Gold and godfathers: Local content, politics, and capitalism in extractive industries

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Abstract

By zooming in on the concept of ‘local content’, this article speaks to the debate on extractive industries and development. It challenges two fundamental assumptions of the mainstream local content literature: that production linkages will develop if an enabling environment is created, and that local content is beneficial for local people. Based on almost 600 interviews and focus groups in four mining concessions in Ghana and the Democratic Republic of Congo (DRC) it focuses on how local content policies are translated into concrete practices – more particularly around the granting of contracts and employment. In doing so it unravels the political dimensions of local content policies and their structural embeddedness in large-scale extractivist projects. It is argued that local content policies are implemented in complex political arenas, where the power holders use them as political instruments to enhance profit accumulation and control rents. Moreover they are embedded in the structural dynamics that permeate large-scale extractivist projects, producing (new) patterns of exclusion.

Key words
Extractive industries; gold mining; local content; linkages; clientelism; co-optation

1. Introduction

The literature on the development contribution of the extractive industries is replete with references to the “enclave thesis” (Prebisch, 1950) and the “resource curse” (Auty, 1993). It broadly
comes to the shared conclusion that mineral resource extraction has adverse consequences for a country’s growth and development, as mineral rents are captured by private interests. Inspired by the work on Global Value Chains, which has developed since the early 2000s (Bair, 2005; Gereffi, Humphrey, & Sturgeon, 2005; Kaplinsky & Morris, 2002), more recent literature has challenged these theories. It has highlighted the possibilities for value chain upgrading in a globalized world where lead firms increasingly outsource tasks in their supply chains to local suppliers and service providers. In an influential series of papers on “linkages” for the Making the Most of Commodities Programme (MMCP), the enclave is said to be an “anachronism” (Morris, Kaplinsky, & Kaplan, 2011, p. 38). Other authors argue that the enclave thesis is backed up by little evidence (Bloch & Owusu, 2012; Kotsadam & Tolonen, 2016). They instead propose a more optimistic view that acknowledges the potential of spillover effects through “production linkages,” such as the local sourcing of goods and services (Tordo, Warner, Manzano, & Anouti, 2013). This optimistic view has come to dominate policy discourse on extractive industries and development, feeding into quite celebratory accounts on their potential to spur economic growth in Africa (Hansen, Buur, Kjaer, & Therkildsen, 2016).

By zooming in on the concept of “local content” (local sourcing, local procurement, or localization), this article speaks to this debate. It challenges two fundamental assumptions of the “linkages” literature, namely that production linkages will develop if an enabling environment is created and that local content is beneficial to local people. It focuses on how local content policies are translated into concrete practices—more particularly around the granting of contracts and employment—in concrete political arenas, with an empirical focus on four mining concessions in Ghana and the Democratic Republic of the Congo (DRC). In doing so, it unravels the political dimensions of local content policies and their structural embeddedness in large-scale extractivist projects. The argument I present is the following: local content policies are implemented in complex political arenas, where those who hold power use them as political instruments to enhance profit accumulation and control rents. Moreover they are embedded in the structural dynamics that permeate large-scale extractivist projects, producing (new) patterns of exclusion. Section 2 presents the case studies and methods. Next, I discuss how local content has become a mainstream idea in the recent literature on extractive industries. In section 4 I argue—from a theoretical point of view—that extractivist projects are deeply embedded within political structures and inherently part of the global capitalist economy, which structurally exploits labor and precludes redistribution. In section 5, I present case study material from the DRC and Ghana to demonstrate these points. I briefly review local content policies in the DRC and Ghana before analyzing the concrete political arenas in which these are implemented and discussing the empirical evidence on co-optation and clientelism related to contracts and employment.
2. Methods

This research was carried out in two African countries that have been dependent on mineral exports for at least two decades, but differ significantly in terms of political and economic stability. Ghana, on the one hand, has known political stability since the 1980s (average value of -0.03 points on the Political stability index for 1996-2017 with 0.09 points in 2017). It is a well-functioning, multiparty democracy and has taken visible steps to control corruption (average value of -0.16 points on the Control of corruption index for 1996-2017 with -0.23 points in 2017). Economically, there is macroeconomic stability, control of inflation, and reduction of poverty. Ghana scores well on the Doing Business rankings and many domestic firms have developed their productive capabilities (Moss & Young, 2009). The picture is completely different in the DRC, where inflation is once again high, despite the mineral-driven growth and macroeconomic stability during the 2003–2013 period. Political stability is low, scoring an average value of -2.24 points for 1996-2017. Control of corruption scored on average -1.41 points. The recent political transition, although largely peaceful, has not led to a real change of power. Poverty and corruption remain extremely high, institutions are weak, and the country ranks 184 in the World Bank’s Ease of Doing Business index (2018). Large-scale mineral production in the East—the region where this research is situated—has slowly recovered since the mid-2000s, after a long period of economic decline, political instability, and violent conflict. In both countries, local content policies have been implemented with the aim of stimulating linkages (see section 5). Looking at the conditions for linkage development as identified by Morris et al. (2011), we can hypothesize that more and deeper linkages are created in Ghana because of a) a longer and continuous presence of transnational mining corporations; b) better capabilities of domestic firms; and c) a more enabling environment and infrastructure. Rather than testing this hypothesis, I take the very different country contexts as a starting point to reflect upon the interplay between “global” (i.e. transnational capital, foreign direct investment, discourses around resources governance), “national” (i.e. governance of the mining sector, mining rents, industrial policies) and “local” (governance of specific mining concessions, domestic firms, local economic development) dynamics.

Data were collected in four gold mining areas. In the Eastern DRC, research was done in Luhwindja (in the Twangiza concession operated by Banro Corporation) in April 2017 and Salamabila (in the Namoya concession operated by Banro) in April 2018. In Ghana, research was carried out in Tarkwa (a mine operated by Goldfields Ghana) and Bogoso/Prestea (two mines operated by Golden Star Ghana) in September–November 2017. Data were collected through in-depth interviews with a purposive sample of key stakeholders, focus group interviews with community members and workers (purposive sample), and structured interviews (including closed and open-ended questions) with workers and
managers in subcontracting companies (stratified random sample). Ghanaian respondents had, on average, a longer working experience with subcontractors, were higher educated, and had fewer children (see table 2). While Goldfields is a major gold producer (among the ten biggest in the world, with operations in Australia, Ghana, Peru, and South Africa), Golden Star Resources is a mid-tier producer operating two mines in Ghana (Wassa and Prestea). Banro Corporation is operating two mines in Eastern DRC (Twangiza and Namoya). It evolved from a junior to a mid-tier gold producer, but after major setbacks (related to careless investments as well as political and security events in the region) and a recapitalization, it was delisted from the stock exchange at the end of 2017. The three case studies thus represent a variety of gold producers operating in two sub-Saharan countries with highly diverging governance and economic indicators. All interviews were fully recorded, transcribed (and translated from Twi to English or from Swahili to French), and analyzed using NVivo software.

Table 1. Overview of data collected

<table>
<thead>
<tr>
<th></th>
<th>In-depth</th>
<th>Focus group</th>
<th>Structured</th>
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<tbody>
<tr>
<td>Luhwindja (DRC)</td>
<td>10</td>
<td>11</td>
<td>136</td>
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<tr>
<td>Salamabilia (DRC)</td>
<td>18</td>
<td>11</td>
<td>110</td>
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<tr>
<td>Tarkwa (Ghana)</td>
<td>11</td>
<td>10</td>
<td>141</td>
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<tr>
<td>Bogoso/Prestea (Ghana)</td>
<td>9</td>
<td>9</td>
<td>120</td>
</tr>
</tbody>
</table>

Source: author’s compilation

Table 2. Socio-demographic characteristics of respondents (structured interviews)

<table>
<thead>
<tr>
<th>Variables</th>
<th>DRC</th>
<th>Ghana</th>
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</thead>
<tbody>
<tr>
<td>Gender (% female workers)</td>
<td>4%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 21</td>
<td>1.3%</td>
<td>2.6%</td>
</tr>
<tr>
<td>21 – 30</td>
<td>38%</td>
<td>38.5%</td>
</tr>
<tr>
<td>31 to 40</td>
<td>39%</td>
<td>46.5%</td>
</tr>
<tr>
<td>More than 40</td>
<td>21.7%</td>
<td>12.4%</td>
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<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>15%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Secondary</td>
<td>70%</td>
<td>65%</td>
</tr>
<tr>
<td>Higher education/ university</td>
<td>15%</td>
<td>26.5%</td>
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<tr>
<td>Other</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Number of children</td>
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<td></td>
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<td>Zero</td>
<td>15%</td>
<td>42%</td>
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<td>1 to 3</td>
<td>21%</td>
<td>45%</td>
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<tr>
<td>4 to 8</td>
<td>44%</td>
<td>12%</td>
</tr>
<tr>
<td>9 and more</td>
<td>20%</td>
<td>1%</td>
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</table>
Time worked in subcontracting company

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<tr>
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<th>Less than 1 year</th>
<th>1 to 3 years</th>
<th>More than 3 years</th>
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<tbody>
<tr>
<td>Percentage</td>
<td>25%</td>
<td>36%</td>
<td>39%</td>
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</table>

Total time worked for subcontractors

<table>
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<th></th>
<th>Less than 1 year</th>
<th>1 to 3 years</th>
<th>More than 3 years</th>
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</thead>
<tbody>
<tr>
<td>Percentage</td>
<td>40%</td>
<td>44%</td>
<td>16%</td>
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</table>

Source: author’s compilation

3. Local content: The mainstreaming of a policy instrument

In the most narrow sense, local content refers to the local procurement of goods and services (BMGF, 2016a), although this raises further definitional questions about what a “local supplier” is (is it defined by location, ownership, or the extent of value added?). In the past couple of years, praising the potential of local content for development has become quite mainstream (ACET, 2015; AU, 2009; Aoun & Mathieu, 2015; BMGF, 2016a; Deloitte, 2015; Esteves, Coyne, & Moreno, 2013; EWB, 2014; GIZ, 2016; ILO, 2016; Ramdoo, 2016; Tordo et al., 2013; UNDP, 2016; White, 2017; World Bank, 2015). The optimism is not surprising when looking at figures provided by the African Development Bank, which indicate that mining companies spend on average 15 to 20% of their expenditures on royalties and taxes, an equal amount on investor returns, 1% on social investment, and 50 to 65% on employment, infrastructure, and procurement (AFDB 2016a). Observers thus argue that the latter category holds attractive potential for governments. However, retaining these financial flows locally requires strategic policies (ACET, 2015). On the other hand, seeing its development potential should not make us blind to the fact that local procurement has clear advantages for transnational companies as well (lower costs and social license to operate; EWB, 2014).

The focus on public policies in the literature is quite remarkable after more than two decades of Washington Consensus promoting liberalization and deregulation (AU, 2009; Ovadia, 2014, p. 139; Tordo et al., 2013). It demonstrates that development discourse constantly swings back and forth between state-led (from modernization and industrialization in the 1960s to current resource nationalism) and liberalization approaches (Ayalazuno, 2014). Although the current attention for local content might thus be interpreted as a political choice for state-led development (Tordo et al., 2013, p. xiii), there seems to be a consensus that highly prescriptive requirements are counterproductive, as they negatively impact companies’ profitability and thereby lower government income (BMGF 2016a;
In a recent overview article, Ovadia (2016) has observed a move back from “harder” to “softer” regulations in the newest generation of local content policies.

The implementation of stringent policies may also be hindered by the fact that domestic firms lack the necessary capabilities and financial resources, workers lack appropriate skills, and the regulatory environment as well as the surrounding infrastructure (water, electricity, transport) is inadequate. Hence the suggestion to go “beyond local content” and work on broader enterprise development, skills, and socioeconomic development—which is understood under the broader concept of “localization”, but which inevitably leads to more vagueness in policy recommendations (Deloitte, 2015; Esteves et al., 2013). Relative success stories of the development of a domestic supply sector are confined to high- and middle-income countries (Radley, 2019) such as Angola (Teka, 2011), Botswana (Mbayi, 2011), Ghana (Bloch & Owusu, 2012), South Africa (Walker & Jourdan, 2003), Nigeria (Oyejide & Adewuyi, 2011), and Zambia (Fessehaie, 2011). Another major constraint is path dependency, or the fact that procurement departments and officers in transnational companies—who are often risk averse and resistant to change—tend to pursue relationships with particular (international) suppliers instead of opening up their supply chains to new ones (Hanlin, 2011; Hanlin & Hanlin, 2012).

In so far as it acknowledges potentially negative effects of local content policies, the mainstream literature on linkages and local content addresses these from a purely “managerial” perspective (see Ovadia, 2014, p. 138). For example, in Esteves et al.’s (2013, p. 7) report for the Natural Resource Governance Institute, a series of harmful effects are conflated among the “risks and challenges affecting the success of local content policy strategies.” Esteves and Barclay (2011 argue that an integrated social and economic impact assessment (SEIA) of a company’s sourcing strategy can mitigate such effects. This underplays the profoundly political nature of sourcing practices. Another aspect that is too often curtailed in this literature is the inherently capital-intensive and technologically sophisticated nature of the extractive industries (but see Ackah-Baidoo, 2016; Aoun & Mathieu, 2015), which implies that little direct employment can be generated, the required skills as well as goods and services are very specific and specialized, and the need for manpower is unstable (being stronger in the construction phase of a mine but lower in the production phase). And where these fundamental issues are acknowledged, the opportunities for skills development and transfer as well as indirect and induced employment are highlighted (BMGF, 2016b; ILO, 2016; Kotsadam & Tolonen, 2016). As such, the emphasis on local content as a set of policy prescriptions ignores important structural dimensions of global capitalism.
4. Local content, politics, and capitalism

The version of the “enclave thesis” that has resonated most in the past decade is James Ferguson’s (2005) critique on Scott’s earlier argument (1998) about the homogenizing and grid-making power of the state. According to observers of the neoliberal shift in Africa in the 1990s, the increasing outsourcing of state functions (including security provision) to private actors and civil society has “hollowed out” African states (Clapham, 1996). In the mining sector, neoliberal reforms that were pushed by the World Bank encouraged governments to lower taxation rates and set the most favorable conditions for attracting FDI (Campbell, 2009). Some regulatory responsibilities were thereby delegated to private companies acting like “de facto governments” (Hilson, 2012), much like in the concession economies of the colonial era. Ferguson (2005) therefore argues that global capital “hops over” unusable parts of the planet to settle down and operate in “spatially segregated mineral-extraction enclaves” where state reach is limited or even absent (p. 379). While this can be seen as undermining state capacity, it can also be interpreted as a deliberate strategy by host and home governments to renounce local governance while consolidating central state power (Szablowski [2007] refers to this as “selective absence”; Hönke [2010] uses the term “indirect discharge”).

Recent research has demonstrated that transnational mining capital becomes deeply entangled in local politics (Ayeh, 2017; Boutiller, 2017; Edmond & Titeca, 2019; Geenen, 2016). This manifests itself in different ways, such as in the governance of CSR interventions, community resettlement programs, and employment. Côte and Korf (2018) have recently criticized Ferguson’s enclave idea, arguing that “resource concessions in the gold mining frontier in Burkina Faso are sites characterized by regulative pluralism and intense politics where politics thickens, rather than thins out” (p. 467; see also Verbrugge, 2015). Specifically looking at local content, Hansen et al. (2016) are among the few authors who have explicitly acknowledged the political dimension. Based on data from Tanzania, Uganda, and Mozambique, they argue that “local content in extractive industries not only is an economic development opportunity, but also an opportunity for politicians to distribute rents that allow them to maintain political stability and legitimacy” (p. 203). The authors’ “political settlement” approach focuses on ruling coalitions (such as the Frelimo party in Mozambique or the Museveni family in Uganda) at the national level. In this article, I build on these arguments to reveal the local politics of local content policies and focus empirically on clientelist practices around employment and co-optation by granting contracts.

Writing about local content inevitably elicits questions about scale, starting with the questions of what is local and how can national policies promote a more beneficial inclusion of local people in global production networks? I therefore complement the focus on local politics with a broader view
on structural dynamics in global capitalism, and more specifically mining capital. This provokes further questions around dispossession and redistribution.

Taking once more Ferguson’s enclaves as a starting point, Tania Murray Li (2009) described a “potentially more lethal” dynamic in which spaces and the resources they contain are considered to be useful but not the people within these spaces (Li, 2009, p. 68). The latter are dispossessed of land and livelihoods, without any prospects for inclusion in the capitalist project. With this observation, Li criticizes the linear relation that is often drawn between dispossession and capital’s need for cheap labor, as captured by David Harvey (2005). Dispossession, he argues, is instrumental in solving the overaccumulation problem by releasing assets such as labor, land, and natural resources at very low cost. These assets can then be used by capitalist investors, who can make profit from them and accumulate more capital, whereas the “historical holders of land rights (e.g., family peasants, indigenous communities, pastoralists) … lose access and control over natural resources and are transformed in low-paid workers” (Merlet & Bastiaensen, 2012, p. 22). According to Li (2009), this explanation glosses over the fact that those who are dispossessed of their lands and livelihoods are often not those who are taken on board—not even as low-paid or casual workers—in the capitalist project.

This brings us back to the inherently capital-intensive nature of large-scale extractivist projects where employment opportunities for low-skilled workers are bleak. Instead, one might hope to stimulate domestic productive capacities, local content being one of the instruments to achieve this. However, as Barbara Harriss-White (2006) has reminded us, capitalism perpetuates rather than absorbs “petty production units.” It inhibits upgrading and capital accumulation within such production units, which remain small and informal (see Meagher, Mann, & Bolt, 2016; Mezzadri, 2010; Phillips, 2011; for the case of extractive industries, see Ayelazuno, 2014; Mulonda, Radley, & Geenen, 2019).

So what alternatives do we have to ensure that local people benefit from mineral production? Harriss-White (2006), Li (2009), and Ferguson (2015) argue that alternatives need to be sought in redistributive policies, with an important role for the state. In his study of basic income grants and unconditional cash transfers, Ferguson (2015) critiques the idea that it is possible to create jobs (and particularly decent jobs) for everyone in the world, arguing that it is essential to find a different way to distribute wealth equitably. For Tania Murray Li (2009), development policies should be directed at “making live” these people who “can no longer sustain their own lives through direct access to the means of production, or access to a living wage” (p. 67). Direct cash transfers, which have burgeoned all over the world since the early 2000s, have proven to have significant positive effects on nutrition,
educational, and health outcomes, among others (Hanlon, Barrientos, & Hulme, 2010). In the extractive industries, oil-to-cash programs may provide a new avenue for (re)distribution; they imply a transfer of some or all resource extraction revenues to citizens in universal, transparent, and regular dividends based on clear rules. Such programs are based on the philosophical claim that a nation’s wealth—and in particular its natural resource wealth—is owned by all citizens. Distributing a share of production thus simply provides citizens with what is already their own. It should not require reciprocity, nor should it be reserved for those most in need (Ferguson, 2015). Some authors however argue in favor of considering such transfers as “income” that can be taxed, which can then lead to demands for public accountability (Moss & Young 2009; Moss et al., 2015).

5. Gold and godfathers in Ghana and the DRC

Local content policies

In Ghana, the Minerals and Mining Law of 2006 (Act 703) “seeks to promote a localization policy and facilitate the local content of the industry” (Bloch & Owusu, 2012, p. 437) through the following provisions: a 10% government interest in all large-scale gold mining companies, a preference for “made in Ghana” products and services, the requirement for companies to submit plans for recruitment and training of Ghanaian workers, a gradual replacement of expats by Ghanaian staff, and a reservation of small-scale mining for Ghanaian citizens (similar for the oil and gas sector, see White, 2017). The Mining Regulations adopted in 2012 (Law LI 21/73) include some additional provisions, such as the requirement to submit a Local Procurement Plan and an annual report. The Minerals Commission, the Chamber of Mines, and the International Financial Institutions have been working toward implementing this policy. In 2012, a supplier needs and opportunity study was conducted. In 2013, the Minerals Commission earmarked a list of eight items to be procured locally (ACET, 2015). In 2015, 11 items were added. In terms of employment, the law stipulates that “the total number of expats employed by a company cannot exceed 10% of senior staff numbers. And after three years of operation, that is three years after they have started commercial production, they should reduce the number so as not to exceed 6%”.

ACET (2015) notes that the political and corporate will to implement local content was high, especially since major companies had already begun to outsource some activities. Newman’s Ghana’s Ahafo program, for example, is widely cited in the literature as a “best practice” (Farole & Winkler, 2014, p. 140). This indicates that, apart from being a policy instrument that is used to put national and local interest first, local content policies actually tie in with structural dynamics in global production networks, namely the increased outsourcing of non-core—and even core—functions in supply chains.
In 2008, mining companies spent $2.3 billion in total, of which 20% went to local procurement, 18% to fuel and power, 16% to imported consumables, and 29% to imported equipment (ACET, 2015, p. 10).

Although empirical evidence on the policies’ effects is still limited, three studies have concentrated on enterprise development and youth employment respectively. Dziwornu’s (2015, see also 2018) study of the Enterprise Development Centre set up in the oil town of Takoradi concludes that medium- and large-scale Ghanaian firms benefit from localization policies, at the expense of new and small businesses who continue to face multiple barriers (p. 321). Ackah-Baidoo’s (2016, p. 257) study on youth employment confirmed the enclave argument, showing that Gold Fields’ Tarkwa mine, for example, employs only 4,024 people in a district of more than 120,000 and that skills and training programs generated little effect overall.

In the DRC, a 2013 ministerial decree ordered international companies to subcontract to Congolese firms, which were defined as firms with their administrative headquarters in the DRC, a majority of their shares in Congolese hands, and a majority Congolese management or staff. A 2014 Joint Ministerial Decree stipulated that mining companies operating in the DRC have to use supplies and services of Congolese firms, except for those cases in which the requisite quantity or quality of supplies and skills is not available. The 2017 law on subcontracting limited subcontracting to Congolese legal entities with Congolese capital. For specific tasks, and if the required expertise is “unavailable or inaccessible” locally, a company may still call on the services of an international contractor, albeit for a maximum duration of six months. As Ben Radley (2019) has noticed, however, “there is no broader industrial policy to increase the ‘capacity’, ‘availability,’ or ‘accessibility’ of Congolese actors and facilitate their inclusion and advancement in global mining value chains” (pp. 13–14). In matters of subcontracting, the new Mining Code, adopted in 2018, refers to the 2017 law.

Empirical research on the implementation of local content policies has begun only very recently. A previous description of Banro Corporation, one of this article’s case studies, as a best practice (Hanlin, 2011) was informed by secondary data, at a time when the corporation was still in the exploration phase. This led Hanlin (2011, p. 13) to the highly optimistic conclusion that the company “has a policy of maximising local procurement and there is evidence that they are actively encouraging and supporting their procurement officers to engage with local suppliers and explore the opportunities offered by local markets” (p. 13). Seven years down the road, Hanlin’s optimism must be tempered.
Political arenas

Local content policies are implemented in complex political arenas, where struggles over power, profits, and rents connect local to national and international interests. Most layers of complexity will be missing from the stories presented in this brief section, but the point that should be remembered is that the implementation of local content policies is profoundly political.

The Twangiza concession in the DRC (exploration since 2005, commercial production since 2012) covers four chiefdoms (Luhwindja, Burhinyi, Kaziba, and Ngweshe) headed by a paramount chief (mwami). Chiefdoms are subdivided into groupements (led by a chef de groupement), which in turn consist of localités, ruled by lower-level chiefs. The chiefdom system is hierarchically and centrally organized, with strong reciprocal relationships between the mwami and his subjects (Geenen & Claessens, 2013). In contrast, the organization in Namoya is more decentralized. The Namoya concession (exploration since 2005, commercial production since 2016) is situated in the sector of Bangubangu Salambila (BBS), which is an administrative entity at the same level as the chiefdom. However, it is led by a state-appointed sector chief rather than a customary chief, although it is similarly subdivided in groupements and localités headed by lower-level customary authorities. In both cases, thousands of artisanal miners (an estimated 6,000 to 8,000 per concession) as well as farmers’ households (just above 1,000) had to be evicted to make way for a new plant. Around 2009, this sparked several instances of violent protest, after which a Community Forum was set up in each concession to negotiate with the company over resettlement, compensation, and employment. MOUs (Memoranda of Understanding) were signed in 2010 (Luhwindja) and 2014 (Bangubangu Salamabila).

Company–community negotiations were profoundly shaped by politics, which manifested itself in the composition of the Forum, the choice of partner organizations for Banro’s resettlement and reconversion plans, the choice of subcontractors, and the recruitment of workers. In Luhwindja, Banro’s arrival interfered with a succession conflict between and within two rivaling families. The fact that the company collaborated with the queen mother (mwamikazi) and granted her a couple of contracts reinforced her position vis-à-vis her competitors, who forged alliances with provincial and national politicians. Some of the harshest critics were local businessmen-cum-politicians who had obtained contracts from Banro during the mine construction phase, but had lost those. A senior manager of Twangiza Mining implied that this is one of the reasons that they started to mobilize against the company. Other critics were members of a family that had been a rival to the throne for decades. In 2015, they were accused of organizing a violent attack on the mwami’s residence.

In Namoya, mobilization against the company involved a national politician from the region siding with the artisanal miners, the prime minister being thrown stones at during a visit and having a conflict
with the provincial governor and the sector chief allying himself with the provincial governor. About
the social mobilization—which in Namoya turned violent several times—a senior manager of Banro
Corporation said: “All that has a direct impact on the company, and it becomes very complicated ... 
These politicians are from the region, and when they are going to run for elections, these artisanal
miners are their voters.”¹⁵ Lower-level chiefs felt marginalized and frustrated about Banro’s close
relations with the sector chief.¹⁶ In 2016, the sector chief was suspended by the then prime minister
following accusations of bad management of a protest march that had turned violent, a situation that
the lower-level chiefs have tried to turn to their advantage.

Both concessions in Ghana fall under the Wassa Fiase Traditional Area, headed by a paramount
chief or omahene. The omahene is president of the traditional council and member of the Regional
House of Chiefs. Below him there are divisional chiefs, heads of groups of villages and towns, and
members of the traditional council. Below the divisional chief, there are village chiefs or odikro.
Administratively, Ghanaian regions are divided into districts. Tarkwa-Nsuaem (where Goldfields is
operating) and Prestea-Huni Valley (Golden Star) are both municipal districts, owing to the fact that
they have more than 95,000 inhabitants. Districts are governed by District Assemblies, consisting of
the district chief executive (DCE), 70% elected members, and 30% appointed by the president after
consultation with the traditional authorities and other interest groups. Both the traditional authorities
and the District Assemblies have an important role to play in the distribution of mining rents, as 10%
of all collected royalties are eventually redistributed to the Office of the Administrator of Stool Lands
(10%), the stool/chief (25%), the traditional authority (20%), and the District Assembly (55%).

Contracts and co-optation

There are two main types of contracts: labor hire contracts and service contracts. The former are
for the recruitment of unskilled labor, which is flexible and dependent on the needs of the
multinational company. The latter are for firms who can offer specialized services, such as drilling,
haulage, or laboratory services; or general services like catering, cleaning, or private security. I
attempted to make lists of subcontracting companies, defined as firms that had a contract with the
multinational companies at the time of research. In Ghana, these were more numerous than in the
DRC, which can be explained by a) the longer presence of the multinationals; b) the more developed
capabilities of domestic firms; and c) the more enabling environment and infrastructure (see Morris
et al., 2011). In Namoya, 10 domestic and 6 foreign subcontracting firms were surveyed; in Twangiza,
11 domestic and 6 foreign; in Tarkwa, 23 domestic and 9 foreign; in Bogoso/Prestea, 16 domestic and
2 foreign.¹⁷ In Twangiza, 6 out of the 11 domestic firms were labor hire companies. All six were owned
by members of the local elite, mostly mwamis of the different chieftdoms. Together, they employed
about 547 workers at the time of research. In Namoya, 3 out of 10 were labor hire companies owned by local elites, employing about 310 workers. In Tarkwa, all contracts were service contracts for engineering services, supply and maintenance of mining equipment, welding, and catering, among others. The foreign firms were specialized in services such as security (G4S), maintenance of heavy duty equipment (AMS), and drilling. In addition to engineering, welding, security, and catering, there were several building contracts in Bogoso/Prestea (as Golden Star was building a resettlement site), as well as an association of local labor hire firms (Lokoms).

Instead of focusing on the capacities and upgrading opportunities for domestic firms, I am interested here in studying those firms that seem to not have any chances of moving up the value chain since they provide labor only. In the DRC, these employ almost two thirds of all workers employed by subcontractors. For multinational corporations, contracting labor is interesting for two reasons: this type of labor is cheap, flexible, and disposable; and contracting serves to silence the criticism that multinationals are not contributing enough to local development.

Both in Ghana and in the DRC, labor hire contracts are in the first place granted to customary chiefs. There are at least three reasons for this: to acknowledge their legitimate position as custodians of the land (and associated natural resources); to compensate for losses incurred; and to win legitimacy and stability. In Ghana, chiefs control about 80% of the land. In principle, they merely act as custodians, but in reality, they sell land and demand tribute in exchange. The rents are used to increase economic and political power. A similar evolution has taken place in the DRC, where the role of the chiefs in local politics and land management is legally ambiguous but where they de facto decide on land allocation and collect tribute. An important tribute source have been the contributions by artisanal miners (creuseurs in the DRC, galamsey in Ghana). However, as artisanal mining activities are under increasing pressure—either from companies taking over a concession and forcefully displacing them, or from a repressive government—these rents have declined. Some interviewees suspect that giving contracts to the chiefs is one way of compensating them for these losses. In a broader sense, contracts can be seen as a compensation for environmental pollution and the destruction of forests, water bodies, and agricultural land. Third, local chiefs often help multinational companies win local legitimacy and gain a social license to operate. This became very clear in the case of Luhwindja outlined above, but was also expressed in Bogoso/Prestea:

The company was smart. It gave most of their contracts to the local firms and these have employed the locals. This has silenced the local people.18

But with this I see the company to be very smart. If they mine and haul the load themselves, the community will protest against them because of the dust.
pollution so they have given it to subcontracting companies owned by locals so that the community will not fight their own people. That might mean taking their daily bread.¹⁹

Yet for several interviewees, co-optation lowers the chiefs’ legitimacy, as was expressed in the case of Namoya, for example:

We realized that because they have contracts with the mines... It is like your hand is already in someone’s mouth.²⁰

The chiefs here are all not correct. They have shares in all the subcontracting companies and this has crippled them, preventing them from standing up for their community even if the companies are doing things which are unlawful. I don’t understand this.²¹

Denouncing such practices, however, is met with repression in both Ghana and the DRC. On the other hand, companies also co-opt dissenters, commonly by offering them jobs and other advantages. As an interviewee in Namoya explained:

They are smart. Whenever they have trouble with the population, they identify the main troublemaker and quickly call him in order to buy him off. Try to organize a march against Banro today, tomorrow they will give you a job.²²

In a similar way, the company tried to reduce resistance among the artisanal miners by co-opting certain key figures. For instance, the person designated to be the representative of the artisanal miners in Namoya, who initially strongly resisted the closure of the mining sites, was offered the post of president of the new miners’ cooperative created with Banro’s help. This representative has since been heavily criticized because of allegedly conspiring with certain powerful higher authorities reported to be close to the provincial governor. In 2016, the same representative even created a service company for cutting and processing wood and signed a contract with Banro.²³ A lower-level chief who had a long track record of criticizing Banro was offered a contract to wash the company’s cars and trucks.²⁴ Similar cases can be found in Ghana, where one interviewee declared: “BGL used a strategy which was giving contracts to the community leaders who used to disturb their peaceful operations previously.”²⁵

The literature on social mobilization against corporate mining offers ample illustrations of “bottom-up” community resistance (Conde & Kallis, 2012; Samorna, 2013; Urkidi, 2010) but has paid less attention to how (top-down) corporate practices—including co-optation and repression,
corporate social responsibility, and local content—shape community mobilization (Brock & Dunlap, 2018; Geenen & Verweijen, 2017; Kirsch, 2014; Welker, 2014). Geenen and Verweijen (2017) argue that such corporate practices make social mobilization more fragmented across social groups and more fluid over time.

To come back to the labor hire firms, we may conclude that they do not at all fit the theory of enterprise and skills development. First of all, they employ low-skilled labor in low-paid and casual jobs. Only 3% of surveyed laborers working for domestic subcontractors in the DRC had a permanent contract. In Ghana, this was 65%. Wages were between $100 and $200 per month in the DRC. Second, some contractors do not even have the status of a firm, but are NGO-type associations for whom the primary purpose seems to be to gain a social license to operate by creating superfluous employment for the population, rather than to directly contribute to the extractivist project. On the other hand, they do seem to serve as a vehicle for profit accumulation on the part of the owners. An interviewee in Ghana said:

The funny thing is the owners of these subcontracting companies are the chiefs, MPs, and the key opinion leaders in the community. ... K has one truck and he has a lot of cash. The amount of monies they are making is not a small money.\textsuperscript{26}

He went on to talk about two close allies of the previous regime who were operating five trucks but retained only one after the change of government: “People in the current ruling party complained that it’s their turn to chop too.”\textsuperscript{27} There were also frequent complaints about the significant difference between the amount per laborer paid by the multinational to the subcontractor and the wage paid by the subcontractor to the laborer. This difference is widely believed to end up in the pockets of the subcontractor owners.

In the case of service contractors, the practice of “fronting” is very common, meaning that domestic investors take on board a chief as a shareholder in order to comply with local ownership requirements. As a Ghanaian worker put it: “The chief is the landlord and C. is his boy with the cash.”\textsuperscript{28} Once the contract is up and running, the contractor pays a share to the chief: “All that is important is that at the end of the month, I give him his share apart from that he doesn’t even come around to demand anything.”\textsuperscript{29} In other words, those who control financial capital and those who hold the (customary) rights over the land (and often local legitimacy) find each other around local content requirements. Local content, in turn, enables chiefs, politicians, businessmen, and businessmen-cum-politicians or politicians-cum-chiefs to accumulate more financial capital and control rent.
Employment and clientelism

Above, I have reviewed Congo’s and Ghana’s local content policies. In all four mining sites, company–community agreements have set additional targets and quota for the employment of local people. In 2012, Golden Star signed a Local Employment Agreement with the catchment communities. It has committed to employing only “validated citizens” in unskilled positions and giving preference to validated citizens for skilled positions. The agreement further spells out the distribution of positions over the different communities making up the catchment area. It also specifies who can be considered a community citizen: a person who him-/herself or whose mother or father hails from the community; a person who lives in the community and has immovable property; a person who is married to someone who hails from the community; or a person who was born in the community and lived there for at least 20 years. According to the agreement, a person’s status needs to be validated by the divisional chief, the youth leader, and the assembly member, although almost all interviewees exclusively mentioned the chief. Goldfields Ghana has concluded similar agreements with different communities in their catchment area. According to their 2017 Sustainability Report, 68% of the workforce consists of host community members (Goldfields, 2018, p. 30) and 85% of goods and services are sourced from Ghana-registered companies (p. 112). In 2018, Goldfields changed from owner to contractor mining in Tarkwa because of “the escalating cost of labour in Ghana” (p. 25). Banro’s MOUs with Luhwinda (2010) and Bangubangu Salamabila (2014) stipulate that for employment, priority will be given to community members—provided they have the right qualifications and experience—and that preference will be given to sourcing local goods and services. Within the Community Forum, sub-committees were created. The sub-committee on employment was given the responsibility to validate applications. More recently, a sub-committee on “business and opportunities” was created, which betokens the growing commitment to local procurement.

Local employment is managed by different kinds of labor brokers: chiefs, community elders, and members of the Community Forum, but also staff of the Human Resources department, highly ranked people from the mother company, and managers from subcontracting companies, who are all said to facilitate employment for their own clients. Finally, the workers themselves play an important role in communicating job opportunities to their friends and families and helping them to become employed. Some of them ask money in return, as one Congolese worker testified: “I was introduced by my uncle, he asked me $100 and now I have reimbursed him $40 already.” The vocabulary referring to such clientelistic practices is rich: In the DRC, brokers are called “godfathers” (parrain), “umbrellas” (parapluie), “intermediaries,” or “spokespersons,” in the sense of someone who can plead on your behalf. You need to know someone “on the inside” or someone who can “link you.” In Ghana,
respondents said that getting a job is dependent on “who you know” or on “protocol.” One Ghanaian interviewee referred to a proverb: “whoever has a friend sitting on top of an orange tree will never eat an unripe orange” (SB26). As this vocabulary suggests, clientelist ties may be based on kinship, or as one Congolese interviewee put it: “If you have food in your house, you cannot give it to someone else’s child as long as your own are not yet satisfied.” Or they may be based on ethnicity/place of birth, friendship, or political/religious affiliation. The company Liebherr, for example, is reputed for employing Jehovah’s witnesses: “When you are not a Jehovah witness aid you are called for interview in Liebherr the kind of questions you will be asked during the interview, you will run away.”

Yet such ties do not develop naturally; they must be nurtured by continuously investing in relationships – what Ferguson (2015, p. 101) calls “distributive labor”. Some of my interviewees declared that they strategically try to strengthen relations with workers who are already “on the inside”:

I went to see one of my brothers and because of a job I weeded around his apartment several times and yet still he could not help me.

Some time ago there was a contractor around; we went to see the area council chairman; I even escorted him to his farm on several occasions thinking he’d be able to get me employed as a painter.

Others said they have accepted a job with a subcontractor, as they hope to be employed by the mother company later on:

I am currently packing nice parcels for them for Christmas so that I can win their hearts fully for next year, because I should get job at Goldfields by hook or crook next year ... I don’t have money though, but I will try my best. You know something, I was assigned a place to guard where I saw the list of all the top managers and their contacts, so I took advantage of copied some and began looking for them. That’s how come I got in contact with those top managers. I haven’t called all of them, but I will. I am planning to send them credit this December. Such people don’t need money but petty things. ... So somebody advised me to buy the kente cloth either for them or any of their wards but kente is very expensive.
Workers indeed found the differences in wages and working conditions between the subcontractors and the multinational companies substantial. However, there was a general feeling across the four sites that accessing a job with the multinational had become increasingly difficult:

People don’t send their applications anymore; it’s a waste of time.  

If you don’t know anyone and you send your letter anyway, they’ll just drop it in a dustbin.  

Now, everything is about connection. If you send your application to their administration, they would use it for the toilet.

An explanation may be found in the boom and bust cycles that characterize large-scale gold mining, with a price peak in 2008–2011 and a gradual decline afterwards, forcing some companies to cut costs—which included laying off workers—and increase subcontracting.

Finally, there are numerous rumors, hearsay, and also direct testimonies about corruption in all four sites. Respondents said that chiefs “sell the slots” (for employment) and take bribes. Frequently, people from outside the community pay bribes to the chief, so as to obtain the “validation.” Several respondents in Ghana as well as the DRC testified to this. In Luhwindja, people said:

Our chiefs are corrupt. They take money from outsiders who are seeking a job.

I know a Banro worker who claimed he was from Kabalole, but he didn’t even know how to get to Kabalole … he didn’t know his grandparents’ names.

Other informants, including Banro staff members, confirmed this, stating that people from Bukavu pay a few hundred dollars “to be put on the list.” In Ghana, it was argued that chiefs “sell the opportunities to people from outside.” Even a paramount chief himself claimed that “when these forms [validation forms] were given to the chiefs they began to sell them.” Some other brokers, such as the workers, seem to take some money as well. Often this is framed as reciprocity, as a gift to “show appreciation,” but sometimes the payment is part of the agreement: “The arrangement may be such that the person who has lobbied for you, takes a share in your wage during the first months.”

In conclusion, some people have acquired a more privileged position as labor brokers by virtue of them having financial capital, a political position, or customary power. For local unskilled laborers, clientelist relationships with such people are the primary gateway to jobs. However, many (lower- and medium-) skilled workers migrate from urban centers to the mining areas and build connections with these brokers. Some of them pay a bribe in order to be “validated” as a “local community member.”
This creates new exclusion and new divisions within communities. Jobs with multinational companies are the most sought after, while the subcontracting companies are more attractive in the DRC (where they are among the very few formal firms operating) than in Ghana (where there are more formal domestic firms and wages are comparatively less attractive).

These clientelist practices do involve a certain degree of redistribution (access to jobs). But at the same time, they inhibit social mobility and structural change as these are low-wage jobs (both in Ghana and the DRC) and in many cases precarious (in the DRC, 3% of workers working for domestic subcontractors and 30% of those who work for foreign subcontractors have a permanent contract; in Ghana this is respectively 65% and 81%). As such, these clientelist practices hold little potential for structural transformations at the bottom of the global production network. My data also confirm Tania Li’s sobering observation that those who have been dispossessed of their lands and livelihoods are often not those who are included in the capitalist project, not even as low-paid, casual workers. Of the 223 workers surveyed in the DRC, only 47 previously had artisanal mining as their principal occupation. At the same time, an estimated 12,000 artisanal miners have been chased from their work areas. Apart from a short-lived effort to engage 681 former creuseurs as day laborers in Twangiza Mining and train 400 others in professional activities, no real attempts have been made to include these former miners in any new project.

6. Conclusion

Local content policies are praised for their potential to foster production linkages through creating local employment and upgrading domestic firms. They have been accepted in mainstream development discourse as a tool to prevent the resource curse and enclave effects, giving responsibility (back) to the state. They are based on two assumptions: a) that production linkages will develop if an enabling environment is created (hard and soft infrastructure, national systems of innovations and skills training, and political will and capacity to implement, see Morris et al., 2011); b) that local content is beneficial to local people. Both assumptions are problematic because local content policies are first of all politicized, and second of all structurally embedded in large-scale extractivist projects.

A comparison between my interview data from the DRC and the data from Ghana makes this clear. Despite Ghana’s significantly better economic and political indicators, there are remarkable similarities when studying clientelism, co-optation, and corruption practices at the local level. In other words, outcomes at the local level are shaped by power inequalities and exclusionary forces that are present in all four mining sites, and that emerge from an interaction between national, local, and
global dynamics. This does not invalidate Morris’s hypothesis that more linkages will develop in case of a longer presence of multinational and better capabilities of domestic firms, and a more enabling environment. Rather, it questions the outcomes of such linkages for local people in terms of creating jobs and inclusive markets and confirms my hypothesis that local content is not necessarily beneficial to local people.

As local content practices are embedded in the structural dynamics that permeate large-scale extractivist projects, they produce (new) patterns of exclusion, together with the inclusion of some people and groups (through clientelist practices; the “Godfathers”). After all, the fundamental nature of the extractive industries is capital intensive, with the implications for labor—especially medium- and low-skilled—pointing to ever more insecure conditions in view of trends toward automated and digital mining (Deloitte, 2018). Both Ghana and the DRC are among the countries that have a long legacy of artisanal gold mining, employing hundreds of thousands of people. But as such artisanal mining operations are becoming increasingly mechanized, productive, and polluting, both countries have repressed them. This has led to the dispossession of tens of thousands of miners, along with farmers who have been displaced by large-scale gold companies. As has been argued, these are not necessarily the workers that are subsequently employed by these companies or their subcontractors.

Ultimately, the question around the development impact of large-scale extractivist projects is of course about (re)distribution. If fiscal linkages have proved to be insufficient to generate inclusive development—as the resource curse literature teaches us—and if production linkages have not managed to upgrade small domestic enterprises and include dispossessed people into global production networks, as the structuralist literature teaches us, all this can be attributed to a similar failure: the failure to redistribute profits and rents in an inclusive way. It is true that patron-client relationships—as analyzed in this article—involve some (strategic) redistribution of profits and rents on the part of the patrons (Daloz, 2003). It is also true that making successful distributive claims requires hard and persistent ‘social labor’ on the part of the clients - as in the above-cited examples of escorting a patron to his farm or packaging Christmas gifts - (Ferguson, 2015). But on the other hand, it also limits clients’ agency and reinforces existing power imbalances (Tendler, 2002). In this way, clientelism and co-optation are used to consolidate control over rents and to prompt profit accumulation by those who are already in power.

Can we think about more inclusive policies in this context, which seems to be structurally prohibitive of inclusion? The emerging literature on oil-to-cash programs—discussed in section 4—suggests a promising path based on cash transfers combined with public accountability, adding to solid evidence about the positive productive and social impact of unconditional cash transfers (Davis et al.,
While I do not have space here to elaborate on this literature’s arguments, it clearly points to useful new ways to think about (re)distribution in a context where most people simply do not have access to a job and where those who do, do not earn a living wage and have no stable contract (Ferguson, 2015).

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References


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2 The World Bank’s Political Stability and Control of Corruption indexes go from -2.5 points (weak) to 2.5 points (strong).

3 The closed questions (survey questions) are being analysed using Qualtrics and Stata, and will not be included in this article. All responses to the open-ended questions have been recorded and fully transcribed, feeding into the qualitative analysis presented in this article.

4 The sample for the structured interviews was stratified according to the size of the subcontracting companies.

5 Except for five respondents who refused to be recorded.

6 The ideas about redistributive politics as developed in this article draw on previous work with Mollie Gleberman, see Gleberman and Geenen (2017).

7 Int170928.


10 Loi nº17/001 du 08 février 2017 portant les règles applicable à la sous-traitance dans le secteur privé.


12 Almost 400 former miners took part in various professional training programs offered by local NGOs under the supervision of the Banro Foundation. These NGOs were managed by the mwamikazi, by members of CODELU (group of Luhwindja’s elite in Bukavu), and by a local Catholic priest.

13 Int041111.

14 Int0405B and int0415A.

15 Int1205A.

16 Int0915 and int0910.
For Ghana, these are most probably underestimates, as I did not get access to the procurement department.

Int1024C.
Int1013C.
Int1014A.
Int1013D.
Int150911.
Int170415.
Int0415B.
Int0928A.
Int1013C.
Idem.
IntEE53.
IntSB61.

Local Employment Agreement between Golden Star (Bogoso/Prestea) Limited and Bogoso/Prestea mine local community, 2012.


Liste des membres du Forum Communautaire de Luhwindja.
49 IntAW32.

50 Survey data. These will be further studied in an article on the quality of these jobs.