Mining in Africa: are local communities better off? (English)

Summary

This study focuses on the local and regional impact of large-scale gold mining in Africa in the context of a mineral boom in the region since 2000. It contributes to filling a gap in the literature on the welfare effects of mineral resources, which, until now, has concentrated more on the national or macroeconomic impacts. Economists have long been intrigued by the paradox that a rich endowment of natural resources may retard economic performance, particularly in the case of mineral-exporting developing countries. Studies of this phenomenon, known as the “resource curse,” examine the economy-wide consequences of mineral exports. Africa's resource boom has lifted growth, but has been less successful in improving people's welfare. Yet much of the focus in academic and policy circles has been on appropriate management of the macro-fiscal and governance risks that have historically undermined development outcomes. This study focuses instead on the fortune of local communities where resources are located. It aims to better inform public policy and corporate behavior on the welfare of communities in Africa in which the extraction of resources takes place.

Chapter 2 - Local Impacts of Resource Abundance: What Have We Learned?

In this chapter, we develop a simple analytical framework to understand how resource booms affect local communities. The framework identifies four ways in which this can have a local economic impact—specialization in the resource sector and reallocation of inputs away from tradable sectors such as manufacturing; the market channel of increased demand for local labor, goods, and services; the fiscal channel of increased public spending on local services through the taxation of natural resource wealth; and negative production externalities such as environmental pollution.

This analysis highlights the importance of the market compared with fiscal mechanisms to create positive impacts, and shows that the channel through which resource rents reach a local community matters. This chapter also underscores the importance of local institutions for the effectiveness of the fiscal channel in creating beneficial impacts, because resource wealth creates rents— and often very large ones—that can be easily appropriated when institutions are weak.

Chapter 3 – Insights from Three Country Case Studies

Industrial gold mining is a natural choice for studying the socioeconomic impact of natural resources in Africa. Ghana, Mali, and Tanzania—the three case study countries—are not new gold producers, but the advent of large-scale industrial gold mining is recent and growing rapidly. From the case studies reviewed here, there is little evidence of economic decline at the national or local level in the three case study countries. But there is evidence that negative externalities have had an impact on communities close to gold mines. The national benefits most likely outweigh these costs, but it is doubtful that compensation is being made or is effective.

Mining is not a major employment generator. Studies of economic growth emphasize that higher productivity in general, and for extractive industries in particular, is a major source of growth and development. However, if the capital is mostly foreign owned and the industry is capital intensive, then the main domestic recipient of the value generated by the gold mines is the government. Thus, in the final analysis, the welfare effects of gold mining—and mineral extraction in general in developing countries—depend on whether government collects its due and puts it to good use.
Chapter 4 - Socioeconomic Effects of Large-Scale Gold Mining: Evidence from Ghana, Mali, and Tanzania

Although the mining industry is generally associated with weak direct employment generation compared with its contributions to gross domestic product and export revenue at the national level, it nonetheless has the potential to have large local impacts through the clustering of economic activities. This chapter looked at these local impacts for individuals living in the neighborhood of gold mines and districts with a gold-mining sector. The results led to four major conclusions.

First, there appear to be signs of structural transformation associated with the mining sector. Second, mining is associated with improvements in women’s nonfarm employment opportunities. Third, results are mixed for child health outcomes between mining and non-mining areas. And fourth, migration patterns may explain some of the differences in child health outcomes across the three case study countries.

Chapter 5 - Does Mining Reduce Agricultural Growth? Evidence from Large-Scale Gold Mining in Burkina Faso, Ghana, Mali, and Tanzania

This chapter provides another perspective on the impact of resource extraction on local economic growth by focusing on agricultural growth. The issue of interest is whether opening gold mines has spillover effects on the local economy, especially on agriculture. Remote sensing data is used to estimate the level and growth of local economic activity around mining areas in Burkina Faso, Ghana, Mali, and Tanzania.

The findings can be summarized in two points. One, the analysis of a selected set of 32 gold mines from the four countries suggests the onset of mines is associated with increased economic activity—as proxied by night lights—within the vicinity of the mines. Two, despite the risks that mines pose to agricultural productivity (for example, through environmental pollution or structural shifts in the labor market), there is no evidence of a decrease in greenness, which is the measure of agricultural production.