Corporate social responsibility in the large scale gold mining industry in Ghana

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Abstract

There has been large scale gold mining in Ghana for at least the last one hundred years. The mining companies with the passage of time have moved from being concerned only with profit making to ‘doing well by doing good’. For some years now the gold mining companies have made some contributions to the communities in which they work. This study focused on the corporate social responsibility activities of these companies with respect to the governance structure put in place and the funds allocated for such activities. The study found that the Ghana Chamber of Mines in reporting the expenditure its members made on corporate social responsibility activities added cost elements which do not qualify to be referred to as corporate social responsibility. The funds set aside for social corporate responsibility were very small and could not bring about a meaningful change in the communities. Also, the companies operated various governance modules with different levels of community participation.

The study recommends among others that the Ghana Chamber of Mines establishes a CSR Index to encourage its members to do more in that area. There is also the need for more transparency in the accounting of CSR expenditures. The companies are also to allocate more funds for social corporate responsibility.

1.0 Introduction

The Ghanaian gold mining industry is believed to be well over 2000 years old and Hilson (2001) cites vestiges of alluvial gold extraction and winning activities to have been found that dates back as far as the sixth century. In fact, the wealth and strength of the old Ghanaian empires could be attributed to the rich gold deposits of western Sahara and by the 15th and 16th centuries, at the peak of European colonial exploration, Ghana was fittingly labelled the ‘Gold Coast’ (ibid), as the country is noted to contain 70% of proven gold reserves in West Africa (Hilson and Potter, 2005). Ghana also has the largest deposit of gold in Africa, second only to South Africa and was the 9th biggest producer of gold in the world in 2011 (Ghana Chamber of Mines, 2012).

The contribution of the mining industry to Gross Domestic Product (GDP) has risen steadily from about 1.3% in 1991 to 14.4% in 2011. The industry also contributed about 40% to the country’s mechanized export in 2011 (ibid). Gold has been the predominant mineral produced in Ghana and for the past two decades has provided 90% of the country’s mineral revenues (Draft National Mining Policy of Ghana, 2010). From 287,124 ounces in 1986, gold production had increased to 2,924,385 ounces by 2011 (Ghana Chamber of Mines, 2012). In 2011 Ghana’s gold exports totalled US$ 4,630,255,619 up from US$ 3,620,766,467 in 2010 in the previous year (ibid). The gold mining industry has been dominated by the big companies for over a century despite the centuries older small scale gold mining sector which has become
increasingly important over the past two decades. Of the top ten gold producing firms in Ghana, nine are large scale with only the Precious Mineral Marketing Company which purchases gold on behalf of the government from small scale gold miners being the only outsider. Despite the revenue generated by these gold mining companies, Boon and Ababio (nd) cites growing unease among the citizenry as to the real benefits accruing to the mining communities. Though the mining companies would like to believe otherwise, there is a widely held perception that their mining activities have been the cause of poverty and a lack of sustainable development in mining communities. The Ghana Chamber of Mines however contends that in 2009, the mining industry paid $90.4 million to the government as royalty, which increased to $144.6 million in 2010. The industry voluntarily contributed an amount of US$ 43.7 million to its host communities and the general public to support causes that enhance sustainable development in 2011 (Ghana Chamber of Mines, 2012). All these the mining companies do on their own volition as there is no legislation to compel them to do so.

This study was conducted to critically assess the corporate social responsibility activities of gold mining companies in operation in Ghana and to examine the governance structures put in place for that purpose.

2.0 Methodology
This study made use of relevant secondary data gathered from the review of scholarly publications, institutional journals and the websites of relevant organizations.

3.0 The concept of Corporate Social Responsibility
Traditionally, the main motive for doing business has been to maximise profits and increase shareholder value. However, in recent times there has been a move to place more emphasis on the environment, the local communities, working conditions, and ethical practices (Rionda et al, 2002). Boon and Ababio (nd) traces the concept of corporate social responsibility (CSR) to the 1950’s when Bowen referred to CSR as “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.” CSR is oftentimes also described as the corporate “triple bottom line”--the totality of the corporation’s financial, social, and environmental performance in conducting its business. So now investments would not only go to the workplace and marketplace alone but to the community as well. CSR is also referred as corporate citizenship (Rionda et al, 2002).

CSR may be defined as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (Commission of the European Communities, 2001). Zhang (2008) notes that “doing well by doing good”, has become a popular mantra. He further states that, corporate social responsibility comprises of not only what companies do with their profits, but also how they make them. It is not just about philanthropy and compliance but also addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence. CSR can be much more than a cost, a constraint, or a charitable deed; it can be a source of opportunity, innovation, and competitive advantage (Porter and Kramer, 2006). More and more businesses are getting into CSR as the days go by. In the United States, the San Francisco-based Business for Social Responsibility alone has 1,400
corporate members. In Europe, the London-based International Business Leaders Forum counts 60 major global companies as members (Rionda et al, 2002).

ASOCIO (2004) offers four key drivers for CSR:

- "Enlightened self-interest - creating a synergy of ethics, a cohesive society and a sustainable global economy where markets, labour and communities are able to function well together.
- Social investment - contributing to physical infrastructure and social capital is increasingly seen as a necessary part of doing business.
- Transparency and trust - business has low ratings of trust in public perception. There is increasing expectation that companies will be more open, more accountable and be prepared to report publicly on their performance in social and environmental arenas.
- Increased public expectations of business - globally companies are expected to do more than merely provide jobs and contribute to the economy through taxes and employment."

ASOCIO (2004) again cites a survey in 2002 by Ernst & Young in which 94% of companies believe the development of a CSR strategy can deliver real business benefits, however only 11% have made significant progress in implementing the strategy in their organisation. The research found that company CSR programmes influence 70% of all consumer purchasing decisions, with many investors and employees also being swayed in their choice of companies. The World Economic Forum has recognised the importance of corporate social responsibility by establishing the Global Corporate Citizenship Initiative.

4.0 Large scale gold mining in Ghana

Ghana has had a long history of mining on a large scale dating back to the nineteenth century. The total area under all mining activities both large and small scale is 31,237 km² representing about 13.1% of the country’s total land area of 238,608km² (Ghana Chamber of Mines, 2009). Reconnaissance licences which by definition and practice, permit concurrent economic activities such as farming covers 12,478 km². Reconnaissance licence alone therefore accounts for 40% of land covered by mining activities (ibid). Currently the Ghana Chamber of Mines lists 5 companies as actively engaged in production across the country and these are AngloGold Ashanti Limited, Chirano (Kinross) Gold Mines, Gold Fields (Ghana) Limited, Golden Star Resources, and Newmont Ghana Gold Limited. Besides the companies in production, there are 4 companies at the pre-production stage and 5 companies at the exploratory stage. Of the 2,924,385 ounces of gold produced in 2011, the large scale gold mining companies produced 87 percent. The large scale mining sector employed 14,257 people in 2011 out of which 99.17% were Ghanaians (Ghana Chamber of Mines, 2012). Mining companies’ contribution to company tax, which covers corporate tax, withholding tax and levies was 38.27% of the total company tax that Ghana Revenue Authority collected in 2011 (ibid).

5.0 CSR among gold mining companies in Ghana

According to the Ghana Chamber of Mines (2009), all its producing members have set up social development funds. Gold producing members contribute a dollar per ounce as well as a percentage of gross profit into the funds for the socio-economic development of host communities (ibid). Comparatively, in South Africa, mining companies spend 1% of the total output on corporate social responsibility (Scherer, 2013). Between 2004 and 2011, the various mining companies in Ghana have spent an amount of US$ 114,014,117 on CSR (Ghana Chamber of Mines, 2012). According to the Draft National Mining Policy of Ghana (2010) the gold mining
subsector accounts for about 90% of mineral revenues, then it follows that this subsector also accounts for about the same percentage of the funds spent on corporate social responsibility.

As the graph depicts, there is a sharp rise from US$ 17.6 million spent in 2010 to the US$43.7 million 2011. This is the case because an amount of US$ 29,345,274 was spent on resettlement in 2011 rising from the US$ 1,190,371 spent on the same activity in 2010. Of the total amount of US$ 114,014,117 spent on CSR from 2004 to 2011, US$39,624,284 making up 35% went into the various companies’ resettlement action plan and housing. This expenditure is not voluntary but mandatory (State Lands Act, Act125) and may not be appropriately called CSR in the proper sense of the definition (Idowu and Papasolomou, 2007).

Other socio-economic areas that received major attention were Education (9%), Alternative Livelihood Projects (7%), Agriculture (5%), and Roads (8%). Another sector which received major attention was ‘Others’ (17%). This caption is most intriguing as one is left with nothing but speculation as to what that means. As there is no independent audit of what the mining companies report as expenditure on CSR this leaves room for doubt as to how beneficial these ‘Others’ are to the communities affected by mining activities. This concern is shared by Idowu and Papasolomou (2007) that, ‘an unaudited CSR report leaves room for companies to make exaggerated claims that may be unverifiable’.

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<td>Alternative Livelihood Projects(others)</td>
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<td>361,685</td>
<td>880,441</td>
<td>2,897,767</td>
<td>992,973</td>
<td>798,658</td>
<td>2,214,584</td>
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<td>Others</td>
<td>370,691</td>
<td>337,942</td>
<td>845,054</td>
<td>830,747</td>
<td>2,004,228</td>
<td>2,841,649</td>
<td>6,478,411</td>
<td>5,528,313</td>
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<td>Total</td>
<td>3,070,436</td>
<td>2,922,573</td>
<td>11,713,239</td>
<td>13,108,555</td>
<td>12,405,863</td>
<td>9,424,312</td>
<td>17,590,471</td>
<td>43,778,668</td>
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Table 1.0 Contribution of mining companies to CSR (The Ghana Chamber of Mines, Factoid 2011)
With this in view it can be stated that the total amount spent on CSR properly so-called over the years is actually lower than what the Ghana Chamber of Mines would want the general public to believe.

Figure 2. A pie chart showing the various socio-economic sectors that benefited from CSR of mining companies (adapted from Ghana Chamber of Mines, 2012).

5.1 Administration of CSR among mining companies in Ghana

CSR seems to be a developing trend among gold mining companies operating in Ghana. This is being championed by the Ghana Chamber of Mines, which is an umbrella organization for large scale mining companies. The Chamber’s Code of Conduct which binds its members to voluntarily contribute to the socio-economic development of their host communities, engage the host communities concerning their CSR projects, adhere to good governance principles concerning CSR and establish sustainable and adequate funding for such activities.

From these principles as well as other international best practices the gold mining companies have developed their own unique corporate social responsibility mechanisms. Gold mining companies in Ghana seem to be transparent about their CSR activities probably because of corporate image and the “publish what you pay” policy adopted by the GCM. Below is a cursory look at how the 5 gold mining companies in active production as well as one additional company in the pre-production category handle their CSR with respect to the administrative structures put in place.

5.1.1 Adamus Resources Ltd.

Adamus Resources Ltd is in the pre-production category. The company has been operating the Nzema Gold Project which is located in the Western Region since 2002. The Project consists of a contiguous block of Adamus tenements and options covering approximately 665 km², and in close proximity to the major mining centre at Tarkwa. Some of the CSR activities embarked upon by the company include building 3 unit classroom block with office for Anwia community, sponsoring
training for 141 youths, providing mechanised borehole for Nkroful Senior High School and some other communities.

In terms of administering CSR, the company involves the local communities in its CSR decision making process. There is the executive stakeholder meeting as well as the community stakeholder engagements where the forum is created for the views of stakeholders such as government agencies, community leaders, farmers, media, local youth and concerned citizens to be brought on board.

5.1.2 AngloGold Ashanti Ltd.

Headquartered in Johannesburg, South Africa, AngloGold Ashanti has 20 operations on four continents and several exploration programmes in both the established and new gold producing regions of the world. In Ghana, the company operates mines at Obuasi and Iduapriem. Each AngloGold Ashanti site defines the areas of emphasis in their CSR programmes in line with their stakeholder engagement plan, but must include priorities relating to education and social infrastructure. Management standards on engagement and community complaints and grievances, which were expected to be approved in 2011, will assist the sites in employing the correct strategies of engagement. Even while the standards are being finalised and approved, work continues to tackle these challenges.

The company’s closure standard stipulates that closure planning must be undertaken in consultation with the community. In the course of these consultations, different issues are raised which require site-specific solutions. Livelihood preservation and infrastructure are often key requirements. Where communities are located in close proximity to operations, community members are involved in the development of emergency response plans and where applicable, local emergency response organisations are included in emergency response drills.

The company has spent $56.01m on corporate social responsibility from 2008 to 2011 while its sister company in South Africa spent a total of $20.61m in 2011 alone on corporate social responsibility (AngloGold Ashanti, 2013).

5.1.3 Newmont Mining Corporation

Newmont is one of the world’s largest gold producers and headquartered near Denver, Colorado. Newmont operates from two places in Ghana namely, Ahafo which is at production stage and Akyem which is yet to start operations. Ultimate oversight responsibility for the management of CSR lies with the Board of Directors, and, specifically, the Environment Social Responsibility (ESR) Committee. As established, the ESR Committee is to have three independent directors. The ESR considers the company’s policies, standards, and management systems relevant to community relationships and assesses the capacity of the company to achieve such a “social license”. A recent in-house study found a consistent lack of accountability in the implementation of Newmont’s community relations objectives. At the corporate level, this function is headed by the Vice President, ESR, who also has the title of Chief Sustainability Officer. The Vice President, ESR, reports to the Executive Vice President for Legal and External Affairs. The Executive Vice President reports directly to the Chief Executive Officer. Two managers with corporate level responsibility for community relations issues report directly to the Vice President, ESR: the Director of Community Relations and Social Development, and the Manager of Environmental Affairs and Sustainable Development. At the site level, Newmont has put in place management teams similar to those operating at the corporate level.
The mine has sought stakeholder input and feedback regarding a wide range of community development programmes and initiatives. The mine has invested in a number of initiatives, including the Social Responsibility Forum, the Ahafo Linkages Programme, and various “Flagship Projects” that aim to promote longer term economic development. Stakeholder concerns are incorporated into its community development planning — examples including the Agricultural Assistance Programme, the Livelihoods Enhancement Programme, and the Vulnerables Programme.

5.1.4 Goldfields Ltd.

Goldfields is one of the world’s largest unhedged producers of gold with mining sites in Tarkwa and Darmang in Ghana. The company operates a framework that incorporates an understanding of the local context and traditional power structures. Every quarter, the Tarkwa Mine Consultative Committee meets to set policy and coordinate development projects with relevant stakeholders. This guides the work of the Community Affairs Team, which works through committees. The Mine Consultative Committees include the mine general manager, the head of the municipal and district assemblies, the heads of relevant departments of the municipal and district assemblies, traditional leaders from all nine communities, relevant NGOs, and local media representatives. Once every two months, the Community Affairs Team meets with people, including the local chief, an elder, a women’s representative, a youth representative and local assembly members.

During 2011, Goldfields invested US$3 million (Citifmonline, 2011) from the 963,000 ounces produced in the year through the Goldfields Ghana Foundation in socio-economic development projects at the Damang and Tarkwa mines. Some of the projects entered into during the year included the provision of 35 new, four-year community scholarships, initiation of Small Town Water Supply programme, agricultural programmes to promote local entrepreneurship and best agricultural practice to boost local incomes, etc. The South African sister company spent US$2.67m from the 1,866,000 ounces in the same period (Goldfields, 2011).

5.1.5 Golden Star Resources (GSR)

It is a gold mining company with almost 25 years of gold exploration and production experience. It has two operating mines in Ghana namely, Bogoso and Prestea. The initial model used was to offer a piece of infrastructure to a community. This offer was generally based on the Community Affairs Manager’s opinion of what was required in the major stakeholder communities. Donations made by GSR within the mine’s early years included schools, libraries and boreholes. These donations were well received by the local communities but they were not necessarily focused on the specific needs of the communities. Through a review of the options, the management decided to develop a community assistance model driven by the communities themselves, while keeping control of the finances and the actual construction of the projects.

In 2005, the company formed the Golden Star Development Foundation, which has a charter and executive that run the trust independently. The Foundation is funded by GSR contributing $1/oz produced plus 0.1% of pre tax profit to a fund which is shared between the Golden Star Development Foundation and the Golden Star Oil Palm Plantations Limited. There is the community project teams (CPTs) that work with the mine’s Community Affairs Departments to determine the local community development needs. There is also the Community Mine Consultative Committee (CMCC) which is made up of representation from the broader
communities, including a representative from the local government and the mine’s Community Affairs Department, reviews the projects and recommends these projects to the Foundation’s Board of Trustees through the completion of a funding application. The inclusion of the local government representative on the CMCC ensures that all projects are aligned with local development initiatives and avoids duplication of services.

5.1.6 Kinross Gold Corporation

Founded in 1993, Kinross has quickly grown to become one of the world's leading gold mining companies. Kinross acquired its ownership in the Chirano mine on September 17, 2010 upon completing its acquisition of Red Back Mining Inc. Chirano is located in southwestern Ghana. In June 2009, Kinross was named one of Canada’s Top 50 Socially Responsible Corporations by Jantzi Research and Maclean’s magazine (Kinross, 2011).

In 2008 and 2009, Kinross undertook major initiatives to reinforce its commitment to leadership in corporate responsibility. It reconstituted its Environment, Health and Safety Committee of the Board of Directors as the Corporate Responsibility Committee, with an expanded mandate. It launched a new company-wide CSR strategy and the appointment of a Vice-President, Corporate Responsibility. The company’s CSR standards include:

- The establishment of a standing community advisory group;
- The performance of regular stakeholder perception surveys or other feedback processes;
- An evaluation of the social impact of their community activities against such criteria as community well-being, community capacity building and sustainable community economics;
- A quantification of their “benefit footprint” based on a two-tier analysis of the local benefits and how much of that local benefit is sustainable beyond our mining activities.

In 2011, the company spent $1.3m on social corporate responsibility in Ghana from a total production figure of 643,288 gold ounces at production cost of $636 per an ounce (Kinross, 2011).

6.0 Effects of CSR on the communities

According to Boon and Ababio (nd), 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 have set up Trust Funds to ensure adequate funding for their social investment activities. Despite the very fine documents these mining companies have with respect to CSR to quote Zhang (2008), ‘there is still a gap between companies’ aspirations in CSR and their actions”. This is best captured by (Anaman, 2008) Akabzaa T. M.; Seyire J. S. and Afriyie (2008) as cited in Boon and Ababio (nd), “…the mining towns of Obuasi, Tarkwa, Prestea, Konongo, Bibiani among others, 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”.

7.0 Recommendations
Since CSR is still a developing concept, more still needs to be done on the side of the gold mining companies for their interventions in the mining communities to be fully felt. CSR should not be a matter of some few dollars being spent on the people; it should be able to cause a significant change in the lives of the people. At a time when the average cost of producing an ounce of gold is $751 and is sold for US$ 1,571.52 per ounce (Ghana chamber of Mines, 2011) the gold mining companies can contribute more to CSR and not the $1 per ounce and 0.1% of pre-tax profit that they currently do.

In the attempt by the Ghana Chamber of Mines to let the whole world know of its members’ contribution to corporate social responsibility, it must do well not add on cost elements which are not generally accepted as corporate social responsibility. There should also be a way through which the chamber can audit expenditures members report on as CSR. The Ghana Chamber of Mines needs to create a forum where the members can share on best practices in the area of CSR. Members of GCM must seek not only to fulfil the basic requirements but to do more. To further enhance CSR among its members, the GCM can come up with a CSR index on the performance of its members which should be published. The community people should be encouraged to seek accountability from their representatives on the CSR committees setup by the mining companies. Periodic reports should be made to the people by their representatives so that they are made aware of what the gold mining companies are doing for them.

8.0 Conclusion
As mentioned earlier, CSR in the gold mining industry in Ghana is a developing concept and more needs to be done to fine tune the practices. There should be no complacency since more is yet to be done to improve upon the lives of the people in the mining communities. Obuasi and Tarkwa may not be like Perth or Johannesburg anytime soon, but then the people in these communities deserve to benefit from the resources nature has bequeath to them.

9.0 Limitations
All attempts made to seek clarification from the Ghana Chamber of Mines on some issues proved futile as they did not respond to emails sent to them.

10.0 Directions for further research
Further studies into corporate social responsibility among mining companies in Ghana could focus on the most effective governance structure for CSR, transparency issues in CSR financing, dispute management among beneficiary communities among others.

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