The quest for ethics amidst institutional change: the case of Ghana’s mining industry

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Gold, Ethics, Mining, Ghana, Institutional Change

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Introduction

This paper aims to explore and examine the evolution of ethical practices in Ghana's mining industry from colonial era to contemporary times. From the period of colonial rule to the era of political independence in 1957, the mining industry in Ghana has undergone significant institutional changes from foreign dominance to nationalisation. Equally, the introduction of monetary policies to reform the Ghanaian economy in the 1980s brought about massive changes in the mining industry, particularly, the ownership structure and fiscal regime. This era witnessed the reversal of ownership from state-controlled to privatisation.

Over the years, the business environment in general has attracted huge attention on ethical conduct, especially, under the caption of corporate social responsibility and environmental sustainability (Kolk, 2016; Hilson, 2012; Garvin, 2009). Much consideration has been devoted to the operation of multinational enterprises (mainly from the developed world) and how they affect the environment (Cuervo-Cazurra & Genc, 2011; Christmann, 2004), socio-economic development of host countries (Görg, & Strobl, 2016; Blomström, & Kokko, 1998) and, relationship with suppliers (Yin, & Jamali, 2016; Johanson, & Mattsson, 2015; Bondy, Matten, & Moon, 2008), especially, small businesses in poor parts of the world where the regulatory environment is either weak or non-existent (Patnaik et al, 2017).

Generally, there have been enormous scholarly work on how mining enterprises displace communities, hence, the negative effect on the family settings of societies, and the denial of economic livelihood to indigenous people (see for example: Gamu, & Dauvergne, 2018; Yakovleva, & Vazquez-Brust, 2018; Hilson, 2004; Szablowski, 2002). Again, many empirical research in mining business has concentrated on the industry's harm to the environment, particularly, the spillage of toxic chemicals in river bodies, leading to the destruction of aquatic lives and pollution of the source of water of many communities (Hilson, Hilson & Pardie, 2007; Kpan, Opoku, & Gloria, 2014). Meanwhile, there is less empirical research on the good and bad practices emanating from the changes in operating regulations and of the ownership structure of the mining industry. In Ghana for instance, these changes are influenced by the governance structure, depicting the interests of who is in power at any point in time. To bridge this gap, using primary data from multiple stakeholders within the Ghanaian mining industry, we identify and examine ethical practices arising from institutional changes.

For purposes of organisation, the remainder of the paper has been presented in five sections. Section two reviews the literature on the mining industry in Ghana, focusing on three major phases of development: the era of colonial rule, the post—independence period in 1957 to the early 1980s, and finally, the period after the implementation of the economic reform programme to recent times. These three phases are critical for the achievement of the study's objectives as the mining industry witnessed massive institutional changes in the areas of ownership and regulations. Sections three and four focus on the methodology and the discussion of findings – the implication for ethical business theory and policy making. The last section is the conclusion and suggestion for further research.

Overview of mining in Ghana

Ghana is endowed with many mineral resources including gold, diamond, bauxite, and manganese (Government of Ghana, 1980; Garvin et al, 2009; Jackson, 1992;). For over a century, Ghana has mined some of these precious minerals (especially gold) on commercial basis (Ref, 20xx). The history of gold mining in Ghana is heavily influenced by the rise of powerful Kingdoms in the Sahel region; the arrival of European traders on the coast of Guinea; slave trade; colonialism; the Boer/Great Wars; independence struggle; and, recently, monetary policies (Griffis et al, 2002; Patnaik et al, 2017; Hilson & Potter, 2005). Hilson, G., & Potter, C. (2005).

In fact, the history of gold mining in Ghana is well documented (see for example: Griffis et al, 2002; Hilson, 2002). For the century before 1600, a third of the world's gold emanated from Ghana (Minerals Commission, 2014; Akabzaa & Darimani, 2001). According to Kassule (1998), the forms of payment for the gold trade between the people of ancient Ghana and their counterparts from North Africa were iron tools, cloth, and salt. The iron tools aided in the clearing of forest to encourage migration, and consequently, increased production (Griffis, 2002; Afrifa, 2006).

Today, Ghana is among the top ten gold producing countries in the world. The annual average gold production volume of five million ounces also places Ghana as the second largest producer in Africa, after South Africa. Gold accounts for about 80% of the minerals produced in Ghana (Ghana Chamber of Mines, 2015; U.S. Geological Survey, 2016). Like many mineral resource-rich countries, arguably, the mining industry forms the basis of Ghana’s economic development (Appiah-Adu and Bawumia, 2016).

Gold mining, for many decades has been the main foreign exchange earner for the Government of Ghana (GoG). Recent data shows that the industry contributes about a third of total merchandise export (Bank of Ghana, 2016; 2017). Hence, gold export is the number one foreign exchange earner to the GoG, followed by cocoa, and oil (ibid).

There have been many massive institutional changes in Ghana’s gold mining industry in the past century under different governmental regimes. The reforms mainly affected the ownership structure and the regulatory environment of the industry. Consequently, the principles governing the way of doing business under each governmental regime have been impacted by the reforms.

Mining in the colonial era

Arguably, the foremost institutional change in Ghana’s mining industry occurred in the era of the invasion of European traders in the coast of Guinea around the fifteenth century. The first Europeans to arrive at the shores of present day Ghana were the Portuguese around 1471, followed by the Dutch and finally, the British (Fage, 1961; van Danzig, 1980). Before the invasion of the foreign traders, the indigenous people mined gold alongside agricultural practices.

Elmina (meaning the mine in Portuguese), a coastal town in Ghana became the centre of gold trade between the indigenous miners and the foreign traders. Europeans involvement in gold mining between the period of their arrival and the next couple of centuries was minimal. It is worth noting that for over five centuries after the arrival of the European traders on the coast of Ghana, gold mining was the preserve of the local people. Griffis et al (2002) claim that the foreign traders were content with the profit gained from the trading business and that they did not have any special technology in gold exploration that put them in advantageous position over the local miners. The most common mining practice employed by the indigenes was alluvial, where simple implements or instruments were used to extract gold, mainly from streams.

Arguably, mining in Ghana became a commercial activity in the late 19th century where several British-owned companies were given concessions to mine. The focus at the time was to supply raw materials to feed industries in the Great Britain. The bauxite sector for instance played critical role in feeding the British weaponry during the two Great Wars. The taking-over of the Gold Coast[1] (former name of Ghana) as a colony of the Great Britain saw the introduction of new technology in the mining industry.

Rosenblum (1972) accounts that between 1878 and 1883 about 25 European gold mining companies operated in the Gold Coast. The number of European operators increased significantly to over 400 between the late 1800 and early 1900. Junner (1935) reports that the Boer War between the local settlers of South Africa and the British around 1890 influenced the flow of capital to the Gold Coast and that the government of the later received over 3500 gold mining concession applications. According to Griffis et al (2002), a good number of these mining enterprises were successful in their operations. For example, the Swanzy Group and Ashanti Goldfields were profitable, with the latter raising

[1] The Gold Coast is the former name of present-day Ghana prior to her political independence in 1957. The name was adopted in connection of historical ties the people had with the Ancient Kingdom of Ghana. Ghana and the Gold Coast have been used interchangeably throughout this paper.

about £250,000 from the London Stock Exchange in 1897. The Swanzy Group, unlike many other European mining companies that depended on foreign labour force operated uniquely. Griffis and colleagues (2002) report that almost all the mine workers were recruited locally, including some of their key management members.

Arguably, the popularity of Ghana's gold mining industry and the increased in productivity in the first decade of the 1900 could be partly accounted to the development of transport infrastructure. As found by Afrifa (2006) all the rail infrastructure built by the colonial government were from the production sites to the ports. These were to facilitate easy transport of heavy machinery from the port and raw materials to England. This phenomenon was not particular to the Gold Coast only. In many of the former British colonies in Sub-Saharan Africa, similar infrastructural facilities were built to support British-owned companies.

A significant reform in Ghana's mining sector was the imposition of a ban on artisanal small-scale mining in 1933 under British colonial rule (Akabzaa, & Darimani, 2001). The colonial government argued that the policy to criminalise small-scale mining was to protect the environment from pollution by curtailing the excessive use of harmful chemicals like mercury. Some scholars argue that the policy was to encourage local people to work in the large mining companies as many Ghanaians did not want to work for the foreign companies (Aryee et al, 2013; Dlouhá & Barton 2014).

We view the enforcement of a ban on artisanal-small scale mining in the context of capitalist accumulation of wealth. Bush (2009) identifies two facets of capitalist accumulation of wealth. The first dimension is the relationships between the capitalist and the worker at the grassroots. The capitalist's ideology of property rights exploits the production of goods and services and the marketing of same to the detriment of the wage worker. The second dimension identified by Bush deals with the relationship between capitalist ideologies and non-capitalists, such as those under colonial rule. The style of exploitation of mineral resources by the colonial government was completely divergent from the indigenous African ideology of agrarian system of property re-distribution on family lines. The mining sector witnessed the abuse of the right of local people, creation of artificial unemployment in rural communities and the curtailment of the value chain of production.

Apart from the direct employment from the extraction of mineral resources, the local mining industry generated other forms of jobs and economic activities to support the local economy. For example, women were engaged in the washing of the ore. Similarly, the goldsmith sector, that provided certain forms of employment, received raw materials from the local miners. Consequently, the government policy of criminalising small-scale mining hugely affected the growth and expansion of local economies.

There are many records of labour unrest to press for better conditions of service for mine workers in the period preceding independence. Several of these were propelled by political activists who demanded self-government and political independence. At this time of labour crises, the price of gold remained record low for over a decade. This hit many mining operations – making them unprofitable.

Mining in the post-independence era: 1957 – 1980

The Gold Coast gained political independence from the British in 1957. Gaining control over the management of natural resources by the indigenous people was a major slogan during the independence struggle. This era witnessed significant changes in the mining business environment. The ownership structure of the mining industry changed completely, moving from the private sector to the State. The State, the new owner of the industry also maintained her role as the regulator.

Soon after independence in 1957, the GoG introduced a policy to nationalise the mines for several reasons. First, the industry was to provide raw materials for the government's industrialisation programme. Second, as noted earlier, most of the mines were running huge losses and threatened closure. The industry provided employment for many youths. Debatably, the socio-economic problems that was to arise after massive job cuts nationwide was likely to make the new government unpopular. To avert these challenges, the State nationalised five (Ariston, ABA, Ghana Main Reef, Bremang and Bibiani) major mining companies and organised them under the State Gold Mining Corporation. The Konongo mines later joined the SGMC in 1965, leaving the only profitable private mining company, the Ashanti Goldfields.

The SGMC's performance was not too good, perhaps, due to the high cost of production, the unpreparedness of the local people to manage such huge operations and the political instability after the overthrow of the civilian government in 1967. The mismanagement and alleged corruption that accompanied the military government was massive, and affected the performance of the industry. Consequently, the SGMC was hugely indebted to the government to the tune of $30 million, a decade after the company's incorporation (Anin, 1987).

In 1972, the Acheampong-led military government decreed that the mining companies restructure their ownership and that the State be allocated a controlling interest of 55%. Additionally, all the companies were to relocate their headquarters to Ghana. From the perspective of the foreign investor, this governmental intervention was unethical and unsustainable as it contradicts the principle of fairness.

The period after the Structural Adjustment Programme: 1980 – 2017

The decade after 1980 witnessed significant changes in Ghana's mining industry. The worsening performance of the general economy (including that of the mining industry) necessitated the restructuring of the general economy.

Research methodology

The study employed a case study technique (Yin, 2003), using secondary data from archival sources. The sources of secondary data include reports from the

Ghana Chamber of Mines[2], GoG policy papers, reports of public committees/commissions and annual reports of mining companies. The secondary data was complemented with semi-structured interviews collected from multiple stakeholder groups in the mining industry (refer to Table xx).

Scholars argue that collecting data from different sources enable researchers to authenticate findings and improve data credibility and confidence (Thurmond, 2001; Yin, 2003; Yakovleva & Vazquez-Brust, 2016).

The interviews were conducted in 2015 and 2017. Prospective interviewees were formally invited via letters to participate in this study. The interviews were recorded the consent of participants was sought. Notes were taken by the interviewer, focusing on main themes. Finally, the tape was transcribed verbatim, referring to the notes taken.

Purposive sampling technique was used to select the informants. Thus, participants were deliberately chosen, considering the qualities they possess, (2010). We carefully selected experienced and knowledgeable characters from institutions whose activities are affected by changes in mining policies. The basic qualifications for potential participants were the longevity of active service and the occupancy of senior or managerial office in their respective institutions. The highest and least levels of experience of the participants were 35 and 12 years respectively. This enabled us to draw information from people that witnessed historic events and have the potential of verifying same.

Theories for the study

- Post-colonial
- Stakeholder vs Shareholder
- Institutional void

[2] The Ghana Chamber of Mines is a private association of mining companies established in 1897. The Chamber reports on the activities of the industry annually.

Proposed contribution

This study makes several contributions to the literature of business ethics and institutional theory. First, we contend that placement of ban on small-scale mining by the colonial government was unfair competition against the indigenous people. This policy truncated the development of local investment and development in the industry. Many people were denied of their legitimate economic livelihood, impoverishing them and deteriorating their standard of living. On the other hand, many foreign mining enterprises benefited economically from this policy, especially, in the area of cheap labour.

We suggest that farmers are not adequately compensated by mining companies for taking-over farms (especially, those who are into cash-crops farm) for mining operations. Unrealistic and unsustainable values are placed on plantations.

	Pre-colonial era	Post-independence era: 1957-1980	Post-economic reform programme
Key Actors	1. Colonial administration 2. Foreign mining firms 3. Expatriate workers 4. Local mine workers	1. Government of Ghana 2. Foreign mining firms 3. Local mine workers	1. State regulatory agencies 2. Multinational mining enterprises 3. Small-scale miners 4. Service/logistics providers
Critical Events	1. Commercialisation of mining 2. Criminalisation of small-scale mining	1. Nationalisation of mines through the State-Gold Mining Corporation 2. Political instability: military coup de tats 3. Economic downturn and low gold production	1. Privatisation of State-owned mining enterprises 2. Increased in foreign direct investment 3. Tax reforms 4. Re-introduction of small-scale mining
Ethical Practices	1. Authentication of mining concessions/agreement between parties at the Courts	1. Local content development – training of local manpower at the Tarkwa School of Mines	Minerals Royalties renegotiations from fixed to proportional rate
Unethical Practices	1. Criminalisation of small-scale mining activities 2. No plans for knowledge transfer to local workers 3. Unfair royalty payment – fixed royalties that lost value with time instead of proportionate value that relates to production levels	Continuation of Criminalisation of small-scale mining activities	1. Environmental malpractices, especially, from small-scale miners 2. Unfair compensation payment system to local farmers

Summary of phases of development in Ghana’s mining industry and ethical issues arising

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