

Corporate Social Responsibility, Mining and Sustainable Development in Ghana

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Abstract

Ghana is the second largest gold producer in Africa after South Africa, and the third largest African producer of aluminium metal and manganese ore and a significant producer of bauxite and diamond. Despite the huge revenue generated from mining activities, there is a growing unease amongst the population as regards the real benefits accruing the country, especially the mining communities.

There is a general belief in Ghana that poverty and lack of sustainable development in the mining communities and the country in general has been caused by the behavior and operations of the mining companies.

The negative impact of mining activities on the environment among others include environmental contamination, pollutions (noise and water), land degradation, chemical contamination from extraction processes imposes a double burden on the environment, with harmful health outcomes for mining communities and persons residing in close proximity to such areas. However, less attention has been paid to environmental degradation and health status of the host communities.

Ghana currently has nine large-scale mining companies producing gold, diamonds, bauxite and manganese. There are also over two hundred registered small scale mining groups and 90 mine support service companies. Ghana's mining sector is dominated and controlled by foreign companies; with the Government of Ghana (GoG) having not more than 10% ownership in most cases.

This paper provides a concise account of the Corporate Social Responsibility of the mining industry in Ghana and assesses the impact of corporate social responsibility (CSR) policies and practices of the major mining companies in the country. It proposes a range of measures to promote, broaden, deepen and encourage corporate social responsibility governance in Ghana.

1.0 Mining and Sustainable Development

Mining is one of the oldest industries in the world and its history has evolved with human history. It is an economic activity that consists of the extraction of potentially usable and non-renewable mineral resources (excluding petroleum, natural gas and water) from land or sea without involving agriculture, forestry or fisheries. The sector in Ghana attracted US\$2 billion of Foreign Direct Investment (FDI) in mineral exploration and mine development during the last decade, representing over 56% of total FDI flows to the country (Awudi, 2002). Mining also contributes about 12% of government revenue, 7% of Ghana's total corporate earnings and 41% of total export earnings (Aryee, Aboagye, 2008). However, the sector is yet to make a strong impact on the country's development process. The role of the mining industry in the economic development of Ghana has consistently come under attack by a cross section of Ghanaians, including Non-Governmental Organizations (NGO's) and civil society groups on the need for mining companies to adopt an effective corporate social responsibility (CSR) policies and commit more resources to the development of communities in which they operate and to the sustainable development of the country as a whole.

2.0 Research Problem and Objectives

The mining sector continues to be one of the biggest contributors to the Internal Revenue Service through the payment of mineral royalties, employee income taxes, corporate taxes and ancillary levies (Ghana Chamber of Mines, 2006). Despite the revenue that Ghana derives from mining activities, there is growing unease with regard to the real benefits accruing to the ordinary Ghanaian in the mining communities and to the country as a whole, especially in the light of the extremely generous fiscal and other incentives given to mining companies under the mining sector reforms. It is also argued that mining activities have had dire consequences on the environment and society and have negatively impacted the social and economic character of

mining communities. Mining companies have also been accused of shirking their responsibilities towards the development of the communities in which they operate, thereby increasing the level of poverty and vulnerability in these communities. The general objective of this paper is to examine the CSR of mining companies in Ghana and the associated effects on the mining communities.

3.0 The Concept of CSR and Mining in Ghana

The last twenty years have seen a radical change in the private sector's relationship both with the state and civil society. Globalisation, deregulation, privatisation and a redrawing of the lines between state and market have led to the emergence of a new approach to business-society relations.

This corporate-societal relationship is commonly referred to as CSR. The concept can be traced back to the mid-1950s when Bowen (1953) formally stated that CSR refers to "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society". The World Business Council for Sustainable Development (WBCSD) in its publication "Making Good *Business Sense*" (Richard Holme and Phil Watts, 2000), defined CSR as the "*continuous commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large*".

3.1 CSR in the mining industry

The discovery, extraction and processing of mineral resources is widely regarded as one of the most environmentally and socially disruptive activities undertaken by business (Peck & Sinding, 2003). Indeed, as Warhurst (2001) notes, many of the environmental disasters or human rights incidents that have contributed to the growing public concern about the actions of companies over the last 40 years have taken place in the extractive industries: the mining sector, therefore, is a key topic in debates about social and environmental responsibility (Cowell *et al.*, 1999).

Consequently, the global mining sector has begun using CSR as a basis for addressing the needs of its stakeholders. Walker and Howard (2002) outline several reasons why CSR and other such voluntary initiatives are important for mining companies. These include the following

- Public opinion of the sector as a whole is poor; opinion of natural resource extraction industries is influenced more by concerns over environmental and social performance than by performance in areas such as product pricing, quality, and safety (Rae & Rouse, 2001).
- Pressure groups have consistently targeted the sector at local and international levels, challenging the industry's legitimacy.
- Maintaining 'a licence to operate' is a constant challenge.

CSR is a helpful conceptual framework for exploring the corporate attitude of Companies towards stakeholders (Wheeler *et al.*, 2002). For the mining industry, CSR is about balancing the diverse demands of communities, and the imperative to protect the environment, with the ever-present need to make a profit (Jenkins, 2004). CSR requires companies to respond, not only to their shareholders but also to other stakeholders, including employees, customers, affected communities and the general public, on issues such as human rights, employee welfare and climate change (Hamann, 2003).

4.0 The Reality of CSR in the Mining Sector in Ghana

CSR programmes of mining companies tend to focus on community initiatives because the economic, social and environmental impacts of their operations are basically felt greatest at the local level. Most mining companies have concentrated their CSR interventions in the areas of education, health, and alternative livelihood income generating activities. The large scale mining companies, which are members of the GCM, have set up Trust Funds to ensure adequate funding for their social investment activities. For example, Goldfields Ghana established a foundation in 2002 and derives CSR funding from its production and profitability situation which is based on a

yearly contribution of US\$ 1.00 of every ounce produced plus 0.5 percent of pre-tax profits. This represents over US\$ 1 million a year for financing social investment projects.

Anglogold Ashanti has also been instrumental in the fight against malaria through its Obuasi Malaria Control Programme (Anaman, 2008). However, critics of the mining industry have called on the GoG to hold the mining companies accountable instead of being an accomplice in an act that exploits the country's mineral resources and creates death traps for the people instead of liberating them from hunger, illiteracy, vulnerability and other social problems. Akabzaa T. M.; Seyire J. S. and Afriyie K (2008) state that with regard to infrastructural facilities *and* development:

"...the mining towns of Obuasi, Tarkwa, Prestea, Konongo, Bibiani among others not to talk about Dunkwa, provide a classic picture of the typical mining towns in Ghana. These towns are far from affluent, an aberration of what communities endowed with mineral resources, are or should look like. The towns are very much unlike other gold mining towns such as Johannesburg in South Africa, Noranda City in Ontario, Canada, Reno in the USA or Perth in Australia, where the scars of mining are sealed by the beauty and riches of these cities, built out of mining".

5.0 Measures to promote and encourage CSR in Ghana's Mining Sector

5.1 Introduction of a Sound Mining Sector Policy Framework

The Government of Ghana as a matter of urgency should review, revise and adopt adequate policies focused on improved industrial competitiveness with strong emphasis on technological transfer, innovation and improved environmental management. For example, since most mining activities are increasingly located in remote and deprived areas, their presence in these regions should be seen as a powerful avenue for transferring skills and technologies to these localities. Effective public policies, support and monitoring of private mining investment by well-organized government institutions are urgent policy measures for successful CSR in Ghana.

5.2 Setting up of a Mining Common Fund

Setting up of Mining Common Fund to support and develop mining affected areas. This proposal was highly spoken of at the 80th Anniversary celebrations of the Ghana Chamber of Mines in 2008. we anticipate the implementation of this highly commendable and welcoming proposal.

5.3 Inclusive Planning and Decision-making

Inclusive planning and decision-making, particularly at the preliminary stages of mining activities (when massive community displacements occur) through the final stages must be encouraged with particular emphasis on the need for effective communication at the local levels. The role of District Assemblies and community organizations in the design, implementation and enforcement of mining laws must be reinforced. This will help to improve trust among stakeholders and minimize conflicts and tensions.

5.4 Capacitating and Strengthening the Regulatory Institutions

The mining industry's sustainable policy goals should not only seek to achieve economic and environmental improvement but also to meet the needs (livelihoods, socio-economic services, etc.) of communities living adjacent to mines and mineral processing plants. This should include a mandatory provision for mining companies to set aside some or a percentage(s) of their profits for the development of the communities in which they operate.

5.5 Protests, media campaigns and political lobbying

Once community groups take their concerns into the public arena, through protests, media and political campaigns, companies generally have little choice but to respond, either by denying responsibility or responding in an attempt to mend a damaged reputation. While political lobbying can also be undertaken behind closed doors, it is no less damaging. Public protests and campaigns call into question corporate performance in a very public way – for individual companies and the industry at large. While many companies are proud of their reputations at the local community level, there is often limited discernment in the public mind between companies. If maverick or laggard companies abuse their resource privileges, whether through accusations of

environmental damage, human rights abuses or inequitable benefit flows, mining companies in general can become mistrusted.

6.0 National Development Policy and CSR in Ghana

The legislative framework for mining in Ghana is laid down in the Minerals and Mining Law of 1986 (PNDCL 153), as amended by the Minerals and Mining (Amendment) Act of 1994 (Act 475) and the Minerals and Mining Bill of 2005 (Law No. 703). The law is however silent on the social responsibility of the mining companies towards the communities in which they operate. In fact, there is no national policy framework that guides the implementation of CSR in Ghana. Mining Companies are therefore not bound by law to implement CSR activities in the country. In other words, CSR activities are undertaken more in response to moral convictions rather than legal obligations.

7.0 Conclusion

There is a very fine line between CSR that creates dependency and CSR that develops a community or region in a sustainable way. The challenge for mining companies therefore is to develop CSR programmes that maintain good will for the company and address the long-term developmental needs of communities in a sustainable way, without creating a culture of dependency.

It also behoves on the GoG to formulate modalities in the form of a National Policy on Corporate Social Responsibilities in the Mining Sector that binds all mining companies in order to regulate their activities and safeguard posterity from mar.

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