinvest in ventures that can produce more income. Access to finance will assist local SMEs compete with multinational companies in the mining sector in addition to allowing them to grow their businesses. In this sense, stakeholder collaboration is essential for the growth of local content. Partnerships between the public, private, and non-profit sectors, particularly in local supplier development programs, will make it possible for SMEs to access funding, skill-development initiatives, technical mentorship, and assistance with the improvement of company management abilities.

Furthermore, Ghana may learn from other African countries how to establish a local content policy. In South Africa, as part of a local content effort in the mining industry, it was expected that the social and labour plan's contents would contain employment equality data and the mine's strategy to meet the requirements that 10% of employees be women and 40% of management be members of historically underrepresented groups. South Africans within five years following the award of the right or conversion of the old-order right; a local economic

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<sup>99</sup> Esteves et al. (n 56)

<sup>100</sup> Oppong, N “The petro-developmental state in Africa: Making oil work in Angola, Nigeria and the Gulf of Guinea” (2019)



development program must establish a procurement-progression plan for historically disadvantaged enterprises in terms of capital goods, services, and consumables, as well as the breakdown of the procurement process.<sup>101</sup> Similar to other countries, Angola's local content policy places a strong emphasis on increasing human capacity and buying locally produced goods and services. Through the cooperation agreement with Norway, Angola has improved its ability to monitor the industry, promote its human resources strategy, and construct a database of qualifications for the sector in an effort to combat wage and promotion disparities between Angolans and foreign workers.<sup>102</sup> In contrast, local content in procurement can refer to the use of domestic labour or domestically produced goods or services, as well as the employment of locally owned businesses and domestic resources in production.

Through the procurement practices of major private and public corporations, significant economic and social value may be provided to host nations and local communities as a result of the trillions of dollars in products and services that will be purchased over the following ten years in order to explore and develop for oil, gas, and mineral resources around the globe. Large-scale procurement by private and public firms can also be used as a method of strategically and tactically growing national industries. Therefore, it is positive that the Ghanaian government, as part of its initiatives to support SMEs, approved the Public Procurement Law (Act 663) in December 2003, which gave local companies advantages throughout the procurement process. Due to this regulation, foreign competitive tendering will only be utilized when local firms are not available to complete the contract. When domestic companies are operating in a sector, they will be given the chance to enlist the international experience that they might be missing. This will provide local companies the chance to form partnerships with other local or foreign companies in order to submit bids for and carry out contracts. Given that Ghana's public procurement system is the country's largest domestic market and accounts for 60 to 70% of all imports each year, this procurement strategy might direct resources to local businesses and hence serve as a development mechanism for SMEs and domestic business.<sup>103</sup>

As a result, similar policies, which encourage local businesses through proper institutional and policy frameworks, might be used in the mining sector to promote sector expansion and the potential for job growth. Such measures would be in line with the East Asian Tigers' (Hong

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<sup>101</sup> Esteves et al. (n 56)

<sup>102</sup> Ovadia (n 93)

<sup>103</sup> Arthur & Arthur (n 94)



Kong, Singapore, South Korea, and Taiwan) structuralist and state-led economic development policy, which saw high levels of economic growth when its governments started to interfere in the process of firm creation. However, these advantages, won't materialize unless SMEs in the oil and gas industry raise the quality of their goods and adhere to market-demand deadlines for their clients; building a strong domestic market requires a stable and efficient supply of high-quality commodities produced on schedule by SMEs.

Finally, the effectiveness of local content projects will hinge on how benefits flow to residents and the communities where the natural resources are situated, since inequitable benefit distribution adds to tensions and violence in resource-rich nations like Nigeria, Liberia, Zimbabwe and Sierra Leone.<sup>104</sup> Due to their propensity to assist business growth, skill-development initiatives, and other forms of social and physical infrastructure that sustain a strong local economy, community development duties are pertinent to local content. To achieve this, local content regulations are used in Nigeria, for instance, to foster political peace by preventing crises and preventing violence, especially among the extractives producing areas.<sup>105</sup> More significantly, Nigeria's local content strategy for the oil industry seeks to promote the participation of indigenous local businesses on a large scale. The Nigerian Extractive Industry Content Development Act of 2010 has requirements to increase local involvement in all elements of extractive operations, including defining the minimum percentages of local materials and staff that extractive companies in the nation must utilize. According to the regulation, 60 percent of steel ropes must be produced locally, and 65 percent of the workers in energy projects must be Nigerian. All contracts worth more than \$100 million must contain a labour clause requiring the employment of a minimum percentage of Nigerian labour or indigenous companies of a minimum size, according to Section 9 of the Nigerian Content Division Bill, which refers to a government division empowered to collaborate with industry stakeholders to develop local strategies and ensure compliance. As a result, the Nigerian local content policy is a tool for changing the sector by fostering national capacity and indigenous talents in the areas of infrastructure, facilities, and workforce development. By encouraging more SME engagement, job creation, and a foundation for industrial expansion, as well as preventing capital flight out of the nation, it seeks to transform the sector into an economic hub. Making sure that some of the wealth generated by natural resources is returned

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<sup>104</sup> Arthur & Arthur (n 94)

<sup>105</sup> Ado, R “Local content policy and the WTO rules of trade-related investment measures (TRIMS): the pros and cons” (2013) 2(1) *International Journal of Business and Management Studies* 137-146.



to local communities in the form of worthwhile community projects would encourage social compensation, expand corporate social responsibility, lay the groundwork for efficient resource governance, and contribute to the community's overall development.

Local content policies cannot ignore the spirit and later of the provisions of such continental treaties (bilateral and multilateral) as Ghana might ratified to allow the citizens of member countries to the treaty come under the dictates of such agreements to participate in the value chain of the mining industry as though they were 'born' citizens of Ghana.

In order to lessen the negative impacts of natural resource operations on society and the environment, programs and initiatives to promote community development are frequently implemented with the ultimate objective of boosting profit margins and obtaining sustained social licence to operate. However, for these programs to be more successful, those who will be impacted or who are likely to be impacted should be included in their development plans. Most people assume that the government plays a significant role in corporate regulation and fulfilling its required development promise. When asked about their expectations from the extractive discovery, Cape Three Points members participated in a pilot study in Ghana in April 2011 that revealed the following: "extractive companies have little power to appease the people, and initiatives like local content projects are highly improbable to achieve their intended goals unless the people feel they are being heard and understood and are being involved in the process." Developing initiatives that focus on people's unique needs rather than imposing a pre-set agenda on them has the possibility of improving outcomes since it would give local residents a voice in matching projects to their requirements by focusing on what they need. In conclusion, a more bottom-up strategy is required to guarantee that development projects and programs in Ghana's mining villages live up to public expectations.<sup>106</sup>

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<sup>106</sup> Andrews, N "Community expectations from Ghana's new oil find: conceptualizing corporate social responsibility as a grassroots-oriented process" (2013) 60(1) *Africa Today* 55-75.



## CHAPTER FIVE – CONCLUSION AND RECOMMENDATIONS

### 5.1 Summary of Findings

One of the major objectives of the study was to examine the effectiveness of the local content legislation in Ghana's mining industry. To this end, the perceived relevance of the local content policy, the increase in foreign investment into the mining sector, the participation of indigenous companies in the mining, and the effect of joint venture partnership with foreign companies were used as parameters to measure the effectiveness of the policy.

With respect to the relevance of the policy, findings of the interview results showed that the local content policy for the mining sector of Ghana was indeed relevant for the purposes for which it was passed. According to the literature review, the relevance of the policy was seen in its advocacy of precedence to Ghanaian indigenous companies for contracts awarded in the mining sector. They further stated that since the passing of the local content policy, there had been capacity building exercises for staffers of their companies which has consequently helped in the securing of contracts in the sector.

In the area of increase in foreign investment into the sector, the study findings showed that the local content policy had not had much effect on foreign investment into the oil and gas sector. The reason behind this was that many of the foreign investors were not comfortable with local content rules and those that even did adhere to them did so grudgingly. Further, many of the foreign operators still preferred to utilize their suppliers for all their activities and even opted to offer non-technical contracts to Foreign Service providers. These did not concur with the findings of Baba (n 70)<sup>107</sup> who revealed in her study that foreign direct investment in the mining industry of Ghana had increased due to the implementation of the local content policy.

With respect to the effect of joint venture partnership on indigenous companies' skill and technical competence enhancement, this study findings showed that the transfer of technological knowledge and skill to the locals had not been smooth sailing. The reason for this was that some of the firms were reluctant to divulge knowledge about their technologies because they regarded it as 'very sensitive company information.' Another reason stated was that there was also little to no effort on the part of the indigenous companies to have the knowledge and acquire the skills possessed by the foreign firms. These findings substantiated

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<sup>107</sup> Baba (n 70)



the findings of Asante and Owusu (n 103),<sup>108</sup> who argued that many indigenous companies themselves relegated the skills training of their personnel to the background and paid little attention to improving the skill set of employees. Further examination of the study findings showed that even though the joint partnership venture had been beneficial to some of the indigenous companies and individuals, only a handful had benefited from the policy, and the reason for that could be attributed to political influence in the entire process of contract bidding and awarding.

Another objective of this study was to identify the challenges that indigenous companies in the mining industry faced with the implementation of the local content policy. To this end, the interviewee of the Petroleum Commission as well as the two interviewees from the downstream companies were asked to highlight the challenges, they believed bedevilled the mining industry. According to the interviewee of the Minerals Commission, the main barriers to the successful implementation of the local content policy were porous regulatory framework, political influence in the mining industry and inadequate funds by indigenous companies. It was revealed that one of the main factors that hindered the successful implementation of the local content policy was the attitude of policymakers towards the mining sector. The interviewees who belonged to the companies also indicated that the lack of adequate managerial team members, inadequate experience per the demands of regulators, lack of international certification, and lack of financial capacity were the main challenges they faced in the mining industry. Examination of evidence in the literature of this study revealed that these findings of the study supported the findings of Balouga (n 66) 23<sup>109</sup> who argued that indigenous companies lacked administrative capacity to win contracts offered as the majority of them were mostly small-scale companies. It further substantiated the findings of Asante and Owusu (n 103)<sup>110</sup> who also reported in their study that indigenous companies were poorly structured and had limited capacity to do business in the mining industry of Ghana.

## **5.2 Conclusion and Recommendation**

The findings of this study confirmed what other extant literature on the topic have reported especially with regards to the challenges that indigenous companies face in the oil and gas industry of Ghana. From the evidence in this current study, it is revealed that there still exists a

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<sup>108</sup> Asante and Owusu (n 103)

<sup>109</sup> Balouga (n 66) 23

<sup>110</sup> Asante and Owusu (n 103)



myriad of issues that need tackling especially if the local content policy is to achieve its full purpose. The government of Ghana and other policymakers must find a way to assist indigenous companies to increase their financial capacity and raise their credits to execute contracts. They also have to try and insulate the sector from political interest and influence. If there is one thing that is currently working well, it is the initiative by the government, in collaboration with other international mining firms to enhance the capacity of indigenous companies through skill development training. More attention has to be given to this as it has already proven to be beneficial to the indigenous companies in the sector. In areas such as ensuring the adherence to tenets of the local content policy, policymakers have to do more. There should also be an improvement in terms of monitoring the operations of firms in the industry to ensure that the foregone is properly followed.



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