CSR and Sustainable Development in the Mining Industry: The case of Newmont Ghana Gold.

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ABSTRACT

There is widespread recognition that organisations operating in the extractive industry need to gain a ‘Social License to Operate’ (SLO) from local communities in order to mitigate conflict and exposure to risk. There is, however, a need for organisations to go beyond obtaining SLO and provide long term social, economic and environmental benefits to the communities within which they operate, or in other words contribute to the principles of ‘Sustainable Development’. Many organisations seek to obtain SLO through Corporate Social Responsibility (CSR) interventions, and thus there is a need to examine further the relationship between CSR and Sustainable Development. The research presented here aims to explore the relationships between the CSR actions taken by an organisation operating a gold mining project in Ghana, and the sustainable development of the communities in which they operate. The research suggests that by lacking a long-term strategy for CSR organizations are at risk from maintaining a SLO for the duration of their operations. It also argues that CSR programmes which deliver critical services and infrastructure to local communities, do not automatically contribute to long term sustainable development.

KEYWORDS: Corporate Social Responsibility; Extractive Industries, Sustainable Development

INTRODUCTION

Mining is a critical social and economic activity across many African countries, many of which rely on the mining industry as their largest contributor to national wealth (Darimani, Akabzaa, & Attuquayefio, 2013). These mining activities

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have however resulted in heightened environmental and social challenges such as the destruction of land, vegetation, water resources and livelihoods (Akabzaa, 2001; Kiss & Bank, 2002). The challenge faced by African nations is how to maximise positive social and economic benefits associated with mining for mineral deposits whilst minimising environmental and negative social impacts.

West Africa has long been one of the world’s most important gold mining regions with the most significant output emanating from Ghana (Hilson, 2002). The country is well endowed with mineral resources including substantial deposits of gold. From 1985 onwards the Government of Ghana implemented a series of laws and policy measures designed to liberalise the country's mining sector resulting in state owned mines being sold to private transnational companies (Amponsah-Tawiah, 2011). As a result gold has become one of the most significant sources of wealth creation in the economy making up 26% of all exports and contributing some 8% of Ghana’s total GDP (PWC, 2013). The sector has directly employed 13,500 workers, and job growth has averaged over 4% per year since 2002 (Kapstein & Kim, 2011; PWC, 2013).

The mining industry itself argues that mining in Ghana goes beyond making an important contribution to the country’s economy by embracing corporate social responsibility and balancing the demands of communities and environmental protection with the need to make a profit (ICMM, 2006). The validity of these claims are highly contested and remain open to debate with many stakeholders suggesting that mining companies have left communities in a deplorable state (Opoku-Antwi, Amofah, & Nyamaah-Koffuor, 2012). Overall, the assertion is that despite over 100 years of mining in Ghana, many local communities have little benefits in terms of investment to show, with high incidence of poverty, poor infrastructure and health (Dashwood & Puplampu, 2010). In response to this criticism, mining companies have sought to appease the concerns of local communities by promising to improve local infrastructure and engage in community development projects.

**Beyond the Social License to Operate**

In the extractive industry sector, local communities have emerged as important governance actors (Mutti, Yakovleva, Vazquez-Brust, & Di Marco, 2012; Prno & Scott Slocombe, 2012). To have access to land for mining projects development,
mining companies make promises to develop host communities, provide employment for the local people, provide social amenities, support of health improvement, provide good drinking water and undertake other social and community projects. Mining companies have also sought to actively support community investments through the provision of critical infrastructure such as schools, libraries and hospitals (Amponsah-Tawiah & Darney-Baah, 2011). These activities are now commonly understood as an essential part of earning a ‘social licence to operate’ whereby organisations seek to win the approval of local people to undertake operations in their communities in order to mitigate conflict and exposure to risks (Joyce & Thomson, 2000; Prno & Scott Slocombe, 2012). There is, however, a need for organizations to go beyond obtaining SLO and provide long term social, economic and environmental benefits to the communities within which they operate, or in other words contribute to the principles of ‘Sustainable Development’ (Hilson, 2012).

There has long been an interest in the nexus of sustainable development within the mining industry from a corporate perspective. One view is that any immediate negative effects that arise from mining operations may be acceptable where these are adequately remediated and the outcomes result in an increase the sustainable development of the local community and the net environmental and human benefits (Kumah, 2006). Allan (1995) suggests that sustainable mining may exist if the rate of use of minerals does not exceed the capacity to find new resources, or move towards recycling or acceptable renewable substitutes. On the other hand the concept of ‘sustainable mining’ has been described as a ‘corporate oxymoron’, a contradiction in terms that merely serves to deflect criticism of the massive environmental damage caused by the mining industry (Kirsch, 2010). Other authors have suggested that the terms mining and sustainability are not necessarily antithetical (Horowitz, 2006; Rajaram, Dutta, & Parameswaran, 2005).

Within the mining industry itself, the negative environmental and social impact of mining have increasingly become recognised as a critical issue (Garvin, McGee, Smoyer-Tomic, & Aubynn, 2009). A result of this has been the desire of transnational mining firms to position themselves as drivers and enablers of sustainable development within the communities within which they work (Himley, 2010). Of course, much of this desire has arisen through companies recognition that good social and environmental practice is seen to be a key determinant in the
organisation’s competitive advantage (Buxton, 2012). One way in which mining companies have sought to operationalize their sustainable development aspirations is through Corporate Social Responsibility (CSR) actions such as implementing community based social development programmes (Garriga & Melé, 2004; Himley, 2010).

**Corporate Social Responsibility for Sustainable Development**

The concept of CSR has existed for over 70 years yet is not a universally adopted concept (Freeman & Hasnaoui, 2011). Some see CSR as a subset of ethics (Argandoña & von Weltzien Hoivik, 2009; Weitzner & Darroch, 2009), some as a unique function of business (Votaw, 1972), whilst others suggest that CSR does not need a universal definition (Campbell, 2007; Palazzo & Scherer, 2006). Perhaps one of the most useful definitions is that provided by Moon (2007) who suggests that CSR is a form of self-regulation to contribute to social and environmental welfare. Despite the lack of a common definition, CSR has become an integral component of many organisations strategic and operational activities (Carroll & Shabana, 2010; Freeman & Hasnaoui, 2011). Such activities include volunteer work in communities, promoting environmental awareness and supporting local community causes (Freeman & Hasnaoui, 2011). Corporate organizations see CSR as a means to manage their profit, risks and protect the reputation of their brand and that a company’s CSR can greatly contribute to the sustainability of its business success (Arko, 2013). It could be appreciated that in the early stages of CSR discussions, the focus was on making shareholders happy, which is fundamental to every business. However, in recent times, CSR is seen as a means of obtaining a SLO, engaging in business in a more sustainable manner and contributing to sustainable development (D’amato, Henderson, & Florence, 2009; Haalboom, 2012; Moon, 2007).

Sustainable development is another widely used phrase and concept that has many different meanings and definitions. In broad terms however, the concept can be seen as an attempt to combine environmental, social and economic issues (Hopwood, Mellor, & O’Brien, 2005). The common definition of sustainable development states that “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, 1987, p. 7). thus seeking to addresses the implications of ecological
dependence and the social impact of local behaviors (Moon, 2007). The terms sustainable development and CSR are often used vaguely or interchangeably. Indeed CSR and sustainable development have been accused of being contradictions in terms, however as Moon (2007) argues, CSR offers a potential contribution to sustainable development as it brings incentives for corporations to act socially responsibly and thus contribute to the sustainability agenda.

Conceptually, the links between sustainable development and corporate sustainability are well established. The European Commission states that CSR is a ‘Corporate contribution to sustainable development’ (van Marrewijk, 2003). ISO 26000 describes CSR as a tool that seeks to achieve sustainable development (Hahn, 2013). As a result, many see CSR as a tool for companies to use in formulating their contribution towards sustainable development (Hamann, 2003; Hilson, 2012; Mutti et al., 2012). In the mining industry, the need to obtain a social license to operate is driving the implementation of CSR programmes which in theory should result in improvements to sustainable development (Jenkins & Obara, 2006). However, despite improvements in the understanding of sustainable development in the context of the extractive industries, the complexities of the situation on site has meant the implementation of CSR strategies across the sector are highly variable in both operation and success (Buxton, 2012).

Implementing CSR

If CSR is an accepted approach to improving social and environmental performance, how then should CSR activities be coordinated and carried out? Mining companies as profit oriented organizations would want to spend less on the things they do as CSR, mainly due to financial constraints to meet all or most of the expectation of host communities. CSR as a strategy to obtain social license to operate is still youthful in Ghana and the design and implementation of CSR is seriously challenged, especially because of difficulty of agreement on the limit of the CSR support between the communities and the mining companies (Amponsah-Tawiah & Dartey-Baah, 2011). CSR programmes are designed and implemented differently by mining companies depending on their values, vision, mission, size, governance arrangements and location (culture of the host community), therefore there is no one size fits all approach.
The approach to implementing CSR programmes is perhaps dependant on the theory that underpins a company's philosophy and therefore the governance arrangements in place (Prno & Scott Slocombe, 2012). Garriga and Mele (2004) classify the main CSR theories into four groups: instrumental theories, political theories, integrative theories and ethical theories. Instrumental theories suggest that CSR is simply a strategic tool to achieve economic objectives such as profit and wealth creation. Political theories focus on the interactions and connections between business and society and on an organisation's inherent responsibility. Integrative theories examine the way in which business integrates social demands, acknowledging that business depends on society for its existence and thus must operate in accordance with social values. Finally ethical theories are based on principles that express the 'right thing' to do to achieve a 'good society' (Garriga & Melé, 2004).

Jenkins and Obara (2006) suggest that mining company’s CSR programmes tend to focus on community initiatives, because that is where their impact on economic, social and environment is most greatly felt. However, in spite of visible support to host communities by some mining companies, they are still struggling to peacefully coexist, suffering interruption, or in some cases closure of operations due to severe resistance from host communities. Haalboom (2012) commented that CSR has become notable and debatable as to whether it really fills the gap of social and environmental concerns as the investment of multinational mining in developing countries increases. It is however not only the quantum of economic activity that determines community development, but how business is done which ultimately impacts people, the economy and the environment (Forstater, Zadek, Guang, Yu, & Hong, 2010). It is against this backdrop that this research seeks to broaden the knowledge base and to establish how CSR could be managed so as to contribute meaningfully to sustainable development in Ghana.

**METHODOLOGY**

The research sought to investigate and critically examine the governance arrangements and operational approaches taken to CSR strategies, and assesses to what extent resultant actions can be said to contribute to sustainable development in Ghana. Case study and document analysis is combined with in-depth interviews with
key internal and external stakeholders within the organisation. A predominantly quantitative method of investigation was selected to allow the researchers to gain a more in-depth insight into the issues faced by the stakeholders. The secondary documentary material included internal and external reports and briefings alongside relevant Government and NGO documents.

The primary data collected through face to face unstructured interviews centered on a sample of high profile management staff at the Newmont Ahafo Mine Project and the Newmont Ahafo Development Foundation, alongside community leaders and traditional council members from the Newmont Ahafo Mine Community. Respondents interviewed during February 2014 and included the Sustainability and External Relations Manager of NAMP, Land Access and Livelihoods Manager of NAMP, Sub-Chief of Kenyasi-II Traditional Council of NAMC and the Executive Secretary of NADeF. The interviews lasted between 50 minutes to 80 minutes which were recorded and transcribed by the researcher. Data gathered through the document analysis and interviews was assessed to ascertain the governance arrangements in place to undertake corporate social responsibility actions and gauge the long term effectiveness of the strategies in order to contribute to Ghana’s sustainable development.

The paper concludes with a discussion as to the motivations of mining companies in embarking on CSR programmes, their potential contribution to the sustainable development of the communities in which they operate, and who bears responsibility for providing critical local infrastructure.

CASE STUDY: NEWMONT GHANA GOLD

Newmont Mining Corporation is a leading United States based gold producer with operations on five continents, employing approximately 34,000 employees and contractors worldwide. Newmont Ghana Gold Ltd (NGGL) is an affiliation of Newmont Mining Corporation which operates two mines in Ghana, the Ahafo Mine Site in the Brong Ahafo Region and the Akyem Mine site in the Eastern Region of Ghana (NGGL, 2005). Established in 2001, the Newmont Ahafo Mine Project (NAMP) is the largest operation situated approximately 300 km northwest of Ghana’s capital city Accra (NGGL, 2005; WBCSD, 2009). In 2005 the Chief Executive
Office of Newmont in the US made a public commitment to contribute $1 of every ounce of gold sold and 1% of net pre-tax annual profit from its mining operation in Ahafo for the sustainable development of the Ahafo Mine area (NADeF, 2010). This resulted in NGGL, government officials and representatives of the Newmont Ahafo Mine Communities (NAMC) forming the Ahafo Social Responsibility Forum (ASRF) to discuss how to execute these commitments (NADeF, 2010).

The ASRF is a key stakeholder of NAMP and is made up of 53 members representing traditional rulers, local and regional governments, youth, women, farmers, local NGOs and NGGL management staff, with independent moderation. Following two years of discussion the Ahafo Social Responsibility Agreement (ASRA) was developed as a means to formalise relationships between all stakeholders. The ASRA is formed from three main agreements (ASRF, 2008) a ‘Relationship Agreement’ which covers the relationship between NGGL and the community, an ‘Employment Agreement’ which spells out modalities governing the employment of locals by NGGL, and a ‘Foundation Agreement’ which focuses on the funding and implementation of sustainable development projects within the Community.

FIGURE 1

NADeF Governance Structure
Newmont Ghana Gold Limited has clearly played a significant role in the development of communities around the Ahafo mine with the suggestion that in 2009 alone it provided 99 local companies with nearly USD$ 6 million in contracts, supporting more than 400 jobs, not including direct mine employment (Kapstein & Kim, 2011).

RESULTS

The focus of the analysis was to understand the reality of NAMP CSR with special reference to NADeF within the context of global CSR and to ascertain its effect on the sustainability of NAMP.

Motivation for undertaking CSR activities

Newmont Ghana Gold Ltd in its summary report of the Ahafo South Project states that:

Newmont’s future is dependent on the ability to develop, operate, and close mines in a manner consistent with the commitment to sustainable development, protection of human life, health, and the environment, and adding value to communities in which it operates (NGGL, 2005, p. 6).

This demonstrates that adding value to mining communities contributes to the operational sustainability of mining projects. This is coupled with an understanding that by undertaking CSR activities, the organisation will be better placed to manage profit, risks and protect the reputation of their brand. This assertion was elaborated on by a company representative during the interviews:

Newmont CSR is the maintenance of unwritten social license and from operations standpoint it is also a risk management, reputation management and risk mitigation management.

The respondent further explained that:

...at the executive level, CSR is seen as a competitive advantage because we are going to areas where getting access to land as a resource is challenging, so you can talk about your taxes, your royalties and what have you, yet Newmont has to do more for Ahafo Community to be able to achieve that.

The Executive Secretary of NADeF shared a similar view referring to CSR as: “the process of getting social license to operate” further explaining that it is good to
operate in an environment where people walk freely and the company does its work without any interruption.

**Shared Value**

The notions of ‘shared value’ recurs throughout the academic literature relating to the relationships between the extractive industries and the communities within which they operate. In recognition of this shared value was also a theme that ran through the documents pertaining to the NADeF. Respondents did seem to have an understanding of the importance of creating shared value from the organisation’s’ activities with the Land Access and Livelihood Manager of NAMP stating that:

> Newmont believes in shared value and it cuts across not only the shareholders but also other stakeholders.

The Executive Secretary of NADeF also shared a similar view stating that:

> ...for Newmont when we talk of CSR is more to do with how we are creating shared value with our stakeholders

It is understood from the interviewees that NAMP believes in the principle of shared value that brings sustainable development within the community. Review of the case study’s annual reports highlight NAMP’s efforts. As of 2012, NADeF reports that it has cumulatively supported 3,790 students to study at the tertiary and secondary level at a cost of $2,231,040.74, constructed seven classroom blocks with teachers offices and fully stocked libraries, teachers quarters, nine mechanized boreholes to provide potable water for beneficiary towns and six 20-seat public toilets (NADeF, 2013).

**Sustainable development commitment**

A review of the case study’s annual reports and other documents, suggested a goal of NADeF is to ensure sustainable development within the NAMC (NADeF, 2008, 2010, 2013). All interviewees confirmed this goal with the a NAMP senior manager stressing that:

> NADeF’s focus is on sustainable development and also making sure that needs of the community are contained in one focus area.
Review of the ASRA revealed that the community and Newmont agreed to invest in human resource development, education facilities, economic empowerment, health, infrastructure and cultural heritage to ensure sustainable community development in the NAMC. The executive secretary of NADeF confirmed that:

...the foundation covers key thematic areas that touch on sustainable development, which includes human resource development, infrastructure development, provision of social amenities, economic empowerment, natural resource management and cultural heritage and sports, therefore the foundations role is to implement programs and projects under these thematic areas as part of the company’s support of the community.

Review of NADeF annual reports, reveal that the community do have some involvement in the decisions as to how CSR programmes and investment are implemented within the local area. The board chairman of NADeF, stated that:

Two features of NADeF that distinguish it from other foundations is community ownership and sustainability.

In fact document analysis revealed that NADeF was incorporated as a trust limited by guarantee, as a separate entity and it is managed independent of NAMP (NADeF, 2010). At interview, a senior NAMP manager stated that:

It is NADeF that manages the foundation’s fund as a separate entity and as the contribution of the company leaves the company’s gate, Newmont has no control over the funds.

This raises the question however as to who is overseeing the investment in infrastructure and services at whether the community has the capacity to make appropriate decisions and administer funds appropriately.

**Sustainable development performance**

It is evident that there is a reasonable commitment by the organisation, at least in principle, to the sustainable development of the local community. Whilst it is difficult to assess the success or failure of CSR in contributing to long term sustainable development, it can be seen that efforts have been made to consider long term impacts of the mine beyond the life of the project. Review of the Ahafo Social
Responsibility Agreement (ASRF, 2008) revealed that a percentage of the NADeF fund is set aside annually to be spent only after the mine closes. A senior manager confirmed that:

For sustainability of the foundation after mine life, there is an endowment portion of the foundation’s fund, not to be used until the mine leaves here.

He went on to explain the mechanism in more detail:

10% of the total funds that comes to NADeF is kept in an endowment fund in a safe investment within the first 5 years and the percentage increases by 5% after every 5 years and now we are in the second 5 years and the percentage will increase to 15% and NADeF has GH5 million ($1.9 million) in its endowment fund.

Despite obvious investment in infrastructure and services by Newmont Ghana Gold within the Ahafo community, there were concerns as to the long term viability of these interventions. No evidence was found to explain how infrastructure and services provided out of the organisation’s CSR programmes were to be maintained. In fact it was clear that once constructed, infrastructure such as schools and libraries were simply turned over to the community to manage and maintain. It was unclear whether the community possessed the capital or capacity to manage and maintain these assets in the long term.

CONCLUSIONS

It is clear that the motivations of mining companies for undertaking CSR activities have a direct influence on the type and quality of the CSR programmes implemented. There is also a question as to what degree these programmes contribute to sustainable development within the communities affected. Finally these issues raise the question of who should be responsible for the sustainable development of communities within which mining companies operate. These questions are discussed in turn.

Motivations

The case literature review and case study highlight the fact that mining companies in Ghana embark on CSR programmes as a means to mitigate any potential social risks that may adversely impact mine project operations. In doing so
mining companies adopt instrumental and political approaches to CSR in order to gain a social licence to operate. The motivations are clearly economically focussed as any adverse social impacts may result in reduced profit due to project delays. In addition whilst the case study organisation was found to be going beyond their legal obligations and voluntarily share the value it creates with their host community, this is predominantly motivated by the desire to avoid any financial penalties from regulators and gain the support of local community leaders. It has previously been argued that such an approach represents an attempt to ‘buy’ the conformity or good will of the local community to ensure a stable working environment in return for investment in critical infrastructure (Jenkins & Obara, 2006). Accordingly any community investment is philanthropic in nature and whilst welcomed by host communities, may not in fact truly support long term sustainable community development.

**Contribution to Sustainable Development**

The case study suggests that a commitment to sustainable development through CSR programmes is indeed present, at least in theory. It is difficult to assess in detail the practical success or failure of community initiatives due in part to the inherent difficulties in measuring the social dimension of sustainable development (Lapalme, 2003). However, the study suggests that in the case examined, CSR actions focus on short-term community interventions, which whilst initially favourably received by communities and successful in terms of generating social licence to operate, do little to provide long-term, sustainable community benefits and thus contribute to sustainable development. It is argued that CSR approaches that truly integrate the principles of sustainable development require that social, environmental and economic benefits be maintained throughout a project's lifecycle and beyond. The infrastructure provided by the case study organisation lacked a meaningful long term maintenance or investment plan and merely transferred this responsibility to the local community. In this respect, there is a risk that the organisation may lose the support and social license to operate from the community prior to the end of their operations.

It appears then that although local communities may benefit from investments resulting from mining companies CSR programmes, the impacts are short term and thus not congruent with the principles of sustainable development. What’s more,
commitment to sustainable development should not only exist in documents, rather there should be more practical, tangible implementation which may be monitored, assessed and reported on in a meaningful manner. It could be argued however that it is not the primary function of a mining company to embark in sustainable development programmes within their host communities, rather sustainable development is perhaps a side effect of their efforts to gain social license to operate by investing in local infrastructure. This raises the question of who should be responsible for the sustainable development of the communities within which mining companies operate.

Who is responsible?

It is perhaps assumed that modern business practice should go beyond managing negative impacts to building successful businesses that contribute to the societies in which they operate and that impact positively on people and the environment. This assumption poses a difficult philosophical question: to what extent should the CSR activities of organisations engaged in mining projects contribute to sustainable development within the countries that they operate? Long term community development is difficult and complicated to implement and requires commitment from all affected parties whether they be multi-national mining companies, members of the local community or local and national governments. Support, investment and infrastructure delivered via CSR programmes will be ad hoc and ineffective if it is not guided by strategic development plans agreed upon by all parties. This raises questions as to how, when and what CSR programmes should be designed and implemented to contribute meaningfully to sustaining mining projects in Ghana, and by whom. It could be argued that overseeing mining companies legal compliance is the responsibility of government, and it is the duty of the community to ensure that they benefit from the mining company’s investment.

One of the difficult questions raised is what happens should mining companies no longer undertake operations in these communities who are now perhaps dependant on the investment in services that they provide. In this respect such actions could be perceived as creating what Jenkins and Obara (Jenkins & Obara, 2006) call a ‘dependency mentality’ where the local communities are dependent on the mining companies to provide essential infrastructure that perhaps should be provided by the
state. Whilst there is evidence that suggests progress is being made in community development and infrastructure provision, sustainable long term community development is more complicated to implement and thus the quality of community development that is in doubt.

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