Opportunities for Financial Sector Engagement at the Nexus of Modern Slavery and Natural Resources in Ghana

POLICY BRIEF
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ABOUT US

**Finance Against Slavery and Trafficking (FAST)** is a multi-stakeholder initiative based at United Nations University Centre for Policy Research (UNU-CPR) that works to mobilize the financial sector against modern slavery and human trafficking. Through its alliance-building approach and grounding its work in evidence-based approaches and rigorous analysis, FAST provides tools and training to financial sector stakeholders to take meaningful, sustained action against modern slavery and human trafficking. UNU-CPR is an independent think tank within the UN system based in New York. It combines research excellence with deep knowledge of the multilateral system to generate innovative solutions to current and future global public policy challenges.

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**United Nations University Institute for Natural Resources in Africa (UNU-INRA)** is a leading voice in Africa’s natural resource knowledge base. UNU-INRA is the only one of the thirteen United Nations University Institutes that focuses solely on the management of Africa’s natural resources. With a mandate from the highest level of African political leadership, we are uniquely positioned to provide leadership, forward-looking solutions, and support for the sustainable management of natural resources to realize Africa’s socioeconomic transformation. As a think tank, the institute’s thought leadership is grounded in research and evidence, bridging the gap between science and policy to promote sustainable development through natural resource governance that is sensitive to climate change.

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The Earth Shattering project, undertaken by the United Nations University Centre for Policy Research (UNU-CPR), in partnership with the United Nations University Institute for Natural Resources in Africa (UNU-INRA), aimed to gain insights into the nexus between modern slavery and natural resources, to identify new evidence, raise awareness, and catalyse new ways in which the financial sector, governments, and multilateral actors can synchronize their actions to tackle risks and abuses.

The financial sector has huge leverage and ‘unparalleled influence’ as investors, financial investigators, and financial service providers, to identify, prevent, mitigate, and remediate modern slavery. The project examined the driving forces of modern slavery in the cocoa sector and artisanal small-scale gold mines in the Ashanti and Western Regions of Ghana, identifying opportunities for the financial sector to: (1) improve the identification of illicit flows from slavery and trafficking, (2) better identify, mitigate, and prevent the intersecting environment and social (human rights) risks driving vulnerability to slavery and trafficking, and (3) increase protection for vulnerable communities (for main report recommendations see Annex A).

This policy brief outlines the key environmental, social, and governance risks driving modern slavery vulnerabilities within the interlinked value chains of cocoa and gold in Ghana. Observed practices aiming to address poverty and financial inclusion in these value chains are outlined (in Annex B). The policy recommendations address key focus areas for action to better integrate the financial sector into national and regional efforts to achieve Sustainable Development Goal (SDG) 8.7 to eradicate modern slavery by 2030.

Introduction to Earth Shattering Rapid Research Project

The COVID-19 pandemic and the correlation between rising extreme poverty and child labour, especially in the Global South, are significant challenges to achieving Target 8.7 of the SDGs: “Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.”
In Ghana, Global Slavery Index data from 2017 estimated that approximately 133,000 people were living in modern slavery, with 52.16 in every 100 people in the country viewed as vulnerable to enslavement, especially in agriculture, gold mining, and fishing. Earth Shattering sought to understand the risks driving vulnerabilities to modern slavery in the gold mining and cocoa-growing areas of the Ashanti and Western Regions of Ghana. Cocoa and gold are key commodities for Ghana, but they are also high risk agricultural and extractive sectors for modern slavery. The use of child labour, in particular, in artisanal and small-scale mining (ASM) and cocoa farming has been a long-standing challenge for Ghana.

The study found that not only are the gold and cocoa sectors geographically linked in Ghana, but that they also intersect with environmental issues, pandemic policy responses, and climate change, in ways that collectively exacerbate modern slavery vulnerabilities within affected local communities.

The research indicates that although efforts to formalize the ASM sector and remove child labour from both value chains are reported to have significant potential to eradicate modern slavery, risks of vulnerability persist.

Gold is an especially important investment commodity for the financial sector. Since the start of the pandemic, gold investments were encouraged as a stable commodity across international financial institutions, including, for example, pension funds. During this time, the Government of Ghana also decided to build its national reserves exclusively with domestically-produced gold.

The research shows that the financial sector, a sector with significant leverage, is underengaged in national and local efforts to tackle modern slavery and human trafficking, especially within the communities affected by these value chains.

Risks Driving Vulnerability to Modern Slavery in Cocoa and ASM Gold Sectors

To sensitize international and local financial sector actors to the risks in these value chains and the impacts on affected communities, the study identified environmental, social, and governance (ESG) risks driving vulnerabilities to modern slavery in communities affected by ASM gold mining and cocoa farming. Definitions of ESG risks can differ, but as an approach it is described by the Organisation of Economic Co-operation and Development (OECD) as one “that seeks to incorporate environmental, social and governance factors into asset allocation and risk decisions, so as to generate sustainable, long-term financial returns.”

The risks identified relate to the three themes of climate change and environmental damage; labour rights and practices; and poverty and financial exclusion.

- **Climate Change and Environmental Damage:** Climate change had an iterative impact on the risks in cocoa producing and ASM communities. The negative effects on cocoa yields translated into low income, and meant farmers sought cheaper pesticides, cheap or free labour, or turned to illegal ASM, which further damaged the land and water. The
dangerous effects of climate change and environmental damage on ASM meant that miners either lost earnings and fell deeper into debt bondage with their ‘sponsors,’ or risked working in more hazardous conditions. Similarly iterative were the risks to children and women when situations of poverty required them to work, even within the family, in hazardous and exploitative conditions.

• **Labour Rights and Practices:** The study found that the engagement of labourers (cocoa farms) and miners (ASM) always involves an informal employment relationship, and their vulnerability to labour abuse is high. Farmers, labourers, and miners stated that they are not entitled to any insurance scheme or annual salaries. Farmers specifically indicated that they did not qualify for access to social protection payments during the COVID-19 pandemic. Without involvement in initiatives designed to address traceability and sustainability or being a member of a cooperative, farmers experienced lower productivity and more limited access to some financial services from banks. Low literacy levels can also exacerbate workers’ vulnerability. Efforts to formalize the ASM sector were reported as having a positive impact on reducing child labour in particular, but the prevalence of formalization in ASM, not just illegal mining (galamsey), heightens modern slavery risks. Efforts to reduce child labour in cocoa were felt to have been successful but are now believed to be placed at risk by increasing poverty and the impact of pandemic policies on farming families. Exploitation of the labour of people on the move (internally and from neighbouring countries) was referred to as being a reality in farming and mining practices.

• **Poverty and Financial Exclusion:** Exclusion from financial services offered by properly regulated, formal financial institutions can force impoverished miners, farmers, and labourers to rely on informal economic arrangements. This exposes already vulnerable populations to the risks of perpetual debt bondage, loss of land, and/or wage theft. For instance, small-scale miners reported depending on powerful business cartels and owners of mining concessions for ‘credit’ to purchase equipment that in most cases is difficult to redeem, subsequently exposing miners to debt bondage. Farmers reported that they could not access business support from financial institutions because they were considered ‘thin file,’ high-risk clients. This meant that they relied on informal loans, which made them vulnerable to abuse, and without business banking services, they struggled to demonstrate to cocoa buyers the transparency of their employment practices, such as wage payments to labourers.

**Research Conclusions**

Cocoa and gold value chains were found to intersect with environmental issues, pandemic policy responses, and climate change in ways that collectively exacerbated modern slavery vulnerabilities within affected local communities. These vulnerabilities are illustrated as ESG risks in Figure 1. The ways in which risks in these two value chains are mutually reinforcing are explained in Figure 2.

Changes in extreme weather conditions caused by climate change and rising temperatures might hinder economic growth and impair productivity gains. Thus, both climate change and climate variability pose substantial risks to agricultural productivity, particularly cocoa production.

Efforts to address climate and environmental risks and the increased vulnerabilities to modern slavery in these value chains should therefore be simultaneously and proactively anticipated and addressed.
**Figure 1: Intersecting ESG Risks Increasing Vulnerabilities to Modern Slavery**

**Environmental Risks:**
- Climate variability and change: droughts, elevated temperatures, and erratic rainfall patterns reduce incomes and increase workplace hazards.
- Environmental Damage: poor farming practices and illegal ASM activities destroy arable land and water resources.
- Decreasing sustainability of cocoa.

**Social and Socioeconomic Risks:**
- High poverty levels.
- Gender inequality in employment and education.
- Precarious income and negative impact on women and children.
- Informal, hazardous, and exploitative work.
- Informal debt/indebtedness.
- Financial and digital exclusion.

**Governance Risks:**
- Low integration of the financial sector into national anti-slavery/trafficking policy/action plans.
- Lack of awareness and limited structures within local financial sectors to identify, manage, and mitigate modern slavery risks.
- Lack of ESG reporting and human rights due diligence frameworks.
Figure 2: Mutually Reinforcing Modern Slavery Risks

- Damage to the environment = affects surrounding land/crop yields and increases hazards to health.
- Increased workplace hazards due to climate change.
- ‘Sponsor’ repayments continued during pandemic mine closures.

- Climate variability and change and environmental damage = reduced yields.
- Poverty and reduced yields = farmers use less regulated pesticides.
- Farmers in poverty and ineligible for pandemic social protection = cannot afford labourers, family works on the farm, or migrant labour is exploited.
- Poverty and reduced yields = farmers sell all/part of land for ASM.

- Damage to environment.
- Child labour, trafficking, labour exploitation of migrants, debt bondage, and forced labour.
Financial Sector Efforts

The research findings are directly related to the financial sector priorities of ESG investment goals. Therefore, recommendations in the report are made directly to different parts of the financial sector on how to address environmental damage and financial inclusion in their efforts to reduce the risks of modern slavery, and to increase human rights due diligence actions to identify the proceeds of slavery and trafficking with a view to providing remedy to victims.

The 2016 National Risk Assessment on Money Laundering and Terrorist Financing for Ghana identified galamsey (illegal small-scale) gold mining and farming as high-risk sectors. Although galamsey mining was referred to in this research, miner research participants worked in the licensed ASM sector and still described experiences that exposed them to the risks of modern slavery.

There is a clear need to improve visibility and labour practices in the ASM and cocoa farming value chains. This can happen by financial actors strengthening and implementing their human rights policies, improving their human rights and environmental due diligence, and requiring, through terms of investments, that farmers and miners are given decent work. The knowledge and experiences of affected communities and survivors – people with lived experience of exploitation – should inform all aspects of this work.

The potential impacts could be significant. In the ASM sector, removing the reliance on ‘sponsors’ would avoid miners being in debt bondage situations. In the cocoa sector, action on human rights and environmental due diligence may avoid children from farming families being required to work. For both sectors, undertaking environmental due diligence would improve working conditions and the living conditions experienced by affected communities.

In the Earth Shattering research, participants rarely described the financial sector as an active partner in national or international modern slavery/anti-trafficking governance systems. Nonetheless, the UN Guiding Principles for Business and Human Rights frame the responsibilities of the financial sector to conduct human rights and environmental due diligence, and state that the proceeds of modern slavery - profit derived from exploitation and abuse in these value chains – is of great importance. The financial sector is therefore a crucial group of actors that can play an active and important role in National Action Plans on business and human rights.

Compliance with existing and proposed international legislation (including import bans) in, for example, the UK, Europe, Australia, Mexico, Canada, and the United States, relating to human rights (including modern slavery, environmental harms, and due diligence), will have local implications for Ghana’s gold and cocoa value chains. As Global North regulators increasingly focus on business and human rights in value chains, the Ghanaian financial sector and wider private sector actors will need to futureproof their own practices and procedures, likely turning to local government for guidance.
'Illicit flows' are said to drain up to USD89 billion each year from Africa. There are multiple ways in which the financial sector can help African nations identify and investigate money laundering relating to slavery and trafficking in cocoa and gold value chains; support remediation of exploited workers; undertake better human rights and environmental due diligence in their investments; and strengthen the sustainability of national agricultural and extractive sectors. These actions will be necessary to achieve the global aims of a low-carbon future and SDG Target 8.7.

For Ghana's cocoa and gold value chains, this will contribute to improving sustainability for markets which contribute to a significant part of the Ghanaian economy. In turn, this could lead to increased tax revenue for the Government, improved standards of living, fairer profit shares, and decent work for workers.

Integration of the financial sector into Ghana's national anti-trafficking/anti-slavery infrastructures will assist the financial sector to improve the identification, freezing, and seizing of assets related to modern slavery, especially in the global, high-value chains of cocoa and gold, sectors highly susceptible to modern slavery and environmental damage. Ghana has an opportunity to lead the way in regional efforts to address these two urgent issues, especially in relation to farming and extractive sectors.

During this research, most of Ghana’s national modern slavery-related policies, strategies, and legislation, as well as modern slavery-relevant institutional frameworks, were under review. This research should therefore be used to inform future policy and legislation in this area, specifically the 2017–2022 National Plan of Action for the Elimination of Human Trafficking in Ghana and the forthcoming National Action Plan on Business and Human Rights (NAPBHR). It should also support implementation of the African Union Agenda 2063 and Global Shield Against Climate Risk.

Ghana could be a regional and global leader in bringing interconnected environmental and modern slavery risks to the attention of the international community. The country could also influence global business agendas on climate change. Investors such as Africa50 and the Catalyst Fund are increasingly focused on the adverse impacts of climate change on communities within their investments and are working with companies to address disparities.
The following policy recommendations are made to national government, financial, private sector, and multilateral actors in Ghana to support: (a) increased sustainability of anti-slavery/anti-trafficking interventions, (b) development of sustainable cocoa and gold sectors and responsible domestic and international investments in cocoa and gold value chains, (c) engagement with communities at-risk/in need of protection, and (d) an increase in the quantity and quality of Suspicious Transaction Reports on financial crime related to modern slavery in cocoa and gold value chains, and subsequent actions for access to justice and remedy.

1. EXPLORE HOW NATIONAL POLICY AND COORDINATED ACTIONS CAN ADDRESS THE INTERSECTIONS OF CLIMATE AND MODERN SLAVERY RISKS FOR AFFECTED COMMUNITIES NATIONALLY AND REGIONALLY.

It would be beneficial to explore opportunities to coordinate, for example, the National Plan of Action for the Elimination of Human Trafficking, the National Adaptation Plan, the National Risk Assessment on Money Laundering and Terrorist Financing and the NAPBHR, to collectively address and mitigate climate and modern slavery risks in affected communities. This would support both gold and cocoa value chain stakeholders to work together on holistic risks to communities, including those related to child labour, as opposed to working on ‘siloed’ sector-specific actions.

To increase attention and discussions on these intersecting risks and harms, Ghana could lead regional and international discussions and ensure these discussions are reflected in national implementation plans for the Global Shield Against Climate Risk.

In relation to business and human rights, domestic and international investors in both value chains could be invited to issue a response and recommendations to Ghana’s NAPBHR.

2. INTEGRATE THE FINANCIAL SECTOR INTO THE NATIONAL GOVERNANCE OF WORK TO IDENTIFY, PREVENT, MITIGATE, AND REMEDIATE MODERN SLAVERY IN THE COCOA AND ASM GOLD SECTORS IN GHANA.

The financial sector has multiple roles to play in developing and implementing human rights due diligence practices in Ghana, supporting increased financial inclusion to prevent modern slavery, supporting remediation to victims/survivors, and increasing the quality and quantity of suspicious transaction reports related to exploitation in these high-risk sectors.

3. INCORPORATE THE FINANCIAL SECTOR INTO ACTIONS TO CURTAIL BOTH INCREASING ENVIRONMENTAL DESTRUCTION AND MODERN SLAVERY RISKS IN GHANA.

The financial sector, including investors, can help address both issues in tandem through improved environmental and human rights due diligence and ESG goals.
4. EXPAND NATIONAL SENSITIZATION PROGRAMMES TO ADDRESS ALL FORMS OF MODERN SLAVERY AND ENHANCE FINANCIAL SECTOR PARTICIPATION.

In addition to developing policy coherence on modern slavery (and its links to human rights, the environment, and financial inclusion) across all government agencies and ministries responsible for social equality, environment, trade, and finance, sensitization would help implement a ‘whole of government’ approach to two major national risks.

The Earth Shattering research identified some of the core economic and financial risks and vulnerabilities in children’s communities, especially those affected by the high-risk sectors of cocoa and gold. Consideration should be given to widening efforts to address modern slavery – going further than reducing the presence of child labour in specific sectors. It is also important to undertake a risk-based approach that considers the unintended consequences of national policy and legislation, which may increase risk and vulnerabilities to modern slavery, especially in communities affected by high-risk sectors. For example, communities dependent on cocoa production and gold mining experienced adverse impacts related to the e-levy on mobile money, pandemic school closures, and eligibility for pandemic social protection payments.

National actions to integrate the financial sector could prioritize aims to (a) further reduce illegal ASM sites; (b) identify illicit financial flows; (c) enable survivors and affected communities’ access to remedy; and (d) develop skills and livelihood support for workers/survivors.

5. EXPLORE HOW NATIONAL FINANCIAL INCLUSION POLICY AND STRATEGY CAN ALSO BE TARGETED TO SUPPORT AND PROTECT POPULATIONS WHO ARE VULNERABLE TO MODERN SLAVERY.

This strategy could have a tight focus on inclusive digital economies, specifically in relation to increasing access to bank accounts and digital payments/mobile money, and digitizing wages for workers. Examples of this developing area of work can be seen in Kenya and Mexico. Safeguarding considerations are needed, in particular for women, youth, elderly, and disabled customers, as well as those in rural areas, especially in relation to protection against exploitation and safe mobile money usage.

6. CONSIDER HOW TO FURTHER DEVELOP OR CREATE COMPREHENSIVE MULTI-STAKEHOLDER ‘PUBLIC PRIVATE PARTNERSHIP’ (PPP) STYLE APPROACHES TO REDUCING MODERN SLAVERY RISKS IN AFFECTED COMMUNITIES

Ideally, PPP approaches would include representation from the financial sector, private sector, survivors, affected communities, traditional leaders, and civil society organizations. The South African Anti-Money Laundering Integrated Taskforce, which has a working group on modern slavery and human trafficking, is a good example.
7. Ensure that modern slavery and related environmental risks are more comprehensively addressed in national money laundering and terrorism financing risk assessments and related actions.

Ghana’s 2016 National Risk Assessment could be improved upon in its next version using expanded knowledge on intersecting modern slavery and environmental crime risks. Examples of comprehensive modern slavery risk integration within National Risk Assessments have been identified in FAST research within the Sub-Saharan Africa region – namely Burkina Faso, Benin, and Mali.¹²

8. Ensure good governance frameworks and human rights due diligence processes are in place in relation to building national financial reserves with domestically-produced gold.

Consideration should be given to further formalizing the ASM gold and cocoa sectors, and building the capacity of labour governance and inspection systems, in relation to decent work, for example for labour rights, safety measures, payment systems, and employment contracts.

9. Consider how government can proactively develop national economic policy based on decent work objectives that would ensure local businesses are compliant with international regulations on modern slavery.

In the current context of the global green transition and an alertness on Africa being rich in green mineral deposits (such as lithium and silica), efforts in this area could link to or initiate actions at the national and regional levels. Policymakers, such as the Economic Community of West African States (ECOWAS), the African Union (AU), and members of the African Continental Free Trade Area (AFCFTA), should work with all stakeholders to ensure companies in these value chains are identifying and addressing modern slavery risks.

Policymakers and companies should prepare for existing and forthcoming human rights due diligence, import bans, and ESG reporting regulations. This could include supporting and building the capacities of companies listed on the Ghana Stock Exchange to improve human rights and environmental due diligence actions and remediations for modern slavery incidents in the gold and cocoa value chains. An example of this is the ILO ACCEL Africa project in Côte d’Ivoire which has successfully achieved responsible finance in cocoa.
10. EXPLORE HOW TO IMPROVE NATIONAL REMEDIATION MECHANISMS AND THE POTENTIAL ROLE OF THE FINANCIAL SECTOR WITHIN THEM

The aim is for the financial sector to enable greater numbers of victims and survivors of modern slavery to have access to and use of remedy – financial compensation and otherwise. For example, the financial sector could provide financial literacy and capability training and investors in particular could offer educational scholarships or entrepreneurial support to those who have experienced exploitation in value chains.

11. CONSIDER HOW TO IMPROVE NATIONAL DATA COLLECTION, AND THE SHARING AND MANAGEMENT OF DATA WITH THE FINANCIAL SECTOR

Data on modern slavery, human rights, and environmental risks, particularly data that reflects the experiences of survivors and affected communities, should be used to inform the design of interventions to reduce, prevent, and address risks. Explore partnership opportunities with national and international organizations that have the capacity and resources to manage data collection efforts.
SUPPORT TO IMPLEMENT THE POLICY RECOMMENDATIONS

The **FAST initiative** at UNU-CPR is working with the global financial sector to increase awareness of the important role they can play in identifying, addressing, and reducing modern slavery and human trafficking, specifically in the most affected populations of the Global South. The initiative brings governments, regulators, and financial actors (including investors and banks) together with survivors and other vulnerable populations to facilitate an increased understanding of the risks and mobilize action to achieve SDG Target 8.7. We support international, national, and regional work to achieve this end.

**UNU INRA**, as a leading voice in Africa’s natural resource knowledge base, has a mandate to generate knowledge to bridge the gap between science and policy at the national and regional levels. In the context of its current programme, ‘African Facility for Transitions Research’ (**AFTER-CARBON**), one of the objectives is to prepare African governments for a green transition.
ANNEX A | Research Recommendations for the Financial Sector

Research recommendations for the financial sector are provided in the main Earth Shattering report and can be accessed [here](#).
References

1 The modern slavery term is used in this report to include forced labour, debt bondage, forced marriage, other slavery and slavery-like practices, and human trafficking.

2 The financial sector consists of the bankers, investors, regulators, insurers, and financial partners of the global billion-dollar value chains of cocoa and gold.

3 Between 88 million and 115 million more people were forced into extreme poverty in 2020, mainly due to the COVID-19 pandemic.

4 The continuing presence of this problem, especially in illegal mining sites, is acknowledged in the 2021 International Trade Union Confederation report to the International Labour Organization (ILO), the 2020 Ghana Human Rights Report, and the 2021 US State Department Trafficking in Persons Report.

5 The ILO’s definition of modern slavery is an umbrella term that “covers a set of specific legal concepts including forced labour, debt bondage, forced marriage, other slavery and slavery-like practices, and human trafficking.”


11 Sensitization programmes are described in the 2021 International Trade Union Confederation report and the Government of Ghana’s submission to ILO on the worst forms of child labour.
