

**PRESENTATION BY HON. PROF. DOMINIC FOBIH, FORMER MINISTER OF LANDS, FORESTRY & MINES, GHANA, AT THE AFRICA DOWNUNDER CONFERENCE, PERTH, AUSTRALIA, 6 – 7 SEPTEMBER, 2007**

**PERSPECTIVE ON COMPETITIVENESS OF GHANA'S INVESTMENT CLIMATE**

**1.0 INTRODUCTION**

Ghana is endowed with considerable mineral resources with a mining sector that has developed greatly over the years and symbolizes a key pillar by its contribution to the Ghanaian economy.

- Major minerals currently being mined on commercial scale are gold, diamond, bauxite, manganese and salt.
- The sector was consistently the highest gross foreign exchange earner from 1999 to date, excepting 2004, as well as a provider of high quality employment to Ghanaians.
- Currently, the sector contributes about 7% of Ghana's total corporate tax earnings, 37% of total exports, 12% of government revenue and 5% GDP. The sector also employs 20,000 people in the large scale mining industry.
- In 2006, export revenues from the mineral sector amounted to US\$1.2billion. Total Foreign Direct Investment (FDI) into the minerals and mining sector from 1980 to 2006 amounted to US\$7billion.

The sector aims to secure the continued development of a thriving mining industry that will contribute to sustainable economic development.

**2.0 THE GHANAIAN INVESTMENT CLIMATE**

Government recognizes that mining can continue to act as an engine for economic development by diversifying exports, widening the tax base, generating skilled employment, creating demand for local goods and services, contributing to infrastructure development, producing raw materials for local usage and, providing a catalyst for wider investment in the economy.

In this regard, the government has policy to promote the involvement of private investors both local and foreign to participate in the economy of the country, by providing favorable conditions for investment. Policy initiatives and the legal framework adopted by Government with the passage of a new Minerals and Mining Act, 2006; Act 703 is to promote investment in the mining sector.

**2.1 Attractive Minerals and Mining Policy**

Government policy for the mining and minerals sector is to ensure that it continues to contribute its quota to development of the country by means of the following, among others:

- Ensuring that Ghana's mineral endowment is managed on a sustainable, economic, social and environmental basis and that there is an equitable sharing of the financial and developmental benefits of mining between investors and all Ghanaian stakeholders.
- Encouraging local and foreign private sector participation in the exploration for, and commercial exploitation of, mineral resources, consistent with the Government's commitment to a free-market enterprise economy.

*Private sector investors need to be able to operate profitably, be internationally competitive and satisfy their shareholders' and employees expectations. Thus establishing and maintaining the following is deemed key:*

- *a conducive macro-economic environment for mining investment;*
- *a stable regulatory environment that provides for the transparent and even handed treatment of investors;*
- *a stable, competitive and fair fiscal regime.*
- Encouraging mining companies to develop a participatory and collaborative approach to mine planning, development and decommissioning, taking into account the needs of local communities.
- Applying modern principles of transparency and accountability to the administration of mining laws & regulations and, to facilitate community participation in such processes. For eg. the Extractive Industries Transparency Initiative (EITI).

*Government therefore recognizes that there is a need for proper coordination between government departments and agencies, and that there is a need for dissemination of information to the public on all aspects of mining as a basis for informed participation.*

- Acting in harmony with regional and international partners and also endorsing and implementing principles that are established in regional and international conventions and other instruments and undertakings that are relevant to mining and to which Ghana is a party or signatory.
- Developing streamlined and effective institutional arrangements for the mining sector, together with adequate capacity to promote, authorize, monitor and regulate mining operations.
- Encouraging and facilitating orderly and sustainable development of small-scale mining.
- Achieving a socially acceptable balance between mining and the physical and human environment and, to ensure that internationally accepted standards of health, mining safety and environmental protection are observed by all participants in the mining sector.
- Ensuring respect for employee, gender and human rights in mining.

## 2.2 New Mineral Legislation

A new Minerals and Mining Act 2006, Act 703 replaced an old law, PNDCL 153 of 1986 was revised to reflect international best practices in the industry and also aimed at re-positioning Ghana as a major mining investment destination in Africa. Some of the new attractive provisions in the new Minerals and Mining Act 2006, Act 703 are the following:

- Negotiable Matters – Deferment of *royalty payments*, revision of *work programs* and the level of *export earnings retention allowances*. No transfers are permitted without the approval of the Minister of Lands Forestry & Mines.
- Application of Mineral Legislation - The legislation is *applied equally to Ghanaians and foreigners*, except for the provisions relating to small-scale mining and exploitation of minerals, which is reserved for Ghanaians.

*However, foreigners can participate in the exploration and exploitation of industrial minerals where the proposed investment is not less than US\$10 million.*

- Government participation in mining lease - The Government is entitled to a free carried *equity interest of 10%* in mineral ventures. Any further participation is to be agreed with the mineral right holder.
- Payment of Royalties – Reduction of Royalties rates to vary from (3 – 6) % of the gross value of minerals produced instead of the former range of (3 – 12) %.

The amount to be paid is related to the "operating margin" i.e. taking the *profitability of the mine* into account, and is designed to prevent royalties becoming too onerous during times of low profitability.

- Mining Lease - A person, *not necessarily a holder* of a Reconnaissance License or Prospecting License may apply for a mining lease.
- Stability Agreement - It seeks to *protect the holder* of a mineral right for a *period of 15 years*, from any *adverse effects of future changes in law* that are capable of imposing huge financial burden on the holder. The Stability agreement is subject to parliamentary approval.
- Development Agreement - The Minister of Lands Forestry & Mines may enter into a Development Agreement with the holder of /applicant for a *mining lease if the investment exceeds US\$ 500 million*. The Development Agreement may contain terms of a stability agreement, in addition to terms that may vary the mining law, (especially the fiscal regime).
- Clearer Surface Rights & Compensation Provisions-in accordance with
  - Socio-economic and cultural values of the people
  - Constitution of the Republic
  - Town planning laws or any other regulations prescribed under the mining law

- Termination of Mineral Rights - A holder of a mineral right, upon termination, can *remove mining plant*, provided the holder or a person deriving title through the former holder, would use it in another relevant mining activity in the country. It is only where this is not possible that the plant vests in the Republic as was the case in the old law.
- Improvement in Good Governance
  - Priority to mineral applications that are first in time
  - Searches for open grounds conducted electronically and timeously
  - Block cadastral system being introduced to improve and streamline procedures for acquisition of mineral rights. To prevent conflicts and will reduce delays in processing of mineral right applications

### **2.3 Enhanced Fiscal Regime and Commercial Legislation**

Some of the provisions of the Minerals and Mining Act 2006, Act 703 relate to commercial aspects and incentives which elsewhere would be covered by other legislation. Notable aspects are:

- **Reduction in corporate tax** from 45% to 25% for Ghana Stock Exchange listed companies and 28% for those not listed on the exchange.
- **Expenditure on exploration and development** may be *capitalized* in accordance with regulated amortization provisions for tax relief;
- **Capital allowances** have been designed to shorten the pay-back period and include *75% write off of capital* in the first year and *50% annually* thereafter on a declining balance;
- **Retention of a proportion of revenue in foreign currency account** for use in acquiring essential equipment and spare parts required for mining operations which would otherwise not be readily available without the use of such earnings;
- **Exemptions from import duties** on imported plant and equipment for mining operations.

### **2.4 Further Efforts to Sustain Attraction to Investors and Competitiveness**

#### **2.4.1 Search for More Minerals**

As minerals are depletable resources, conscious efforts have to be made in finding new deposits and identifying other minerals in demand. Under the Mining Sector Support Programme being implemented with European Union Support, about one-third of the surface area of Ghana will be covered with airborne geophysical survey, which is currently underway. Detailed geological field mapping is ongoing in various prime areas of the country to generate up-to-date, investor friendly geo-scientific maps. The completion of this project should also lead to a diversification of the mineral production base of the economy.

### **2.4.2 Enhanced Information Management System**

A component of the Mining Sector Support Programme is a project to develop an Information Management System which will involve the development of various databases, creation of an enhanced website, and the creation of an intranet to link up the various mining sector institutions to facilitate information flow among the agencies to provide quick mineral information to investors in the preferred manner to investors. Implementation of this project is at an advanced stage.

These significant projects being undertaken are expected to lead to the discovery of new mineral deposits, and strengthen mining sector agencies in the performance of their duties, resulting in improved service delivery and monitoring while enhancing environmental protection.

Available currently are up to date mineral related information in the form of publications, concession maps, spatial geophysical and geological data (airborne geophysical coverage maps, geological maps showing various units and belts, etc.), which serves as ready information to investors.

A new mining portal has been created to make information available to investors viz.

[www.gi GhanaMining.org](http://www.gi GhanaMining.org)

### **3.0 OTHER INVESTMENT OPPORTUNITIES**

Other investment opportunities are present in the mining and related industries of Ghana apart from the exploration and mining of minerals. These include:

- Gold refinery and value-added products
- Solar salt
- Chlor-alkali Industry
- Service and engineering sector
- Manufacturing of mining plants and machinery.

### **4.0 CONCLUSION**

- Ghana has put in place an attractive investment climate which is buttressed by a revised legal and regulatory framework, a pool of skilled labour to service the industry and an improved infrastructure and fiscal regime.
- These arrangements have enabled Ghana to maintain her position as the 10th highest gold producing country in the world (2nd in Africa), and besides placing 10th in bauxite, 9th in manganese, and 9th in diamond production respectively in the world.
- The political and economic stability currently prevailing would enable further advancement through increased private sector participation as the part of the engine of growth in the economy of Ghana.