

IN THE FIRST SESSION OF THE FIFTH PARLIAMENT OF THE FOURTH REPUBLIC OF  
GHANA



# REPORT

OF

## THE SELECT COMMITTEE ON MINES AND ENERGY

ON

### THE 2006 ANNUAL REPORT OF THE MINERALS COMMISSION OF

### THE MINISTRY OF ENERGY

JULY, 2009

ACC NO: 3618

CLASS NO: CR/ARMC/09

## **1.0 INTRODUCTION**

The 2006 Annual Report of the Minerals Commission was laid before the House on Wednesday 3<sup>rd</sup> June, 2009 and was accordingly referred to the Committee on Mines and Energy for consideration and report pursuant to Article 103(3) of the 1992 Constitution and Standing Order No. 188(2) of the House.

Following the referral, the Committee met on Tuesday, 23<sup>rd</sup> June 2009 with officials from the Ministry of Lands and Natural Resources and Officials of the Minerals Commission and discussed the Annual Report and reports as follows:

## **2.0 REFERENCE DOCUMENTS**

The Committee made reference to the following documents during the deliberations:

- i. The 1992 Constitution of the Republic of Ghana.
- ii. The Standing Orders of the House.
- iii. The Minerals and Mining Act, 2006 (Act 703).
- iv. The Minerals Commission Act, 1993 (Act 450).

## **3.0 ACKNOWLEDGEMENT**

The Committee is grateful to the Minister for Lands and Natural Resources, Hon. Alhaji Collins Dauda, the Deputy Minister for Lands and Natural Resources, Hon Henry Ford Camel and Officials from the Ministry of Lands and Natural Resources and the Minerals Commission for attending upon the Committee to assist in its deliberations.

## **4.0 BACKGROUND**

The Minerals Commission is responsible for the regulation, management and co-ordination of policies in relation to the mineral resources of Ghana. In line with this

mandate, the Minerals Commission continued to play its role of regulating, promoting and monitoring mining activities.

## **5.0 ACTIVITIES OF THE COMMISSION**

The Commission in the year 2006 undertook the following activities:

### **a) Monitoring of Mining and Exploration Companies**

The Commission monitored the activities of exploration and mining companies to ensure that they complied with relevant laws. They also collected and analyzed data for policy making.

To ensure that mining companies operate within existing laws, the Commission in 2006 visited fifty-four (54) licensed areas covering prospecting and reconnaissance. Seventeen (17) visits were made to large scale operations and 45 visits to medium scale operations including quarries. Exploration activities within the period included line cutting, sampling, pitting, trenching, drilling, etc.

### **b) Reports**

During the year under review, the Commission reviewed 97 terminal reports, accompanied by applications for extension, renewal or conversion. The table below shows the applications requested and the reports received:

(Table 1)

Reports	Number
Supporting Reconnaissance Licenses Extension	6
Supporting Prospecting Licenses Extension	46
Supporting Recon. Licenses Renewal	5
Supporting Prospecting Licenses Renewal	11
Supporting Conversion from Reconnaissance to Prospecting	17
Progress Report	10
Feasibility	2
Total Reports Reviewed	97

**c) Mineral Rights**

The Commission processed applications for the grant of Mineral Rights by the Minister responsible for Mines. During the year under review the Commission received 147 applications for the grant of Mineral Rights and processed 146 of such applications. The following licenses were granted (some applications were processed in the preceding year):

(Table 2)

SN	Licenses	No. of Applications Received	No. of Applications Granted
	Mining Leases	2	2
	Prospecting Licenses	45	39
	Reconnaissance License	35	30
	Sand Wining License	16	10
	Quarry License	37	39
	Small Scale Mining License	-	24
	Clay / Kaolin	-	2
	Salt Winning Licenses	11	-
	Diamond Digging Licenses	1	-
	<b>TOTAL</b>	<b>147</b>	<b>146</b>

**d) Regulating the Mining Sector**

To ensure an effective oversight of the Mining Sector, the Minerals Commission, with assistance from the Commonwealth Secretariat, subjected the draft Mineral and Mining Policy to a stakeholder review and forwarded same to the Minister for Lands, Forestry and Mines. During this period the Minerals and Mining Law was also assented to by H.E the President.

**e) Projects**

The Commission undertook a number of projects aimed at protecting the environment and providing alternative livelihood for Communities affected by mining. Prominent among these projects were:

- i. Reclamation of Areas Degraded through Small Scale Mining
- ii. Identification of Suitable Areas for Small Scale Mining
- iii. Local Economic Development or Alternative Livelihood Project
- iv. Electronic Storage of Oil Geological Maps
- v. Mining Sector Support Programme
- vi. Prestea Water and Sanitation Project.

**OBSERVATIONS**

**a) Performance of the Mining Sector**

The Committee observed that in the year 2006, the Mining Sector contributed 7% of Ghana's total corporate tax earnings, 41% of total exports, 10% of government revenue and 5% of GDP. The Sector also employed 20,000 people in the large scale mining industry and 500,000 people in the small scale mining industry.

The Committee again observed that the year 2006 saw a significant increase in gold and bauxite production. Gold production increased by 10.74% to over 2.3 million ounces as compared to 2005 production of about 2.1 million ounces. This increase was attributed to gold production by Newmont Ahafo mine and Chirano mine. Bauxite production was 841,775 tonnes representing an increase of about 39% over the 2005 figure of 606,700.

Manganese production on the other hand decreased by 1.17% to 1, 699, 546 metric tones from 1,719,589 tonnes recorded in 2005. Silver production also decreased by 13, 789 ounces or 12% from 114, 810 ounces in 2005 to 101, 021 ounces in 2006.

During the year, small scale diamond production totaled 895, 234 carats constituting 90% of total diamond produced in 2006. Ghana Consolidated Diamond Company produced 77,000 carats representing 10% of production for the year.

**b) Performance of Mining Companies**

As at December, 2006, ninety-eight (98) local and forty-seven (47) foreign companies held prospecting and reconnaissance licenses. Additionally, twenty-three (23) companies were granted mining leases. Many of the companies holding mining leases concentrated their efforts on gold exploration. The major international mining companies with interest in Ghana during the year under review include: Goldfields of South Africa, Newmont (USA), Golden Star Resources (USA) , Alcoa (USA ) and Anglo Gold (South Africa). It was revealed to the Committee that foreign controlled companies performed creditably whilst the Ghanaian controlled companies were not impressive due to inadequate financial resources.

**c) Investment inflow into the Mining Sector**

The Committee observed that during the year under review prospecting and production companies spent a total of US\$ 674.48 million on capital items and operating expenditure, a marked improvement over the year 2005 performance of US\$ 653.18 million. The Committee was informed that this increase in inflow in 2006 was attributed to the upward trend of gold price since 2002 and good promotional activities undertaken by the Minerals Commission at International Conferences. The total investment inflow from 1980 to 2006 amounted to US\$ 7 billion.

**d) Provision for Bad Debts**

The Committee observed that, the Commission's total bad debt stood at ¢7,185,140,456 billion which the Board recommended should be written off. The Commission explained that the bad debt resulted from a ¢14,370,280,911 billion investment in CDH-Investments. The Investment Company however went bankrupt. The liquidators agreed to pay 50% of the investment from the realized assets hence the recommendation by the Board to write-off the 50% amounting to ¢7,185,140,456 billion.

**e) Submission of Annual Report**

The Committee again observed that the 2006 Annual Report of the Minerals Commission as submitted to Parliament is in arrears of one year hence making it ineffective for Parliamentary Scrutiny. Section 17(1) of the Minerals Commission Act, Act 450 enjoins the Commission to submit its Report to the House not later than six (6) months after the end of the financial year.

**RECOMMENDATIONS**

a) As indicated in the annual report of the Minerals Commission, foreign controlled companies performed creditably whilst the Ghanaian controlled companies were not impressive due to inadequate financial resources. The Committee therefore urges the Ministry of Lands and Natural Resources through the Minerals Commission to sensitize and educate Ghanaian controlled companies in the mining sector on the need to develop partnerships to enable them compete effectively with their foreign counterparts. It will also enable them to attract the needed capital from both local and foreign financial institutions.

b) The Committee also urges the Ministry of Lands and Natural Resources to continue to vigorously pursue policies that will attract the needed capital into the mining sector of the economy to boost the country's G.D.P and also create employment opportunities.

c) The Committee again urges the Minerals Commission to take the necessary steps to diversify its investment portfolio in order that it can minimize its exposure with regards to the management of their investment funds.

d) The Minerals Commission should as a matter of urgency endeavour to present its Annual Report timeously to the Minister for Lands and Natural Resources for early submission to Parliament in accordance with the provisions of section 17 of Act 450

**Conclusion**

In conclusion, the Committee wishes to recommend to the House, to adopt the Committee's Report on the Annual Report of the Minerals Commission for the year 2006.

Respectfully submitted.



HON. MOSES ASAGA (MP)

CHAIRMAN, COMMITTEE ON MINES AND ENERGY



CAMILLO PWAMANG

CLERK, COMMITTEE ON MINES AND ENERGY

16<sup>th</sup> JULY, 2009.