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**Research Report**

## Community Engagement in Chinese and American Gold Mining Companies: A Comparative Case Study in Ghana

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## POLICY POINTS

### **The NGGL's Social Responsibility Forum**

provides a good model for the type of collaborative governing mechanisms that gold mining companies should establish.

### **The Ghanaian government**

**should** establish policies that prevent mining areas from becoming exclusively dependent on mining for economic gains.

### **Against the backdrop of**

**China's** state-led development model, economic performance often takes precedence over community development. Localization of workforces can help companies better understand and meet community development needs.

## Community engagement in Chinese and American gold mining companies: A comparative case study in Ghana

Yang Jiao

ONE OF THE PRIMARY CONCERNS REGARDING CHINESE investments in extractive industries in Africa is the impact they have on local communities. This report presents the results of field research examining local engagement by a Chinese company and an American company operating in Ghana. Golden Sunshine Mining Company Ltd., a large-scale Chinese gold mining company, is a relatively young company, and is just starting to venture into the world of corporate social responsibility. It relies on local expertise in its engagement with the local community, and so far it has had a limited impact on local labor recruitment. Meanwhile, Newmont Ghana Gold Limited, an American company that has operated in Ghana for over ten years, has developed a robust local governance structure for supporting community development projects. Although locals seem to expect this level of effort from mining companies, Golden Sunshine does not prioritize community development.

## METHODS

FIELD RESEARCH AND INTERVIEWS WERE CONDUCTED from December 2015 to January 2016 with community program managers of Golden Sunshine Mining Company, leaders and members of local communities where both Chinese and American companies operate, the chief technological officer of the Ministry of Lands and Natural Resources (MLNR), and members of the staff of the Ghana Minerals Commission.

## BACKGROUND

GHANA IS CONSIDERED A STRONG DEMOCRACY in West Africa and a model of the promise of neoliberal economic reforms. In the last four decades, Ghana has become a major economic hub in West Africa, fueled by export-led growth. However, without a robust industrial base, Ghana is locked into foreign trade agreements and relies heavily on exporting natural resources such as gold, timber, minerals, or foodstuffs such as cocoa and shea nuts. In the mining sector, a series of neoliberal policy reforms have resulted in an increase of gold production from 240,000 ounces in 1984 to 4.4 million ounces currently.<sup>1</sup> The minerals sector now accounts for 16% of Ghana's domestic revenue.

Since the mid-1990s, Ghana has furthered its efforts to engage with the world economy. Its efforts to create tax-free industrial zones and improve its transport infrastructure have made Ghana an attractive destination for foreign capital.

The regulatory framework for gold mining operations in Ghana consists of national laws, policies, and guidelines, as well as customary principles that govern local interactions. Both Ghana's Minerals Commission and its Minerals and Mining Policy detail guidelines for and emphasize the importance of sustainable development. In addition, Ghana's immigration regulations and customs govern the flow of foreign nationals involved in gold mining activities.

### CHINA'S GOLDEN SUNSHINE MINING COMPANY

CHINA HAS BEEN EXPERIMENTING with its own market reform since 1978, and its investment in Africa has dramatically increased since 2000. Facilitated by the state's "Go Global" strategy that encourages Chinese companies to invest in foreign markets, private sector capital and state-owned companies have combined resources to invest in Africa's mining sector.

Despite the fact that thousands of Chinese nationals operate in small-scale surface gold mining, only five large-scale Chinese mining corporations have obtained proper licenses to operate in Ghana, of which only Akoko Goldfields (controlled by Golden Sunshine Mining) has mining lease rights as of 2016.

Golden Sunshine's interaction with local communities has occurred mainly during the reconnaissance period of surface mining at two sites, Odumase and Juaso. In 2014, local and regional leaders in Odumase expressed concerns about the potential pollution of Dansu River, which runs through the region, and about land compensation. Golden Sunshine hired two key public relations officers to consult with affected farmers. These officers, Mr. L. and Mr. M., both have had substantial work experience with foreign and Ghanaian mining companies. They first invited stakeholders to presentation meetings to show how surface mining work is conducted and how land reclamation would be done. After addressing doubts about potential pollution, Golden Sunshine persuaded the compensation committee and affected farmers to agree that certified technicians should survey their land in order to calculate compensation. After the survey, the Odumase chief on behalf of the compensation committee of the affected community agreed to compensation terms with several conditions. Their requests included a new main palace for the chief, a primary school, scholarships for students, a public market structure, public restrooms, as well as a new clinic

to be funded by Golden Sunshine. After rounds of negotiations with affected farmers, the compensation rates were set based on the government stipulated rate.<sup>2</sup>

Two of the key issues during the negotiation process were (1) the need to identify the real owners of the affected land, and (2) the seasonality of farmland, which made farmers reluctant to give up their land close to harvest time—even if they were compensated. Mr. L. and Mr. M. used influential farmers to help investigate land ownership and guard against absentee owners who asked for higher compensation. In addition, Mr. L's personal experience in farming and his depth of local knowledge enabled him to manage the mining work flow in line with the seasonal pace of agriculture.

The arrival of Golden Sunshine has started to change the traditional agriculture-based subsistence economy of the Odumase population. Jobs were created during the mining operations. Golden Sunshine hired around ten local workers to operate excavators and for supplementary labor work. New hotels, restaurants, and bars opened in the town. However, a former assembly woman expressed concerns over this change for three reasons:

1. The local population is experiencing a higher level of mobility and regional migration, resulting in a change from an identity embedded in kinship to one organized around mobility and contractual work.
2. The growing numbers of *galamseyers* (individual small-scale artisanal miners) in the vicinity of mining areas and the employment of non-resident workers cause community fragmentation, health issues, and crime issues.
3. The disproportional development of the mining sector results in increased prices and puts pressures on non-mining businesses and groups.

### NEWMONT GHANA GOLD LIMITED

NEWMONT GHANA GOLD LIMITED (NGGL) has operated in Ghana for over ten years and has two major mining sites: Ahafo and Akyem.

NGGL entered into the Akyem Social Responsibility Agreement with the Akyem mine's local community and the Birim North District Assembly as they started the mining operation. This agreement lays out the roles of different stakeholders, rules of community participation in regards to conflict resolution, land compensation, local employment, and reclamation issues.

Compared to Golden Sunshine, NGGL is unique in two primary ways:

**Table 1:** Comparison of NGGL and Golden Sunshine on community engagement

Company	Development stage	Strategies of community engagement	Main issues in community engagement	Perceived impacts and concerns
Golden Sunshine	Early; reconnaissance	Public relations officers; meeting with compensation committee	Ascertain land ownership among affected farmers; lack of formal platform	Livelihood change
Newmont Ghana Gold Limited	Full-fledged; active production	Collaborative governance: The Social Responsibility Forum	Exclusion of unskilled labor	Environmental risks, noise, increased cost of living

1. It has established a collaborative governance<sup>3</sup> platform in which the company and the community can negotiate and determine claims of membership to the mine local community as well as associated rights. The establishment of a governing “Social Responsibility Forum,” and the explicit delineation of the rules, regulations, and by-laws, allow NGGL to more easily manage strategies of inclusion and implement the Social Responsibility Agreement.
2. It incorporates a wide arrange of local political leaders as formal members of the Forum.

As such, local community members have a formal channel through which they can propose, discuss, and approve various development initiatives.

NGGL also established the Community Development Unit as a way to disburse economic gains from mining to the local community. Field visits revealed that Newmont has implemented numerous development projects including:

1. A new primary school
2. A scholarship for students from all ten affected communities
3. Funding for traditional festivals
4. A micro-financing program for people in need
5. Two acres of land, fertilizer, and crop seeds are provided to affected farmers for five years
6. A resettlement community called Yayaso has been completed for one affected community
7. Water and sanitation projects
8. New roads running through the town and a tunnel bridge which Newmont vehicles use to access the mining site.

Still, since NGGL’s Akyem site started commercial production in 2013, local community members have raised several concerns including the use of dynamite, the increased cost-of-living

associated with the influx of mining personnel, and the increased crime rate.

## POLICY RECOMMENDATIONS

ALTHOUGH THEY ARE AT DIFFERENT points in their operations, Golden Sunshine and NGGL provide a useful point of comparison to examine methods of local community engagement by mining companies.

Golden Sunshine is a young company that does not see a point in preparing community-development programs before its reconnaissance stage concludes. NGGL, on the other hand, is a large-scale company that had successful programs at its Ahafo mining site, and has since applied similar strategies at its Akyem site.

With regards to perceived impact, local communities in both companies’ sites cited concerns over the increased cost of living, health and safety risks, and livelihood change. However, the primary difference between Golden Sunshine and NGGL is that the latter has established a collaborative governance platform to address community development. Golden Sunshine relies solely on its public relations officers to manage community engagement, and this is done in an ad-hoc manner. In contrast, NGGL has a formal platform to guide the inclusion of the local community and to address their development goals and claims of rights. Having such a mechanism in place ensures effective negotiation and decision-making.

Three key recommendations result from this comparative analysis:

1. First, the Minerals Commission should encourage all foreign gold mining companies to work with local communities to establish a collaborative governance mechanism that

includes all stakeholders. NGGL's Social Responsibility Forum is a good model.

2. Second, the Ghanaian government should put in place policies that prevent mining areas from becoming exclusively dependent on mining for economic gains. Many community members expressed concerns that local livelihoods are changing; agriculture and non-mining sectors should not be marginalized.
3. Finally, the Chinese government should advise Chinese mining companies in Africa to anticipate the complexity of politics surrounding local communities, and issues such as land ownership, kinship, and traditions. NGGL's Social Responsibility Forum might serve as an example for Chinese companies. Companies' awareness of corporate social responsibility varies depending on factors such as organizational size, business culture, and development stage. Against the background of China's state-led development model, county and provincial level governments are under pressure to meet GDP growth goals. In this environment, economic performance often takes precedence over community development, especially among small-scale, private and early-stage companies. Thus, community development is considered to be the responsibility of local government rather than of corporations. Localizing workforces can help companies understand community development needs and coordinate between government and non-government stakeholders. ★

## ENDNOTES

1. Ernest Aryeetey and Jane Harrigan, "Macroeconomic & Sectoral Developments Since 1970," in *Economic Reforms in Ghana: The Miracle and the Mirage*, eds. Ernest Aryeetey, Jane Harrigan, and Machiko Nissanke (London: James Currey, 2000); Brenda Chalfin, *Shea Butter Republic: State Power, Global Markets and the Making of an Indigenous Commodity* (New York: Routledge, 2004); Speech by the Minister of Lands & Natural Resources, Nii Osah Mills, 2016.
2. A land evaluation officer from Koforidua was consulted for the government stipulated compensation rates.
3. Emerson, Nabatchi, and Balogh (2012) define collaborative governance as a structure of management that includes multiple stakeholders to form partnerships. Kirk Emerson, Tina Nabatchi and Stephen Balogh, "An Integrative Framework for Collaborative Governance," *Journal of Public Administration Research and Theory* 22, no. 1 (2012): 1-29.

## AUTHOR

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