

LOCAL CONTENT IN GHANA'S MINING INDUSTRY

Welcome to the Chamber of Mines' portal on Local Content. It is our expectation that the portal will provide you with the strategic procurement opportunities in the mining industry. Whilst the mining industry has over the years endeavored to spawn the local manufacturing of inputs, the general impression is that the mining industry is an enclave with minimum linkages with the non-mineral economy.

However, the Chamber and its member companies have at various times taken voluntary initiatives to promote in-country expenditure on mining inputs. These range from fabrication of critical components of plant, machinery & equipment, engineering services, physical inputs such as grinding media as well as power and fuel. Significantly, the overriding rationale for these initiatives is principally business driven. In other words, the mining industry has found it economically expedient to spawn the local sourcing of these inputs.

Given the importance of local sourcing to catalyse broad based development, the Chamber has over the years been tracking and analyzing the distribution of among various recipients. Table 1 below is an apt representation of the distribution of mineral revenue.

	2013		2014		2015		2016	
	Amount Spent(USD)	% share of mineral revenue	Amount Spent(USD)	% share of mineral revenue	Amount Spent(USD)	% share of mineral revenue	Amount Spent(USD)	% share of mineral revenue
Amortization, including interest	118,716,470	2.5%	403,912,021	11%	434,773,852	14%	329,786,195	10.1%
Imported Consumables	354,957,628	7.6%	242,584,498	7%	166,385,404	5%	216,854,271	6.7%
Local Purchases	1,000,823,339	21.4%	770,944,773	21%	865,596,473	28%	1,013,810,896	31.1%
Energy	805,884,246	17.2%	637,197,195	17%	627,254,181	20%	677,160,836	20.8%
Employees	670,101,951	14.3%	390,665,609	11%	459,942,287	15%	435,644,859	13.4%
State	550,125,717	11.8%	422,631,382	11%	323,740,682	10%	327,218,125	10.0%
Other Shareholders	49,130,416	1.1%	116,947,660	3%	118,122,522	4%	33,000,000	1.0%
CAPEX	313,198,988	6.7%	473,485,941	13%	418,162,162	13%	452,995,131	13.9%
Host Communities	12,124,053	0.3%	20,769,049	1%	17,094,776	1%	12,203,889	0.4%

Furthermore, whilst Local Content seems to be a recent fad, the policy has reflected in Ghana's mining legislation, since the Minerals and Mining Law PNDC Law 153 of 1986. The Law required that mining companies procured inputs from Ghana to the maximum extent possible consistent with the economy, efficiently and safely. The sequel Law, Minerals and Mining Act (2006), Act 703 has similar provisions. However to give real effect to the Act, in 2012, Parliament passed the Minerals and Mining General Regulations (2012), LI 2173. This LI among others contains specific provisions for regulating the procurement of local goods and services in the mining industry. In particular, it required mineral right holders and support service companies to each present a five (5) year procurement plan to the Minerals Commission for consideration and approval. The procurement plans are to be developed based on Procurement Lists which Minerals Commission is to publish regularly.

It must be noted that LI 2173 benefited immensely from a collaborative work among the Minerals Commission, Chamber of Mines and International Finance Corporation (IFC) on a broad National Supplier Development Programme in the mining industry in 2010. A key objective of the programme was to support local enterprises to improve their competitiveness to participate in the mining value chain. The collaboration identified twenty-eight (28) mining inputs which could be sourced locally albeit with varying degrees of quality improvement.

The Procurement Lists issued by the Minerals Commission has so far been selected from the list of twenty eight (28) items identified in the seminal work of referred to earlier. The initial Procurement List issued in 2014 had eight (8) items and the second in 2015, eleven (11).

The details are as follows:

Procurement List 1

Grinding Media
 Heavy Duty Electrical Cables
 HDPE/PVC Pipes
 General Lubricants
 Quick/Hydrated Lime
 Tyre Retreading
 Explosives (Emulsion)
 Cement & Cement Products

Procurement List 2

Bolts and Nuts
 Crucibles
 Plastic Sample Bags
 Calico Bags
 Bullion Boxes
 Chain Link Fencing/Wire or Netting/Barbed
 Conveyor Rollers
 Metal/PCV Core Trays
 Overalls and Work Clothes
 Haulage Services
 Catering Services

Plus 8 items on Procurement List 1

All told, the current Procurement List contains the fore-cited nineteen (19) items.

The table below shows the local production and procurement opportunities available to manufacturers and producers based on the mining industry's demand and true local procurement, i.e. procurement from local manufacturers related to the initial Procurement List.

An overview of opportunities based on the Procurement List (2016)

Item	Total Procurement (USD\$)	In-Country Procurement (USD\$)	Procurement from Manufacturers (USD\$)	Opportunities for Local Manufacturing (USD\$)	Percent of Demand as Opportunities
Grinding Media	60,595,146	32,903,097	25,594,409	35,000,737	57.8%
Electrical Cables	1,451,848	1,311,726	1,065,441	386,406	26.6%
HDPE/PVC Pipes	5,727,456	5,727,456	5,712,343	15,112	0.3%
General Lubricants	13,817,800	13,814,989	13,814,989	2,810	0.0%
Quick/Hydrated Lime	17,292,271	17,292,271	15,186,138	2,106,132	12.2%
Tyre-retreading	707,735	707,735	707,735	0	0.0%
Explosives	79,960,882	79,960,882	79,960,882	0	0.0%
Cement	437,340	437,340	437,340	0	0.0%
Bolts & Nuts	786,676	765,612	55,979	730,696	92.9%
Crucibles	208,570	102,991	11,796	196,774	94.3%
Plastic Sample Bags	644,404	644,404	644,404	0	0.0%
Calico Bags	216,769	216,769	216,769	0	0.0%
Bullion Boxes	7,632	5,587	5,587	2,044	26.8%
Chain Link Fencing	206,133	69,837	14,085	192,048	93.2%
Conveyor Rollers	535,481	340,931	327,958	207,523	38.8%
Metal/PVC Core Trays	675,687	675,687	0	675,687	100.0%
Overalls & work Clothes	1,021,486.37	1,018,860.94	929,798.86	91,687	9.0%
Haulage Services	188,521,099.84	188,521,099.84	48,231,361.23	140,289,738	74.4%
Catering Services	22,026,737.84	22,026,737.84	13,623,391.89	8,403,345	38.2%

A: Proxy for Total Demand of Industry

B: Supply Delivered through Local Purchase Orders

C: Supply Delivered through Actual Local Production

No doubt the expected evaluation of the performance of the industry based on Procurement List 2 will provide further opportunities for local entrepreneurs.

Besides the opportunities that present themselves for local manufacturing based on legislation, specifically LI 2173, the mining industry abounds in enormous local manufacturing and procurement opportunities. As is expected, the Chamber's preference is for local manufacturers to produce and supply into the value chain of its members rather than importing same and supply to the industry. Obviously local manufacturing lends more value to the local economy than imports.

Some other significant imported mining inputs that present local production opportunities (besides those legislated) are listed below:

Strategic Opportunities For Local Production								
PRODUCT	Unit	2009	2010	2011	2012	2013	Total	Average Per year
Sodium Cyanide ¹	USD	59,041,227	61,615,701	76,637,330	99,484,100	88,202,711	384,981,069	76,996,214
Caustic Soda ¹	USD	14,141,476	7,614,334	11,371,411	16,171,144	14,007,828	63,306,193	12,661,239
Activated Carbon ²	USD	3,301,152	5,485,961	6,286,867	6,980,077	5,368,296	27,422,353	5,484,471

¹National Imports

²Mining Industry Consumption

The above-mentioned inputs are strategic given that they are not only big ticket items but also find complementary use in other industries besides mining. Further, the country has the requisite raw materials, making Ghana ultimately competitive for their local production. Furthermore, the larger ECOWAS market, a burgeoning global frontier for gold mining makes the opportunities rather significant.

That said, there are obvious opportunities in the supply of bespoke quality fuel and complimentary services as well as general mine support service provision in the mining industry.

CONCLUSION

For strategic opportunities, the Chamber will collaborate with interested local manufacturers for discussions on its support to harness these opportunities. Regarding non-strategic items, manufacturers and service providers are encouraged to contact producing member companies to be considered on their vendors list.

Interested entrepreneurs should kindly contact the Chamber at its official address below:

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