The Good and the Bad of Structural Adjustment Programme in Africa: Evidence from Ghanaian Gold Mining Industry

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Abstract

Structural adjustment programme (SAP) is the International Monetary Fund (IMF) and World Bank agenda for addressing the debt and economic crises of some Third World countries. To help countries however, the World Bank/IMF demand reforms. SAP programmes have been implemented by many African countries including Ghana that embraced the policy in April 1983. The article evaluates the impact of SAP on adjusting countries in Africa with particular focus on the Ghanaian gold mining industry, which the policy impacts mostly through privatisation, one of the conditions of SAP that has resulted in foreign direct investments and influx of multinational companies into the country. Using predominantly academic and popular literature, and industry data from the Ghana Chamber of Mines and World Bank reports on industry, it emerges that the policy has integrated Ghana, like other adjusting African nations, into the global economy and reshaped the gold mining industry. The policy however falls short of what it was intended to achieve; rather worsening the situations including detachment of the Ghanaian government from her own mineral resources; 'subsidiarity' of Ghanaian gold mining industry; and massive unemployment.

***Keywords**: Structural adjustment programme; privatisation; Ghanaian gold mining industry; multinational companies; foreign direct investments.*

1. Introduction

The World Bank and the IMF were both created in 1944 by leaders of 44 nations at the Bretton Wood Conference in the United States of America. With fear that unregulated world market would bring about depression and probably next world war, the two institutions were formed to provide financing for long-term productive investments in member countries and to provide loans to overcome short-term balance of payment deficits. Though their primary responsibilities were towards member countries, the two institutions, through structural adjustment programmes, 'blast open' to fully subordinate Third World economies (Ismi, 2004). Giving reason for the capture of the Third Word by these international financial institutions (IFIs), Geo-Jaja and Mangum (2001) explain that after African's emergence as independent nations following the collapse of colonialism in the 1960s many African countries found themselves in severe debts, overspending on public enterprises, public unemployment, excessive military spending as well as cronyism and corruption. Many developing countries therefore became incapable of countering the economies (Stein, 2001; Wated, Sanchez and Gomez, 2008) and therefore found themselves struggling with growing economic crises and huge foreign debts with limited resources available to arrest the situation (Paczynska, 2006). The IFIs therefore 'subordinated' these countries to help them get out of the crisis.

When these troubled countries turned to the international institutions for help, the institutions demanded reforms classified as structural adjustments. Described as overlords of Africa and a sort of Godfather figures who make countries offers they cannot refuse (Ismi, 2004), it is only when suffering governments agree to the conditions of the SAP by implementing far-reaching reforms (Paczynska, 2006) that the IMF and World Bank agree to arrange a structuring of country's debt and new loan package (Geo-Jaja and Mangum, 2001; Hilson and Potter, 2005). Thus, reforms are made to recipient countries' microeconomic policies as precondition for the approval of SAP. The SAP agenda for addressing the debts and economic development crisis of some Third World countries was initiated in Africa in the 1980s (Paczynska, 2006) with the broad objectives of giving incentives to producers; rehabilitating infrastructure and industry; controlling inflation; promoting sustainable economic growth (Awudi, 2001) and reducing the size and scope of government intervention in the economy (Englebert, 2000). To qualify for the assistance, adjusting countries were to meet certain conditionalities which, as identified from the studies of Geo-Jaja and Mangum (2001); Ismi (2004) and McGregor (2005) are summarised below.

- Increase in exports (usually primary materials)
- Privatisation of industries (including necessities such as water and healthcare)
- Higher interest rates and trade liberalisation.
- Governments' cut back on social spending and imposition of user fees
- Reduce financial regulations
- Embark on market based pricing (which tends to raise the cost of basic goods and services)

2. Methods

The paper uses popular and academic literature – generally on Africa as relates to the broader SAP policy; and specifically on privatisation as impacts on the Ghanaian gold mining industry. Literature is supplemented with related data including data from the World Bank reports (directly or as cited by other authors) and from the Ghana Chamber of Mines. A theoretical evaluation, the paper is in two parts. The first part evaluates general impact of SAP on adjusting African nations; while the second part focuses on privatisation, one of the conditions of SAP, aspect of the policy that impacts greatly on the Ghanaian gold mining industry. Privatisation, which has resulted in about 300 out of the 350 Ghanaian state-owned enterprises transferred to privates investors, and which has lead to massive FDIs and influx of multinational companies in the gold mining industry, the main focus of the paper is assessment of the good side as well as bad side of the policy. Tables are incorporated, capturing trends of impact including yearly production of gold; contribution of industry to national economy; ownership of firms in industry; and divested SOEs.

3. SAP and Adjusting Countries in Africa

Many research findings have revealed the impact of SAP on the economies of the countries that embraced the policy. As a result of SAP Africa is more integrated into the global economy than before the SAP era (Ismi, 2004) because the conditions meted out to the adjusting nations were measures expected to generate export-led growth which will attract foreign direct investments (FDI) that can be used to reduce debt and poverty. According to Ismi (2004), this has justified the increase of African trade as a percentage of gross domestic product from 78.1% in 1989 to 95.6% in 1999, and trade grew from US$175 billion in 1990 to US$187 billion in 1999 while FDI for the same period jumped from US$923 million to US$7.9 billion during the same period. Taylor (2004) praising SAP believes that the World Bank/IMF conditionalities are not damaging but commonsensical and aimed at helping the ordinary African. Taylor however sees the policy as involving hard choices, but is quick in reiterating that the long-term benefits are huge for the continent and its people.

Referring to a 1989 World Bank report, Prempeh (2001) reveals that the report attempted to show that sub-Saharan Africa countries that have embraced SAP have fared better than those that have not. This point is reinforced by World Bank's (1994) study as referred to by Prempeh (2001) that there are rewards to adjustment as countries that come furthest in implementing the policies, particularly microeconomic policies, have enjoyed a resurgence of growth. According to Debrah and Ofori (2006), "initial assessment indicates that the liberalization policies have helped Tanzania to increase the total value of FDI in the country from US$47 million in 1990 to US$2.2 billion in 1999" (p.440).

World Bank figures indicate that Africa's growth rate increased to 6.2 per cent in 2007 from 3.5 per cent in 2002 partly due to huge inflows of foreign capital to invest in the continent's oil, mining and other industries (Daily Graphic, 2008). Commenting on the likely effect of the financial crisis in developed economies on the capital investment flow to Africa, World Bank Chief Economist for Africa, Shanta Devarajan noted that there is the risk that if there is a really difficult financial crisis in the United States and Europe and risk aversion rises, it is possible these capital flows which have fuelled growth in Africa will fall (Daily Graphic, 2008). This shows how dependent is Africa on the Western countries for capital accumulation for economic growth, a phenomenon that has been necessitated by SAP implementation.

Considering the benefits of SAP, Taylor (2004) wonders why many authors criticising SAP are silent on why SAP policies were introduced in the first place – to mitigate the gross malgovernance and imminent bankruptcy of most economies on the continent. Justifying this, Taylor (2004) points out that although Africa's demise is often attributed to such historical factors as colonial gluttony and decline in commodity prices, these people have forgotten that by April 1970, Liberia and Somalia had already received seven stand-by agreement loans from the IMF to help address their balance of payments and budgetary crises; Burundi had received five such loans; Ghana, Mali and Rwanda four loans each; Sierra Leone and Sudan three each; and Congo/Zaire had completed its first IMF supervised devaluation. The granting of multiple stand-by agreements in less than a decade of independence suggests an almost immediate deterioration in management.

Despite these benefits the World Bank contends that the level of per capita growth, even among the nations that have adjusted the most, is below what is required for rapid poverty reduction (Geo-Jaja and Mangum, 2001). In another World Bank publication (see World Bank, 1990) and described by Geo-Jaja and Mangum (2001) as the harsh verdict of the IMF and the World Bank, the report has it that Africa is unable to point to any significant growth rate or satisfactory index of general well being in the previous two decades. These coming from the World Bank and IMF, the warlords of Africa (Geo-Jaja and Mangum, 2001) and originators of SAP, it is worth believing that the IMF and World Bank's short-term solutions to Africa's problems have proved to be inappropriate (Osabu-Kle, 2000) and, as a result,

> it is undeniable fact that one-sided structural adjustment with all its harsh conditions and lack of human face has had negligible impact in improving African economies. It implies that sufferings that African populations are compelled to undergo achieved very little (Osabu-Kle, p.531).

Many authors have also assessed various negative aspects of the programme aimed at alleviating poverty, lightening debt burden and saving sinking economies of the Third World. Some think that the programme rather worsens the plight of the adjusting nations (Osabu-Kle 2000; Geo-Jaja and

Mangum, 2001) while others are of the view that it was designed to benefit the Western countries (Ismi, 2004). For instance, in his assessment of the programme, Ismi (2004) reveals that the World Bank and IMF have forced developing countries to create conditions that benefit Western corporations and governments. Reinforcing this assessment, and using figures to do so, Osabu-Kle (2000) reveals that for the period of the programme the share of the world income of the poorest fifth of the world's population has declined from paltry 2.3% to only 1.4% while the same enjoyed by the richest fifth – who have been making the rules on trade and pretty much everything else – has risen from 75% to 85%. According to McGregor (2005), SAP has proven economically disastrous as all the 54 developing countries that implemented the programme have ended up poorer than they started.

Geo-Jaja and Mangum's (2001) corroborate the decline in well-being of the population of adjusting African countries and point out that SAP has eroded all the gains made by these countries during the immediate post-independence period. They mentioned some of the lost gains as human development, employment, education, health, savings, investment and export earnings. There is therefore prevailing evidence that adjustment policies seriously rolled back some of the socioeconomic progress that had earlier been recorded. This corroborates Paczynska's (2006) view that while everyone was affected by such profound restructuring of the economies, benefits of the reform (if even available) were not distributed evenly across all social groups as expenditure on basic services are often severely curtailed mostly to service huge World Bank/IMF loans.

Agreeing to the dismal performance of SAP, Stein (2001) is of the view that the programme is simply incapable of putting in place the policies that will put African countries on a trajectory of sustainable development because the conditions are just prescriptions for the intensification of the existing conditions of maldevelopment. From the sub-Saharan African (SSA) perspective, Nwankwo and Richards (2004) state that even the World Bank admits that out of 29 countries originally adopted SAP, economic conditions of 11 deteriorated while 9 showed a slight improvement, Thus, "the idea that SAPs were designed to pull the economies of SSA out of crises and raise them higher growth rates seems to be contentious" (Nwankwo and Richards, p.117). Specifically on Ghana, Ismi (2004) says that the World Bank and IMF's structural adjustment is a textbook example of how to ruin a country, and concludes that the ruthless denial of mineral wealth, food, medical care, education and even water have rendered the population destitute onlookers to the plunder of Ghana to foreigners. It is therefore evident that SAP has been economically disastrous (McGregor, 2005); exacerbated the underlying weaknesses of African economies and unable to structurally and institutionally transform these economies. Ismi (2004) identifies four ways in which reforms under SAP have impoverished people and increased economic inequality. These are as follows.

- Destruction of domestic manufacturing leading to massive unemployment of workers and small producers.
- Agricultural, mining and trade reforms have reduced the incomes of small farmers and poor rural communities.
- Flexibility of labour market and privatisation measures have resulted in mass layoffs of workers leading to lower wages thus deepening the poverty situation.
- Cutting of education and health spending and introduction of user fees for social services and higher utility rates have resulted in a severe increase in the number of poor as well as a deepening poverty.

4. SAP and Ghanaian Gold Mining Industry

The first part has considered some of the positives and negatives of the parent SAP policy as related to adjusting countries in Africa. The second part, which is the main focus of the article, considers SAP in relation to the Ghanaian gold mining industry. In the Ghanaian gold mining industry the impact of SAP is mostly through privatisation, one of the conditionalities of the programme. Privatisation is therefore the focus for assessing the impact of the SAP policy in the Ghanaian gold mining industry as a case of how SAP affects African industries. Privatisation is the process by which state-owned enterprises are transferred to private owners. Plionis and McWilliams (1994) define 'privatisation' as the transfer or sale of any asset, organisation, function or activity from the public to the private sector. This means that in addition to the sale of publicly owned assets, the term privatisation also applies to joint public-private ventures, concessions, leases, management contracts, and some specialised instruments such as build-own-operate-and-transfer (BOOT) agreements. In SAP countries however, privatisation of SOEs have been forced on governments by the IFIs as precondition for help to revive collapsing economies of many Third World countries. Privatisation policy, on a good note, has brought about the influx of multinational companies (MNCs) and foreign direct investments (FDIs) into countries that have implemented the policy. In the case of Ghana, more than 300 out of the approximately 350 SOEs have been privatised; with foreign firms comprising most of the bidders (Austrade, 2007). Ghana continues to put her ailing SOEs on the market and the targets (though not stipulated in advertisements) have been foreign investors.

Farazmand (2002) sees privatisation as a strategic instrument of globalisation of capital and considers globalisation as a new changing phenomenon within the broader process of expansion into new frontiers and opportunities (with constraints) for increasing capital accumulation at the global level. Tracing why privatisation became one of the IMF and World Bank conditions for structural adjustment programme, Prizzia (2003) recounts the World Bank's view that large SOEs sector could hinder growth and are less efficient than private firms; and also because SOEs deficits are basically financed in ways that undermine microeconomic stability. To Prizzia (2003) privatisation has both negative and positive consequences but the negative ones often go undetected because the effectiveness of privatisation is usually based primarily on economic performance. Prizzia advises that to obtain a more realistic determination of its effectiveness, privatisation should as well measure the social performance. This is supported by Wated, Sanchez and Gomez (2008) who identify a two-factor model of positive and negative beliefs underlying attitudes towards privatisation. The positive beliefs concern the economic and organisational benefits of privatisation while the negative beliefs relate to the social and national costs. Though the primary objectives of privatisation regard organisational and economic outcomes (positive beliefs), a study by Wated, Sanchez and Gomez (2008) reveals that the negative beliefs (social and national costs) override the positive beliefs. Positive (the good) and negative (the bad) impacts of privatisation on the Ghanaian gold mining industry are considered in subsequent sections.

4.1 The Good ...

Privatisation expands the private corporate business sector and broadens the fields of operations for corporate or corporate-led business enterprises which lead to market-expansion and rate of surplus accumulation worldwide. Hailing the need for private participation, Farazmand (2002) argues that this change will influence activity in creating and applying knowledge with the need to introduce new practices as older ones either need revising or replacing with innovation and succession of new ideas and professional business practice. Ghana, as a result of SAP, mostly through privatisation, has had the business corporate sectors reshaped.

The Ghanaian corporate sector also receives large inflows of foreign direct investments that arrest the capital problems of the mining companies. For instance, some US$4 billion of private investment capital was injected into the Ghanaian mining sector for mineral exploration, and for establishment of new mines as well as for the expansion and rehabilitation of existing mines over the period 1983-1998 (Austrade, 2007). Over 80% of the US$4 billion went to the gold mining industry (Awudi, 2002), making it single largest FDI receiving industry in Ghana. McGregor (2005) acknowledges that economic development for most African countries is brought from outside, usually in the form of FDIs into the privatised sectors. This has proved to be of benefit as privatised companies have become more efficient and increase production than before privatisation. For instance, Ghana's gold output, between 1989 and 2009, has increased more than 700% (Eshun and Jellicoe, 2011) due to implementation of the privatisation and resultant capital injection into the gold mining industry.

The World Bank believe that given Africa's substantial mineral resources, successful implementation of the privatisation programme and effective private sector oriented mining policies; African countries can attract a substantially increased share of world mining investment (World Bank, 1992). It is evident that Ghana's gold production has improved tremendously as result of the privatisation policy and implementation. Ghana's gold output increased by 9% in 2009 over 2008 figure and the country maintained her 9th position on the global league table of gold producing countries (Ghana Chamber of Mines, 2010). Currently, most of Ghana's gold is exported in its raw state without significant downstream processing to add value. This raises the hope that given further processing of the mineral, the country's untapped mineral potential can act as a springboard for Ghana's industrialisation. Aside these prospects, privatisation in the Ghanaian gold mining industry has contributed immensely to the economic development of the country, confirming the opinion that the World Bank sees itself as architect of global financial and political systems and processes as well as global coordinator of the First World development interventions in the Third World (Cooke, 2004).

As indicated in Table 1, there have been yearly inflows of FDIs since the inception of the privatisation policy in Ghana totalling US$9.439 billion from 1989 to 2009. Yearly gold production has increased from meagre 418,070 ounces in 1989 to 3,119,823 ounces in 2009 with its impact on government revenue, as revenue from gold mining operations contributed almost 20% of total government revenue generation in 2009. The year 2009 figures indicate that minerals revenue represented approximately 48% of Ghana's gross export earnings with gold alone accounting for over 43% (Ghana Chamber of Mines, 2010), with the other minerals accounting for just about 5%. Contribution of gold to the economy has been tremendous and this is largely due to the injection of foreign capital, technology and managerial skills resulting from the privatisation policy implementation. For instance, annual gold production of 280,000 ounces in 1983 (Barning, 2001) has risen to over 3.1 million ounces in 2009 with total revenue of US$2.55 billion (Eshun and Jellicoe, 2011). Industry also contributes to the local economy in the form of income and employment generation. As revealed by the Ghana Chamber of Mines 2009 report, industry deployed about US$1.0 billion representing about 40% of its total revenue to procure inputs locally (Ghana Chamber of Mines, 2010), therefore boosting local businesses and generating employment.

Table 1. Contribution of Gold Mining Industry to Economy of Ghana

Year	Total FDI Inflows (US$million)	Total Gold Production (ounces)	% of total Export (US$million)	Total Export Earnings (US$million)	% Contribution to Total Govt Revenue
1989	205.24	418 070	19.80	160	-
1990	398.24	541 147	22.52	202	8.94
1991	279.49	847 559	30.43	304	6.25
1992	595.40	1 004 625	34.79	343	12.17
1993	263.90	1 261 890	40.79	434	12.83
1994	98.33	1 438 483	44.35	549	14.89
1995	164.96	1 715 867	45.21	647	17.88
1996	774.76	1 583 830	38.96	612	14.49
1997	593.02	1 752 452	38.86	579	11.47
1998	267.54	2 371 108	32.90	688	12.13
1999	214.77	2 608 102	35.46	711	11.93
2000	231.78	2 457 152	36.26	702	13.75
2001	275.53	2 381 345	33.10	618	11.92
2002	315.59	2 236 833	33.38	689	11.06
2003	545.62	2 274 627	36.13	830	10.99
2004	638.33	2 031 971	31.07	840	9.44
2005	797.52	2 138 944	33.76	946	10.96
2006	586.74	2 337 784	40.62	1 367	9.95
2007	665.30	2 374 208	53.92	1 734	13.50
2008	765.30	2 839 802	43.35	2246	17.22
2009	762.26	3 119 823	43.37	2551	19.79

Source: Extracted from Eshun and Jellicoe (2011)

In view of the immense benefits of FDI through privatisation, any attempt that will result in FDI injection will be welcome by Ghanaians provided the resultant business operates in the interest of Ghanaians. There is empirical evidence of Ghanaians' acceptance of FDI into the gold mining sector.

In their study on the impact of FDI on the development of the Ghanaian minerals industry, Eshun and Jellicoe's (2011) findings as cited in Oppong (2012) give an interesting picture of Ghanaians' acceptance and support of FDI into industry as shown in Table 2.

Table 2: General Views of Ghanaians on FDI in Industry

	Disagree	Agree
Local banks don't have the capacity to invest in large scale mining	40	60
Local entrepreneurs don't have the capacity to invest in large scale mining	30	70
Ghana cannot do away with FDI in the development of the mining industry	20	80
FDI has been the only source of revitalising the mineral sector of Ghana	10	90
FDI should be encouraged	10	90

As a result of privatisation, the Ghanaian gold mining industry has recorded significant development and output. From the pre-independence period through to the post-independence period to the early 1980s when SAP was initiated, gold production in no particular year reached the 10 million-ounce mark. However, from the SAP era till now, there has been increase (almost yearly improvements) in gold output to over the 30 million-ounce mark. Assigning reason to the poor post-independence performance of the mining sector and the transition into the SAP era, Kuditshini (2008) reveals that after gaining independence African states became embroiled in a cycle of debt and these countries could no longer support the development of the continent's mineral resources. Development therefore depended largely on the possibility of attracting the risk capital of foreign mining companies who also supplied technical and administrative means to enforce their projects. This strategy, mostly through privatisation of the suffering mining companies, has set out to guarantee the development of Ghanaian mineral resources and mining companies. Ghana's SAP implementation has helped to shape government's expenditure and has positioned government's role in focusing and facilitating the necessary policy initiatives. Asamoah (2007) praises the private participation in the Tarkwa, Dunkwa and Prestea gold mines and recounts that the Tarkwa mine, for instance, since its privatisation in July 2003 increased gold production from 26,000 ounces to 40,000 ounces per annum.

4.2 ...and the Bad

There is the consensus that the achievement of more dynamic growth requires interactive role of the state and private enterprises. This is informed by the belief that resources of the state will be used more productively if transferred to private sector. Therefore, the privatisation as a condition for World Bank/IMF assistance to the ailing countries is regarded as engine for growth through attraction of FDIs. The growth strategy places less emphasis on joint ventures that rather reduces state ownership and shareholding to percentages as insignificant as possible (Jacobs, 2000).

FDIs in the privatisation process and the triangular interaction between the IFIs, multinational companies and host country policies (Jacobs, 2000) in Africa reveal mixed results. This triangular transaction is highlighted by Bourgouin (2011) that by its very nature FDI initiatives in Africa typically connect three sets of players including the international organisations involved in investment promotions; political and administrative leaders in host countries; and executives and corporate managers of transactional corporations. In the gold mining industry the three players involved in this triangular transaction include the IMF/World Bank; the Western multinational firms; and the Ghana government. In industry, whereas the IFIs expected privatisation as engine for growth through attraction of FDIs to produce win-win situation for all by providing long-term benefits (Dansereau, 2005), the MNCs investing in industry emphasise extraction and export of raw minerals rather than development of the industry that could contribute to national development (Dansereau, 2005). The privatisation process is therefore 'hijacked' by only two parties (World Bank/IMF and MNCs) in the triangular transaction and stripping the state off its role of fostering development but rather putting the state into culture of dependency (Bourgouin, 2011). Ghana is removed from state of principal agent of development of her mining industry, while MNCs are playing increasingly public roles to the disadvantage of the population. This however contradicts the statement by the World Bank director of mining, James Bond, that sustainability in mining will accrue when there is community participation done through partnership that includes local community groups and the central state.

In Ghana proceeds from privatisation (during the early years) was of no significant benefit to the state as most of the companies were already in debts. According to the Divestiture Implementation Committee (DIC), overseers of privatisation in Ghana, out of about ¢269 billion so far realised from divestiture transactions up to 1998, about ¢238.6 billion was identified liabilities of the divested companies (Appiah-Kubi, 2001). The liabilities included settlement of employee entitlements, consisting of accumulated salary arrears, severance payments and debts owed to creditors of divested SOEs. Percentage of total liabilities to total purchase price of divested SOEs was about 88.7%, giving the state just under 12% of total value of divested SOEs. Table 3 shows statistics on divestiture of SOEs from 1989 to 1998. Aside this, out of the total purchase price of about ¢268.9 billion only ¢193.9 billion had been settled, leaving about ¢84.9 billion claims on divested enterprises yet to be settled by purchasers. These paint a gloomy picture of the intended benefits of Ghana's privatisation during the early years.

Table 3. Liabilities of Divested Ghanaian SOEs, 1989/90-1998 (million old cedis)

Year	Purchase Price	Total Liabilities Identified	Outstanding Liabilities	Total Receipts to Date
1989/1990	3 592.21	1 720.24	1 096.48	6 396.86
1991	7 851.21	2 657.81	859.55	9 524.67
1992	10 300.02	2 092.22	997.59	19 040.67
1993	3 222.65	945.04	695.35	3 263.00
1994	48 718.15	73 173.09	30 529.50	37 883.01
1995	19 603.00	18 010.46	17 255.50	3 452.70

1996	33 952.22	30 098.16	23 652.56	23 196.72
1997	62 240.26	54 856.62	52 689.32	47 298.58
1998	79 417.94	55 047.32	45 784.60	43 851.90
Total	**268 897.93**	**238 600.95**	**173 533.45**	**193 908.11**

Source: Extracted from Appiah-Kubi, (2001, p.210)

Realities of privatisation undermine the ability of Ghana to direct her own minerals and develop strategies that have potential for local capital accumulation. It goes to support the notion that the regulatory framework championed by the World Bank to improve the socio-economic development on the African continent through the attraction of FDIs, is rather a major failing of the privatisation process as the primary concern has rather been access to minerals for the export market instead of development of the Ghanaian economy. This casts doubt on whether Ghana's gold mining can contribute to sustainable development but not rather produce what is referred to as 'reverse curse', because, "developing countries with large mining sectors are found to have less resilient and diversified economies and are generally economically worse off than countries without large mining sectors" (Dansereau, 2005, p.48).

The situation brings the World Bank's role in mining in Ghana under increasing scrutiny and growing criticism. The World Bank governance policies focused largely on reducing state intervention by vesting greater ownership of mineral resources into the hands of private investors. According to the World Bank (see World Bank, 1992), the idea of the privatisation and attraction of FDIs was for adjusting countries to be better able to adapt to changing market conditions and benefit from the renewed interest of multinational mining companies in African mining so that the states can focus on the prime objective of maximising tax revenue and deriving their fair share of the economic rent from mining instead of pursuing other objectives such as ownership of resources and enhancement of employment. This however defeats the main idea behind selling the SAP policy to adjusting countries, especially to Ghana, as a major gold producing country. It is suggested that solution to this is to enhance the ability of the state to manage their own industries and MNCs allowing operation and development of prosperous mining activities with higher levels of local involvement, otherwise "this will inevitably lead to increasing tension in the relations between TNCs and states in Africa" (Bourgouin, 2011, p.528).

Present state of ownership of gold mining companies in Ghana confirms this subsidiarity (Shama, 2004) or control of vast mining concessions (Dansereau, 2005). As shown in Table 4 major gold mining companies in Ghana are mostly foreign-owned, a situation made possible by Ghana's acceptance of the SAP policy and its privatisation condition.

Table 4. Ownership of Ghanaian Gold Mining Companies

Name	Ownership of Mine	Location in Ghana
Adamus Resources Ltd	Adamus Resources (Australia)	Nkroful
AngloGold Ashanti Iduaprem Mine	AngloGold Ashanti (South Africa/Ghana)	Tarkwa
AngloGold Ashanti Ltd	AngloGold Ashanti Ltd (South Africa/Ghana)	Obuasi
Central African Gold Ltd	Central African Gold Plc (UK)	Bibiani
Chirano Gold Mines Ltd	Redback Mining now Kinross (Canada)	Bibiani
Gold Fields Ghana Ltd	Gold Fields (South Africa), IAM Gold (Canada)	Damang
Gold Fields Ghana Ltd	Gold Fields (South Africa), IAM Gold (Canada)	Tarkwa
Golden Star Prestea/Bogoso	Golden Star Resources (USA)	Bogoso
Golden Star Wassa	Golden Star Resources (USA)	Akyempim / Benso
Keegan Resources Ghana Ltd	Keegan Resources Inc. (Canada)	Esaase/Asumura
Newmont Ghana Gold Ltd	Newmont Mining Corp. (USA)	Kenyasi
Perseus Mining Ghana Ltd	Perseus Resources (Australia)	Ayanfuri

Source: Extracted from Ghana Chamber of Mines (2010)

Table 4 backs Farazmand's (2002) view that privatisation breeds corporate colonisation as many Third World companies become subsidiaries of large Western corporations while 'subsidiarity' deepens the crisis of dependency of Third World companies on the globalising corporations, who are building brick by brick a new colonising 'global empire'. Due to privatisation and 'subordinating' the once state enterprises, the Ghanaian government no longer operates independently and has no control over her own assets. Farazmand (2002) makes similar observation that the Third World enterprises are now without independence in policy and management decisions; only act as worldwide agents for centralised corporations and "once privatised, an enterprise is out of government control and becomes a commodity for exchange in the global marketplace" (p.359). For instance, before Ghana implemented the privatisation policy, all gold mining companies were under the State Gold Mining Corporation (SGMC), with the management and funding by the government. Today, almost all companies are owned by foreign investors. Worried, Barning (2001) writes that the government's role in the Ghanaian mining sector reform package was to focus on the administration and regulation of mining assets rather than the previous role as owner and operator; an indication of how privatisation has distanced the government of Ghana from state governance. This is clear evidence that the once state firms were sold to private owners to take the government out of competition with the private corporations.

Privatisation and related cost-cutting measures have resulted in widespread retrenchments. Khan and Ackers (2003) are however not surprised at unemployment associated with SAP because employment practices in SSA have been variously described (by the West) as source of corruption and supportive of an external role-set rather than the objectives and goals of the organisation and, as a result, “issues of employment management were central to structural adjustment agenda …focused on workforce restructuring through redundancies and mass retrenchment” (Khan and Ackers, 2003; p.10). This implies that ‘subsidiarity’ and control of the mining industry and worsening employment situation were nested (unknowing to adjusting nations) as part of the policy. It is therefore not surprising the pools of experienced but unemployed miners in Ghanaian mining locations such as Tarkwa, Obuasi and Prestea. In this regard, it makes sense when private sector employees are more strongly associated with negative beliefs and less associated with positive beliefs, which support the conclusion of Wated, Sanchez and Gomez’s (2008).

Privatisation does not create just unemployment but also creates what is referred to by Farazmand (2002) as ‘industrial reserve armies’ – a pool of unemployed who become available to privatised enterprises as temporary and cheap workers. The ‘industrial reserve armies’, apart from offering cheap labour also becomes subject of further exploitation and manipulation by private corporate managers, who make effective use of threat of unemployment. This is evident in gold producing areas as Tarkwa and Obuasi, which are flooded with redundant gold mining workers as result of privatisation. Some of these experienced miners are employed as temporary labourers with far lower wages. These ‘industrial reserve armies’ become permanent temporary workers against the Ghana Labour Law, but they are forced to accept the situation for fear of losing their jobs. Section 75 of the Ghana Labour Act 2003 (Act 651) states that a temporary worker employed by the same employer for a continuous period of six months and more should be treated as permanent worker. To circumvent this provision, temporary contracts are terminated and re-awarded, making such employees work in the same role for say four years and more and still with temporary status. The threat factor becomes a strong motivational force for the employed to work harder and longer with drastic cuts in wages and still be grateful to the private enterprise employers.

With regard to managerial staff in the gold mining industry, privatisation has led to drastic reduction in employment as MNCs believe that expatriate managers are more efficient than national managers to achieve organisational goals. This belief has resulted in greater percentage of expatriates in management compared to Ghanaian managers. Table 5 shows percentages of expatriates managers and reasons assigned to this in four major Ghanaian gold mining companies.

Table 5. Expatriate Percentage of Managerial Staff in Industry

Name of company	% of Expatriates in Management	Justification for expatriate staff
Chirano Gold Resources Ltd	70	Experience and expertise, drive efficiency
Golden Star Resources Ltd	56	Experience and expertise
Newmont Ghana Gold Ltd	70	Drive efficiency, technology transfer
Gold Fields Ghana Ltd	61	Drive efficiency, technology transfer

Source: Extracted from Eshun and Jellicoe (2011)

5. Conclusion

The article has so far looked at the SAP policy, and its positive and negative aspects as they impact on adjusting nations in Africa. Focus on industry has however been limited to privatisation, the SAP conditionality that mostly impacts businesses and how actually impacted the Ghanaian gold mining industry. It is found that the policy has integrated Ghana, like other adjusting nations, into the global economy and reshaped the gold mining industry in terms of steady increases in gold output and contribution of industry to government revenue and the local economy. The policy however falls short of what it was intended to achieve; rather worsening the situations including detachment of the government from her own mineral resources as almost all gold mining firms in the country are owned by foreign multinationals; as well as massive unemployment, therefore worsening the plights of the divested SOEs and industry employees. These defeat the reasons for selling the policy, and based on which adjusting governments accepted to implement.

The author believes that total transfer to mining companies to foreign investors alienates adjusting countries from their own resources, generating negative beliefs about privatisation. This control of African resources is 'subsidiarity' of African businesses; a strong (global) colonisation machinery that deepens the crises of dependency of Third World companies and thus offering Africans less control over their own assets. The author further speculates that the situation could be resolved by encouraging private sector-local government link that discourages complete transfer of state functions to private sector companies.

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